



I&P Afrique Entrepreneurs 2

ANNUAL ESG AND IMPACT REPORT

MARCH 2021

FOREWORD

At I&P, we are convinced that Small and Medium-Sized businesses are key players for inclusive growth in Africa .

In 2020, **the heavy toll taken by the COVID-19 pandemic** was about direct victims of the virus, but also about losses in income for millions of people who lost their jobs due to the economic crisis. Many companies were hit hard.

The SMEs supported through I&P Afrique Entrepreneurs have gone through a tough period but they have shown **outstanding resilience and a strong capacity to adapt quickly** to unprecedented life and work conditions. They have done their utmost to protect their teams and employees. Some have changed their business model. Some have gone 100% virtual in just a few weeks. These responses show their agility in such an unexpected context.

In the "new reality" that will prevail after the pandemic, the **role of entrepreneurs will be even more instrumental** in transforming African economies and in—creating more stable jobs.

More than ever, I&P can prove to be a **particularly well suited tool to address the challenges of our times**. The purpose of impact investing is to create economic and human prosperity where markets don't work, where investors usually don't go because it's too difficult, too costly, too risky – and of course to seek financial sustainability. Our role becomes even more important, both in supporting African entrepreneurs and in advocating for their cause in African public policy.



Jean-Michel SEVERINO
CEO, Investisseurs & Partenaires

A WORD FROM THE TEAM

Across the investing world, **ESG is emerging as one of the hottest investment themes for fund managers**. As a result, there have been many ESG-related speeches and lots of positive declarations, all steps in the right direction.

With the SMEs we invest in, however, **ESG actions speak louder than words**. The consequences of ESG issues are a lived reality that companies must embed in their decision-making process in order to survive and thrive.

Take **Eden Tree for example**, that we have supported with IPAE1. This woman-led fresh produce distribution business sources vegetables from more than 150 small holder farmers in Ghana. Over the past few years, the effects of climate change have started to affect the yields of these farmers. Eden Tree has stepped up to provide support in terms of facilitating and advocating for climate-friendly agronomic practices. At the same time, we encouraged the company to complete the upgrading of its processing facility to be partly solar-power driven.

As an impact investor, **I&P supports these SME entrepreneurs to navigate these complex ESG situations in a challenging context. On this matter, we cannot afford words without action.**



Baafour OTU-BOATENG
Investment Director, Ghana

CONTENTS

	IMPACT THESIS AND METHODOLOGY	p. 6
--	--------------------------------------	-------------

	IMPACT MANAGEMENT IN 2020	p. 18
--	----------------------------------	--------------

1	PORTFOLIO OVERVIEW	p. 19
----------	---------------------------	--------------

2	MEASURING IMPACTS BASED ON OUR INVESTMENT OBJECTIVES: 2020-2021 PERFORMANCE	p. 21
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3	STRENGTHENING THE LOCAL ECONOMIC FABRIC THROUGH INDIRECT IMPACTS	p. 39
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4	ENHANCING OUTREACH & IMPACT WITH ADVOCACY	p. 46
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	INVESTEE ESG & IMPACT REPORTS	p. 50
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OVERVIEW

Investisseurs & Partenaires is a **pioneering impact investment group entirely dedicated to financing and supporting small and medium-sized enterprises and start-ups in Sub-Saharan Africa**. Launched in 2002, I&P has developed 3 complementary business models to provide SMEs the necessary financing and skills to succeed and grow. As an impact investor, I&P has a dual objective of financial return and impact.

● A COMMITTED TEAM OF **100** FRANCO-AFRICAN STAFF

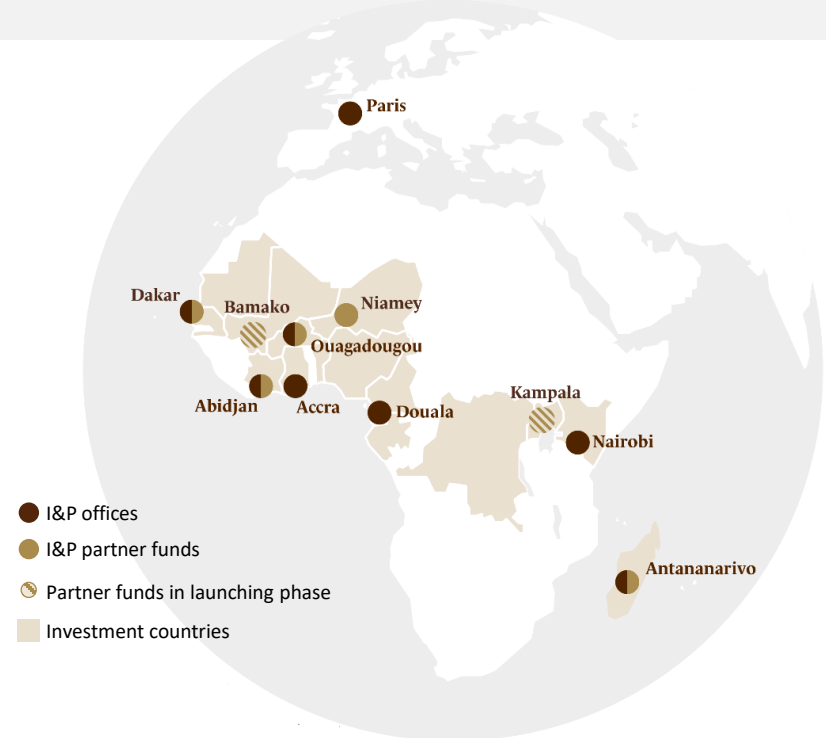
- Based in **10 African sites**: Burkina Faso, Cameroon, Côte d'Ivoire, Ghana, Madagascar, Mali, Niger, Senegal, Uganda, as well as **in Paris and Washington D.C.**
- I&P and its partner funds have raised **€210+ million** from African and international investors

● MORE THAN **170** COMPANIES SUPPORTED

- **120** capital-funded companies and 50 companies benefiting from subsidized acceleration programs
- With financing needs ranging from **€10,000 to €5 million**
- Based or operating in **15 Sub-Saharan African countries**

● **3** COMPLEMENTARY LINES OF BUSINESS

- **I&P Expansion**: Directly supporting and financing the development of SMEs and start-ups and strengthening their impact (IPAE1 and 2)
- **I&P Development**: Financing small businesses through a network of partner funds in Africa (IPDEV1 and 2)
- **I&P Acceleration**: Scaling-up young businesses through seed-funding and/or training programs



▶ IPAE 2 is part of I&P Expansion's line of business:

Fund size	€92M
Investment size	From €300,000 to €5M (average ticket size of €2M)
Target # of investments	35 – 55 investments
Geographical scope	Sub-Saharan Africa (focus on Western, Central, East Africa, and the Indian Ocean)
Sectors	Working in various sectors
Fund life	Closed-end, 10-year tenure, with a possible 2-year extension

IMPACT OF THE COVID-19 CRISIS

Sub-Saharan Africa has been hard hit by the COVID-19 pandemic, with business activity in the region shrinking by an estimated **3.7%** in 2020. The economic outlook continues to be heavily impacted. **Growth** is forecast to resume at a moderate average pace of **3% in 2021-22—0.4 percentage points weaker than previously projected**. There was also a hike in **government indebtedness** in 2020, as economic activity and government revenues sharply fell while pandemic-related spending rose appreciably, mostly with the combination of the disruption of China-related supply chains, the collapse of the export market towards Asia and Europe, and the unprecedented drop in oil and key mineral prices. Moreover, **remittance inflows**, which are the main source of external financial contribution in Africa, **dropped by about 7%** down to **78.3 \$ billion** in 2020.

IMPACT ON PORTFOLIO COMPANIES:

- **Significant loss of revenue for 3 portfolio companies** (more than 25% for Rensource and Soafiary). In contrast, start-up companies (StarNews, CoinAfrique) increased their turnover in 2020.
- Negative or **decreased net income** for all portfolio companies, except for AMI.
- Companies already in the portfolio in 2019 still managed to experience **positive job growth** (868 jobs in 2020 vs 838 jobs in 2019).
- But female employees no longer make up the majority of the portfolio workforce: the **proportion of female employees dropped by 12%** on a like-for-like basis (46% in 2020 vs 58% in 2019). Women have been more severely affected by this crisis.
- Most companies experienced a **treasury crisis and staff reduction** or at least teleworking at some point during the crisis.

OUR RESPONSE:

In these circumstances, the IPAE 2 team has tried to tailor I&P's support to the needs of its partner companies:

- ➔ **Flexible use of our investment capabilities, with an impact on equity raising and valuation** : supporting portfolio companies particularly affected by the crisis by granting a moratorium on loan repayments, or by adjusting the timeline of follow-up investments in some instances, or even by adjusting the investment cap to allow for the re-use of redemptions received (IPAE 1).
- ➔ **Crisis management and pivoting SMEs**: the IPAE 2 teams provided support by helping portfolio SMEs explore local funding opportunities specific to their activities or specific to a change in their business model, and/or alternative support in the form of bridge loans or Covid relief funds.
- ➔ **Hands-on strategic and operational support** was brought to the entrepreneurs in the area of crisis management, be it through a short crisis webinar or the improvement of their Business Continuity Plan through technical assistance, for example.
- ➔ **Keeping investments going**: although conducting due diligence processes throughout the crisis has proved challenging, this hasn't slowed down new investments: 3 new investments were realized during Q2 2021 and 5 additional deals have already been pre-approved by the Investment Committee.



FOCUS ON 2 INVESTEEES

Rensource, Nigeria



Rensource has been significantly impacted by the crisis (*78% drop in turnover, 10% decrease in job growth*), as the company couldn't cater to all the markets that have been closed during the lockdown in Nigeria. The business is pivoting its model to focus more on commercial and industrial clients.

AMI, Kenya



Although some large existing contracts have been suspended by clients or redesigned, AMI managed to provide a rapid response in terms of protecting staff well-being, shifting programming completely online, and identifying new opportunities. The company has surpassed its profitability targets (*44% increase in revenue, EBITDA positive*).



IPAE 2 - ESG & IMPACT REPORT

IMPACT THESIS AND METHODOLOGY

IMPACT MANAGEMENT IN 2020

1 PORTFOLIO OVERVIEW

2 MEASURING IMPACTS BASED ON OUR INVESTMENT OBJECTIVES: 2020-2021 PERFORMANCE

3 STRENGTHENING THE LOCAL ECONOMIC FABRIC THROUGH INDIRECT IMPACTS

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INVESTEES ESG & IMPACT REPORTS

MISSION

Our commitment to the development and growth of African economies

I&P was created to contribute to alleviating poverty in a unique and original way: through **promoting SMEs and start-ups in Africa**. The rationale is that small businesses are one of the key drivers of increased productivity, formal decent employment and access to key goods and services improving people's lives in African societies. African entrepreneurs also transform the culture, the mindset and the structure of African societies. We believe in their ability to generate both a positive financial return and social and environmental impacts.

As documented in this report, formal SMEs pay taxes, which contribute to social expenditures and the provision of public services, which in turn strengthens the national social contract. Formal jobs also have significant benefits for employees, who can access lending, housing, health care and many other social and economic services that can dramatically improve their lives.

Our report also demonstrates **the magnitude of the impacts IPAE2 businesses have on their clients**, who benefit from the goods and services our partner companies provide. They also directly influence their suppliers. In sectors like agribusiness, thousands of smallholder farmers are positively impacted by the SMEs IPAE2 supports. IPAE2 SMEs also help shape the financial sector through their relationships with banks and their shareholders. Through their boards and management, a new form of governance is being introduced into the African economy. The ESG support that IPAE2 provides to our partner companies helps maximize this whole range of impacts, which include benefits such as employer-provided/subsidized health care for employees and their families.

I&P was born from the idea that equity investment, and technical support can efficiently help entrepreneurs to grow their businesses from the earliest stages of their development. **Our mission is to address the “missing middle”**, those SMEs that, given their small size, do not have access to international investors and banks but whose financing needs are also too great to qualify for microfinancing. We help move SMEs into the formal financial economy of their country. We are convinced that this support allows them to improve their financial performance while improving their social and environmental practices.

Additionality and sustainability are key concepts for IPAE2. Not only do we operate in particularly vulnerable countries which are largely underserved by other investors, but within these countries, we then target those SMEs that are suffering most from a lack of financing. IPAE 2 is helping to develop a SME eco-system that would not have been possible without our funding. However, we are also deeply aware of the negative externalities generated by the economic activity involved. Therefore, as often as possible we support businesses that provide direct environmental and social services. We also help reduce CO2 emissions, limit and manage waste and combat biodiversity loss.



ADDRESSING THE “MISSING MIDDLE” IN AFRICA

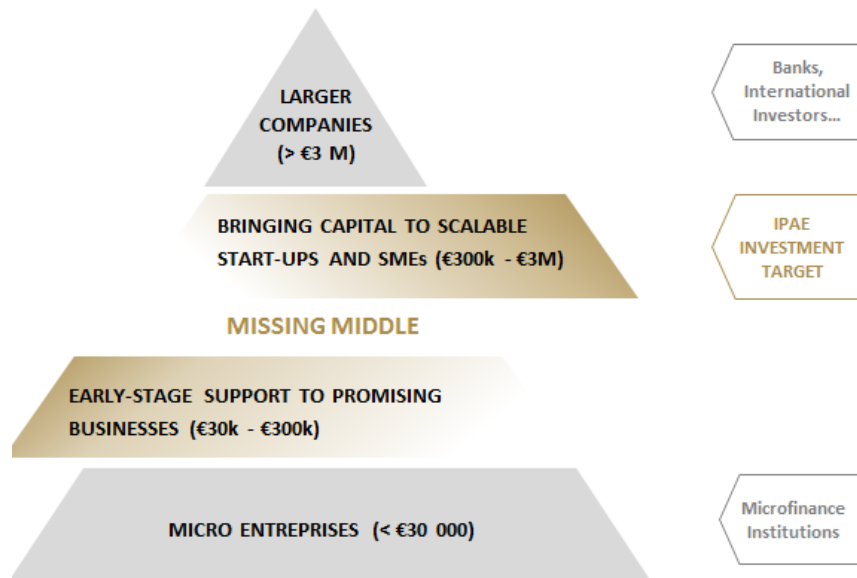
Private equity: a proven response to the growth needs of SMEs

WHY PROMOTING AND GROWING SMEs MATTERS

SMEs appear as a solution to many development challenges in Africa as they :

- **Create decent and stable jobs** that offer higher wages than in the informal sector (50% to 60% higher according to data from Ghana and Tanzania).
- **Offer well above-average growth potential** (15% per year on average for IPAE1 portfolio companies).
- **Build and structure the local economic fabric**- SMEs tend to obtain their supplies locally, unlike multinationals, which tend to rely on international networks.
- **Improve access to useful goods and services for domestic markets** and the BOP (such as water, healthcare, housing and education). African SMEs tend to be predominantly focused on domestic markets, thus filling these gaps.

Financing the missing middle in Sub-Saharan Africa²



¹ [Enterprise Surveys, World Bank Group](#)

² Lundin Foundation: “Resourcing The Missing Middle”

PRIVATE EQUITY: A NEW SOLUTION FOR AFRICAN SMEs

Equity investors such as IPAE can effectively meet most of the needs of African SMEs:

- ① **Personalized long-term risk finance:** private equity investors can provide long-term equity and quasi-equity finance, often without asset-based collateral
- ② **Accessing skills:** the investor provides individualized management support to the investees in various areas of expertise (strategy, accounting, financial management...)
- ③ **Improving governance:** the investor structures the governance of the companies and improves management standards
- ④ **Catalyzing effect:** the presence of an investor facilitates bank financing

INVESTING IN SUB-SAHARAN AFRICA

A dynamic yet challenging region

COVID19 crisis and its consequences

- Sub Saharan African countries has been hard hit by the COVID-19 pandemic, with activity in the region shrinking by an estimated **3.7%** in 2020 (World Bank).
- The hardest hit countries were those with **large domestic outbreaks**, those heavily **dependent on travel and tourism**, as well as **commodity exporters**, particularly of oil.
- There was also an increase of government debt to **70%** of GDP in 2020, as economic activity and government revenues sharply fell while pandemic related spending rose appreciably.

Economic recovery ahead

- **Growth is forecast to resume at a moderate average pace of 3% in 2021-22**, which is 0.4 percentage points weaker than previously projected.
- Africa **will become the world's youngest and most populous continent** over the next few decades. Its labor force will rise from the 620 million estimated in 2013 to **nearly 2 billion in 2063** (AfDB). A demographic dividend could provide a great opportunity for Africa, if, and only if, the continent manages to cope with the current health and economic crisis in order to provide economic opportunities for all.

A strong entrepreneurial spirit

- A 2015 Approved Index study ranked Africa among **the top on the entrepreneurship chart**.
- **26% of Sub-Saharan African women are actively involved in entrepreneurship**, making Africa the leading continent for women entrepreneurship (Rolland Berger).

Still many development challenges

- Africa's recent high economic growth rates **have not been accompanied by high job growth rates**. Between 2000 and 2008, employment grew at an annual average of 2.8%, roughly half the rate of economic growth. Hence, the importance of financing SMEs that have a greater potential for job creation.
- **African SMEs suffer from very limited access to the formal financial sector**: more than 21% of SMEs cite access to finance as the major factor limiting their growth (WBES, 2019).

In such a context, I&P capitalizes on its knowledge in the field and on its 19 years of impact investing in these countries. This enables it to fulfill its mission to invest in these fragile countries by managing the risks involved as effectively as possible.

IPAE2'S FOCUS ON LEAST DEVELOPED AND FRAGILE STATES

One of IPAE2's impact objectives is **to have 70% or more of its investments operating in Least Developed Countries or Fragile Countries**. These designations are established by the United Nations and the World Bank, respectively.

IMPACT THESIS

IPAE 2, a mission-driven fund

THE FUND'S IMPACT THESIS:

PROMOTE LOCAL ENTREPRENEURSHIP TO FOSTER INCLUSIVE GROWTH AND STABILITY IN AFRICA



ENTREPRENEURS

Develop responsible African entrepreneurship, particularly in Fragile and Least Developed Countries.



EMPLOYEES

Create decent jobs and training opportunities.



CLIENTS

Meet unsatisfied demand for goods and services and contribute to the SDGs.



SUBCONTRACTORS

Create business for local suppliers and distributors and fortify the local economic fabric.



WOMEN

Integrate a gender-lens perspective and promote women leadership, women employees and women-oriented products and services.



ENVIRONMENT

Foster environmentally-friendly development, whether through "green" products and services or through mitigation of environmental impact.

I&P'S MAIN CONTRIBUTION TO THE SDGS



IMPLEMENTING AN IMPACT MANAGEMENT SYSTEM

Pursuit of impact objectives supported by robust ESG analysis

FROM ESG TO IMPACT:

RISK MANAGEMENT

Environmental Social and Governance (ESG) risks assessment based on IFC Performance Standards.

VALUE CREATION FOR THE INVESTEE COMPANY

Identify extra-financial opportunities and promote actions creating combined societal and economic value.

DEVELOPMENT IMPACT

Enhance positive impact to achieve broader development outcomes.



WHAT DOES ESG MEAN?

Environmental, social and governance (ESG) criteria are a set of standards at the basis of extra-financial analysis, which aim at assessing non-financial issues in order to get the best out of corporate governance.

- **Environmental** criteria take into account a company's environmental impact and its management performance.
- **Social** criteria examine how a company manages relationships with employees, suppliers, customers, and the communities it affects.
- **Governance** deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.



BEYOND THE MISSION, THE MEASURE (1/2)

IPAE2's measurable impact targets

RATIONALE

We seek to maximize impacts through proactive management of the portfolio, based on **measurable targets**, aggregated at the portfolio level. The fund's final impact performance will be assessed against these key impact targets, which would be fully achieved in a **best-case scenario**.

The **impact performance is reflected in the fund's incentive structure**. This structure is expected to reward the team to the extent to which impact targets are met (or not).

If the financial hurdle rate is achieved (IRR > 5%), the carried interest percentage for the investment manager (within a range of 10% to 17%) will be adapted according to the achievement of the key impact targets presented below.

KEY IMPACT TARGETS

Developing responsible African entrepreneurship, including in Most Fragile Countries

1. **70%** (or more) of companies owned or led by leaders rooted in Africa over the long term
2. **70%** (or more) of companies operating in Least Developed Countries or Fragile Countries

Only **14%** of impact investing in Africa is allocated to LDCs or Fragile Countries (GIIN, 2015, 2016)

Creating decent jobs & training opportunities

3. **50%** (or more) direct employment growth during the holding period (at the portfolio level), provided that jobs created have decent conditions
4. **50%** (or more) of companies improving health and safety in the workplace or social protection for employees during the holding period

+15% of employment growth in Private Equity-backed companies in Africa over the investment period (AVCA, 2016)

BEYOND THE MISSION, THE MEASURE (2/2)

IPAE2's measurable impact targets

KEY IMPACT TARGETS (CONTINUED)

Promoting women entrepreneurs and managers

5. **35%** (or more) of companies owned or led by a woman or with more than 30% of women in senior leadership positions

Only **7%** of African SMEs registered in WBES 2019 were owned or led by women (WBES, 2019).

Meeting unsatisfied demand for goods and services and contributing to the new SDGs

6. **50%** (or more) of companies providing local goods or services that address essential needs and the new United Nations SDGs

Fostering environmentally friendly development

7. **50%** (or more) of companies implementing “green” projects (renewable energy, energy efficiency, CO2 capture or offset, waste or effluent management, sustainable agro-business, etc.)

CALCULATION OF THE EXTRA CARRY

The **final carry will be comprised of between 10% and 17%** for the fund manager, depending on the level of achievement of key impact targets, as presented below. To ensure impact data reliability, impact figures will be audited two or three times in the fund's life.



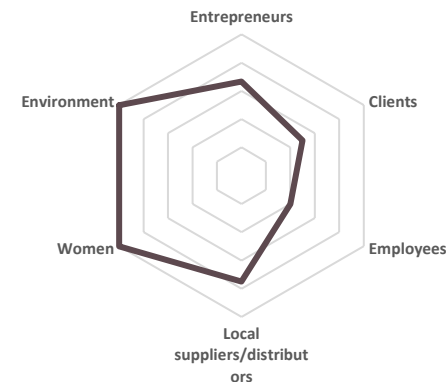
IMPACT MANAGEMENT | PRE-INVESTMENT

Screening investment projects on ESG & impact

ASSESSING PROSPECTIVE IMPACTS

For each of its impact funds, the I&P team uses **Impact Screening Scorecards** to screen investment projects for alignment with the fund's core impact objectives and to identify ways to improve overall impact:

- on **local entrepreneurship** (entrepreneur nationality and location, additionality of the investment, etc.)
- on **women empowerment**
- on **employees** (creation of decent jobs)
- on **clients** (meeting of local and essential needs)
- on **local suppliers and distributors**
- on the **environment**



Sample Impact Screening Scorecard

CONDUCTING ESG RISK DUE DILIGENCE

In-depth analysis of the following ESG risks based on IFC Performance Standards:

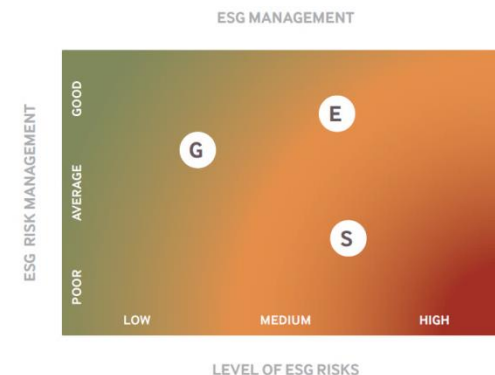
- **Social considerations** including, but not limited to, working conditions and human resources management, occupational health and safety and impact on local communities
- Environmental considerations, such as water and waste management, carbon footprint and energy efficiency, impact on biodiversity, etc.
- Governance-related considerations such as business integrity and corporate governance framework

EVALUATING ESG RISK AND ESG MANAGEMENT

The I&P team rates **ESG risk** (high, medium or low), as well as the **level of ESG management** (good, average or poor) thanks to extra-financial diligence criteria that allow risk identification and management evaluation.

ESG risk rating categories are based on **international standards** (IFC, CDC).

Sample ESG risk categorization matrix →



IMPACT MANAGEMENT | POST-INVESTMENT

Impact and ESG monitoring during investment and exit

IMPLEMENTING ESG ACTION PLANS TO GENERATE ECONOMIC AND SOCIETAL PERFORMANCE

- The investment team works with partner companies on **ESG actions** that generate economic value and are fully integrated into the company's operations.
- Partner companies legally undertake implementing and monitoring of these ESG action plans, and a contact person is appointed to oversee the process.
- **Bi-annual meetings** with the investment team are set up to assess progress made and to update the action plan.

MEASURING ESG & IMPACT RESULTS ANNUALLY

Annual Collection & Analysis of Impact Indicators

I&P measures investee company performance with an **in-house IM tool based on IRIS metrics**. Close to one hundred indicators are collected on a declarative basis and analyzed every year to assess partner companies' impacts on their local stakeholders:

ENTREPRENEURS

- Share of companies led by African entrepreneurs
- Age, level of education, years of experience, etc.

ENVIRONMENT

- Company carbon footprint

CLIENTS

- Share of services and goods that address the SDGs

WOMEN

- Share of women among company's employees
- Share of women in top management

EMPLOYEES

- Job creation and patterns (gender, wages, etc.)
- Employee training and other benefits

SUPPLIERS/DISTRIBUTORS

- Number of suppliers/distributors
- Share of national suppliers

360° Impact Studies (available on I&P's website under "Resources")

I&P regularly **conducts in-depth impact studies on a company or a specific topic**. A 3- to 4-member team conducts a field survey among local stakeholders to evaluate each company's impacts. In 2018, two studies were published on the impacts of formal employment in Madagascar and Senegal, respectively.

ENSURING GOOD IMPACT MANAGEMENT AFTER EXIT

- I&P selects buyers who will allow for the **sustainability of the company's impacts and ensure good ESG practices**.
- Impact management issues are **included in exit discussions** with the selected purchaser(s) and in legal documentation.

ESG METHODOLOGY – PRI ASSESSMENT

Best in-class practices according to PRI assessment

UN Principles for Responsible Investment Pilot Assessments



- International network of investors (1,184 signatories): implementation of **6 Principles for Responsible Investment**
- **Third assessment report** based on I&P's 2020 report to the PRI. Evaluation is underway for 2021.
- Based on three modules, on a scale from A+ to D: overarching approach, private equity and inclusive finance (for microfinance)

Module	STRATEGY AND GOVERNANCE	
TOTAL SCORE	29★ (out of a maximum of 30★)	<ul style="list-style-type: none"> ▪ Very good assessment, placing I&P among the top performers of its category ▪ To achieve the best score (30/30), increased disclosure of ESG commitments and third-party verification of the PRI annual report
Grade	A+ (median score of all respondents: A)	

Module	PRIVATE EQUITY	
TOTAL SCORE	28★ (out of a maximum of 30★)	<ul style="list-style-type: none"> ▪ Very good assessment ▪ Improvement potential: more <u>formal</u> sustainability policies within partner companies
Grade	A (median score of all respondents: A)	

Module	DIRECT – INCLUSIVE FINANCE	
TOTAL SCORE	34★ (out of a maximum of 36★)	<ul style="list-style-type: none"> ▪ Improvement (from B to A) since 2014 ▪ As a result of an increased focus on client protection principles and social performance management
Grade	A (median score of all respondents: A)	

EXTRA-FINANCIAL COMMITTEE

Independent members who push us to excel in our efforts

The Extra-financial committee is composed of independent members and is consulted at least annually (the last meeting was held on June 4, 2021). Members have helped us greatly to evolve and improve our annual reports with their thoughts and comments.

The committee's roles and responsibilities include:

- Reviewing the extra-financial policy and specific goals
- Reviewing the fund's annual ESG and Impact report
Discussing the ESG action plans of our partner companies
- Verifying our alignment with IFC Operating Principles for Impact Management



Farid BADDACHE
Cofounder and CEO,
Ksapa



Michel JACQUIER
Former Deputy CEO of the
French Development Agency



Mariam DJIBO
Executive Director,
Advans (Côte d'Ivoire)



Swaady MARTIN,
Founder and CEO,
Yswara



FOCUS: I&P AMONG THE EARLY ADOPTERS OF IFC'S OPERATING PRINCIPLES FOR IMPACT MANAGEMENT

The Operating Principles for Impact Management provide a framework for investors to ensure that impact considerations are integrated throughout an investment lifecycle. It is a market standard designed to bring greater transparency, credibility, and discipline to the impact investment market. The Impact Principles were developed by IFC in collaboration with private and public sector asset owners and asset managers.

I&P is among the early adopters of the Principles. Our disclosure statement has been reviewed by the members of the Extra-Financial committee to confirm the compliance of the impact management system described in I&P's policies and procedures in regard to the Principles.



**Operating Principles for
Impact Management**

Discover our
disclosure statement



IPAE 2 - ESG & IMPACT REPORT

IMPACT THESIS AND METHODOLOGY

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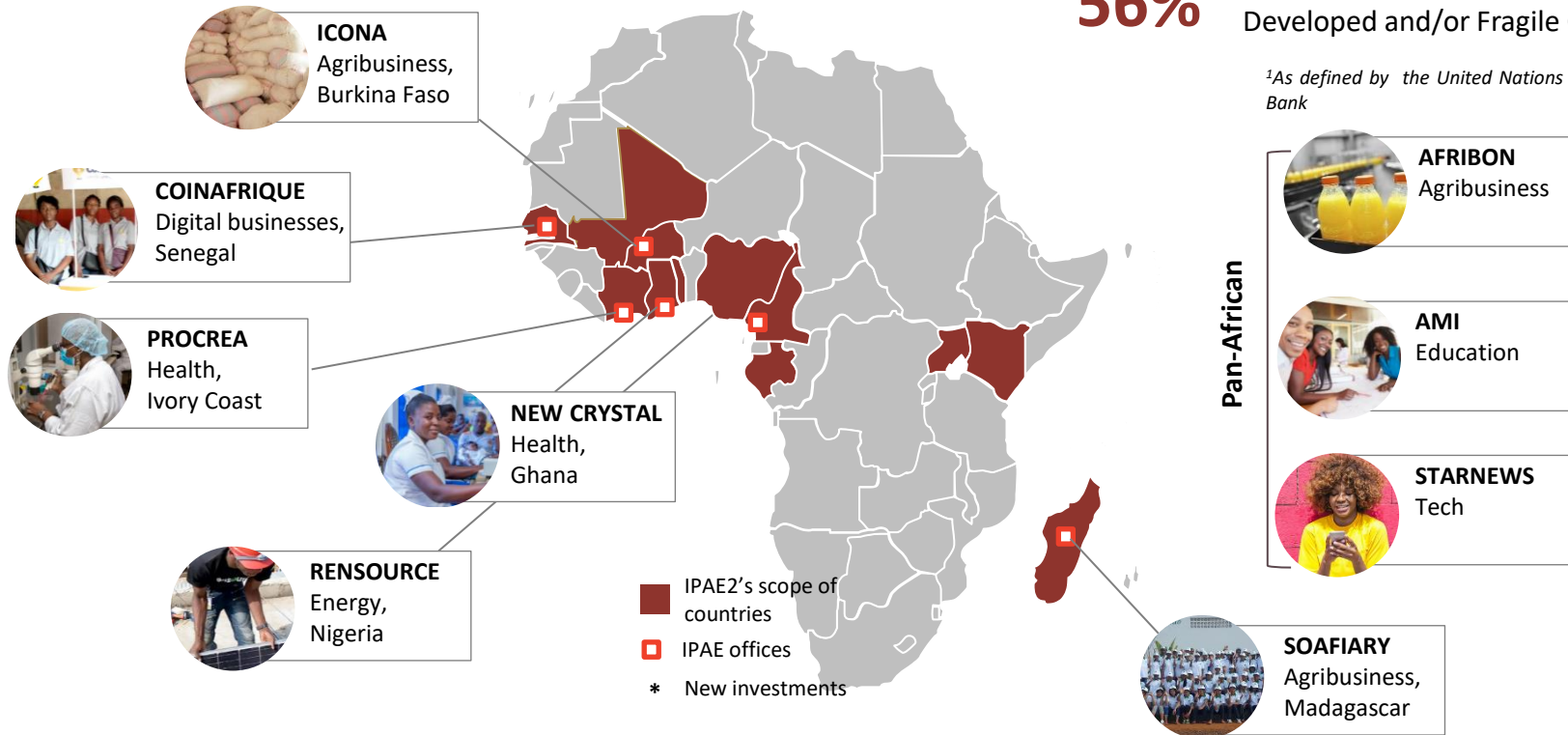
INVESTEE ESG & IMPACT REPORTS

2020 IPAE2 PORTFOLIO OVERVIEW

Nine investments, five different sectors

56% of funds committed in Least Developed and/or Fragile Countries¹

¹As defined by the United Nations and the World Bank



SIZE OF PORTFOLIO COMPANIES

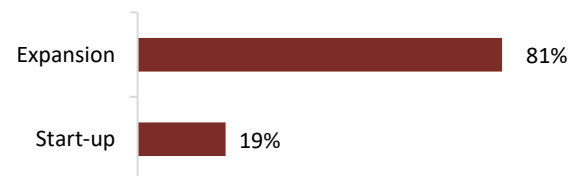


Very Small SME : Turnover < € 0.5M and Employees < 25

Small SME : €0.5M < Turnover < €1.5M€ or 25 < Employees < 50

Medium SME : €1.5M < Turnover < €4M and Employees > 50

MATURITY



Note: The percentages in each category are calculated according to the level of IPAE 2's financial commitment in each company.

IMPACT-ORIENTED PORTFOLIO MANAGEMENT

IPAE2's progress

An assessment of IPAE2's performance on key impact objectives was conducted in 2020. Since the portfolio currently contains only nine companies, the data is not yet sufficiently representative. Objectives 4, 5 and 7 were not assessed, as their completion will be measured by an impact auditor only on the Final Impact Determination Date.

Key impact objectives	Nb	Indicator	Target	2020 progress
Developing responsible African entrepreneurship	1	Percentage of companies owned or led by leaders rooted in Africa on the long term	70% or more	67%
	2	Percentage of companies operating in Least Developed Countries or Fragile Countries	70% or more	56%
Promoting women entrepreneurs and managers	3	Percentage of companies owned or led by a woman or with more than 30% of women among senior leadership positions	35% or more	44%
Creating decent jobs	4	Percentage of direct employment growth during the holding period and aggregated at the portfolio level, provided that jobs created have decent conditions	50% or more	n/a
	5	Percentage of companies improving health and safety in the workplace or social protection for employees during the holding period	50% or more	n/a
Meeting local demand for essential goods and services	6	Percentage of companies providing local goods or services addressing essential needs and the new UN Sustainable Development Goals (target: 50% or more)	50% or more	67%
Environmentally friendly development	7	Percentage of companies implementing "green" projects	50% or more	n/a



IPAE 2 - ESG & IMPACT REPORT

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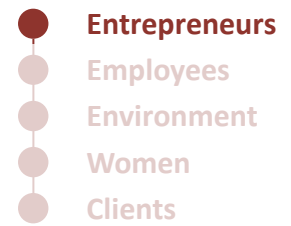
- Entrepreneurs
- Employees
- Environment
- Women
- Clients

3 STRENGTHENING THE LOCAL ECONOMIC FABRIC THROUGH INDIRECT IMPACTS

4 ENHANCING OUTREACH & IMPACT WITH ADVOCACY

INVESTEE ESG & IMPACT REPORTS

SUPPORTING RESPONSIBLE ENTREPRENEURSHIP



IPAE 2 pursues two impact objectives regarding the companies in portfolio:

- 70% (or more) of companies should be owned or led by leaders rooted-in Africa over the long term
- 70% (or-more) of companies should be operating in Least Developed Countries or Fragile Countries

A great majority of IPAE 2 entrepreneurs and managers with local roots



67%

of entrepreneurs in our portfolio are **rooted in Africa over the long term**

Many operating in the poorest and most fragile countries



56%

of our partner entrepreneurs operating in **Least Developed Countries** or **Fragile Countries***

*As per the December 2018 UNDCP list of Least Developed Countries and the WB list of fragile and conflict-affected Nations.



FOCUS ON SOAFIARY

Founded in 2006 by the **Malagasy promoter Malala Rabenoro**, SOAFIARY specializes in the sourcing, processing and commercialization of cereals (maize, rice) and leguminous plants (beans, cape peas, lentils, soybeans) for local and international markets. The company employs nearly 200 people, 88% of whom are women.

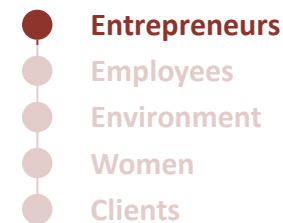
With a background in marketing, Malala previously worked for a Microfinance Institution, where she gained more than 15 years of experience in administration and management. She left her position in 2011 to dedicate herself fully to SOAFIARY.

In October 2020, an article focusing on the company, entitled “SOAFIARY, the case of a socially responsible company in Madagascar” was published on the blog *Entreprenante Afrique*.



FOSTERING GOOD GOVERNANCE

Supporting entrepreneurship through better governance



1 IMPLEMENTATION OF A SHARED GOVERNANCE

Entrepreneur(s) usually hold a majority stake and remain in charge of day-to-day operations. They are provided with strategic guidance that improves the credibility of the business vis-à-vis external partners.

1 or 2 independent directors are included when appropriate and possible, to bring additional expertise with an independent viewpoint.

67% of boards include at least one independent director



3 board meetings held in 2020 on average in each partner company

1 or 2 IPAE members on the investment or strategic advisors' teams who provide support to the entrepreneurs and ensure that extra-financial considerations are regularly raised and discussed.

Other minority shareholders may be represented in some cases.

2 UPGRADING OF ACCOUNTING AND REPORTING PRACTICES

Our context: IPAE2 invests in fast growing companies, which have an urgent need to strengthen their internal capacities to achieve sustainable growth.

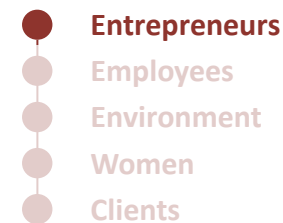
Our actions :

- **Audited accounts:** we require that annual accounts be audited by statutory auditors to ensure reliable accounting practices.
- **Training seminars:** in 2018 and 2019, entrepreneur training seminars focused on financial management and change management in SMEs.
- **Technical assistance:** customized assistance is provided to several partner companies.

3 ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

Good governance involves impeccable integrity at all levels of the company. I&P assists its portfolio companies to improve their KYC practices, to elaborate ethical codes and to fight against corruption.

SUPPORT FROM THE TECHNICAL ASSISTANCE PROGRAM



IPAE 2 builds strong partnerships with its investee companies by providing them with both financing and managerial support. **Given the lack of human and financial resources in Africa, IPAE2's technical assistance (TA) program is critical to fostering capacity building, skills transfer and training in partner companies.** This assistance is complementary to IPAE 2's general strategic and management mentoring.

The TA program is based on grants from IFC (€655k), EIB (€1.05M), FISEA (€250k) and DGGF (€700k). It co-finances a great variety of support missions carried out by independent specialists.



27 missions have been conducted and 9 are still in progress.



A total budget of **€380K** financed by IFC (€144 k), EIB (€64k), FISEA (€27 k), DGGF (€61 k) and investee companies (€84 k).



1 400 days have been dedicated to TA missions.



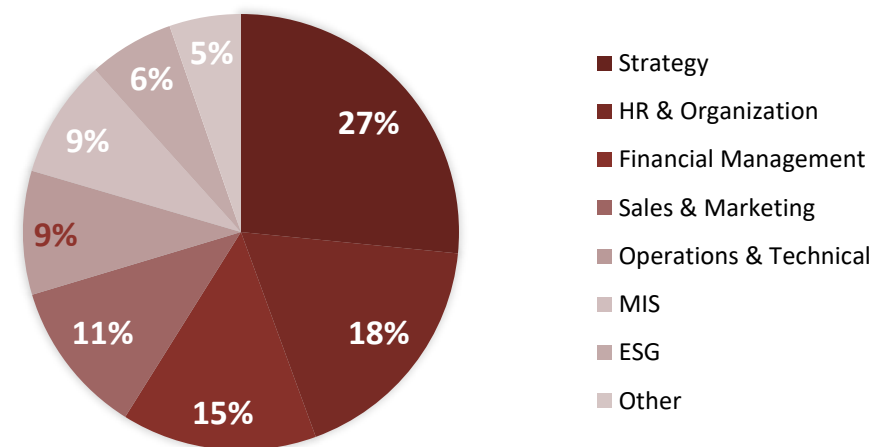
26 different experts, **58%** of them African, have been committed to TA missions.

EXAMPLE OF A MISSION: SOAFIARY

Company description: A family agri-business specialized in the collection, processing, sale and export of dry grains (corn, rice) and legumes (beans, lentils, soybeans, etc.).

Type of TA: Post-investment: Strengthening of quality and food safety management to meet the standards of two major clients.

FIELDS OF ACTION



Assessment and results:

- The mission helped **put in place the HACCP system**, define **clear quality and food safety policies** and provide **audit training** to the QA team.
- Strengthening of good hygiene practices** through sensitization of employees. Advice on **necessary equipment and physico-chemical tests** to be carried out internally.

SUPPORTING ENTREPRENEURSHIP UNDERSERVED BY TRADITIONAL FINANCING

- Entrepreneurs
- Employees
- Environment
- Women
- Clients

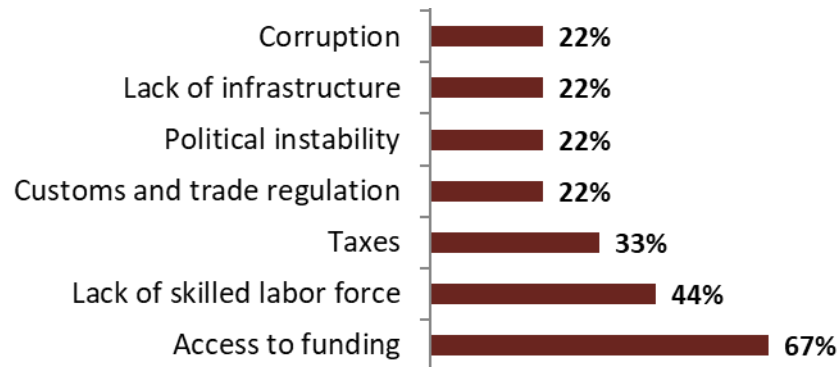
Strong additionality of IPAE 2's investment

67%

of companies would have had to carry out their investment project at a smaller scale without IPAE2's funding.

According to the World Bank Enterprise Surveys, access to finance is one of the 5 main obstacles faced by companies. In fact, it ranked first among our partner companies.

Main obstacles faced by our investee companies during their development process



Leverage effect of IPAE's investment

- SMEs face **significant difficulty securing external financing** from local commercial banks and other traditional financiers.
- We assist our entrepreneurs in their **negotiations with other local or international financial institutions** or by participating in the search for new shareholders, using our networks.



(* This figure is computed by dividing the amount invested (equity and debt) by the amount invested by investors other than IPAE at the time of the initial investment, by the amount of IPAE's investment (equity and debt).



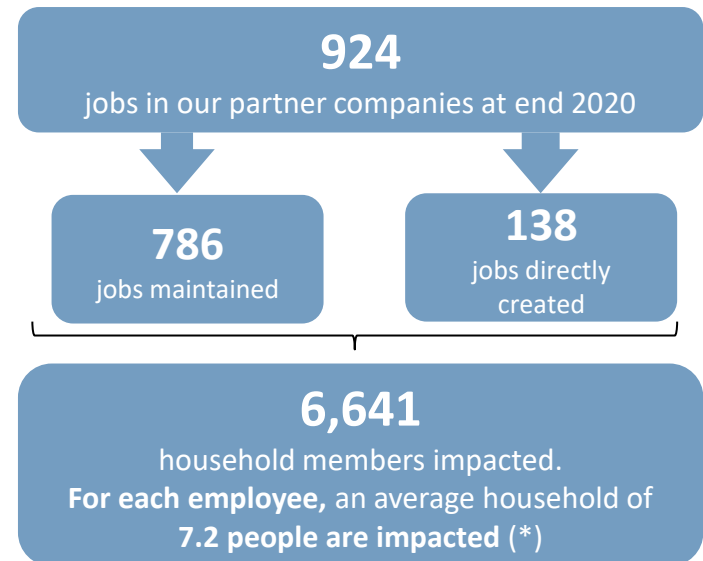
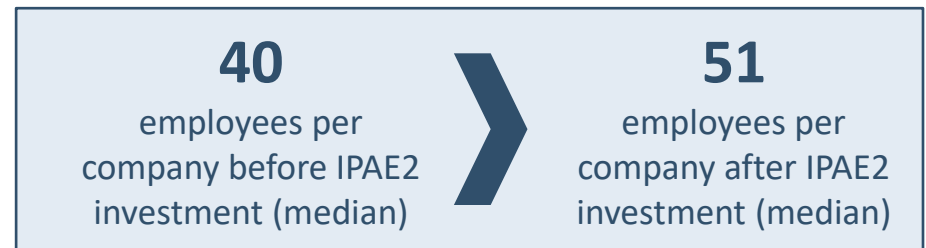
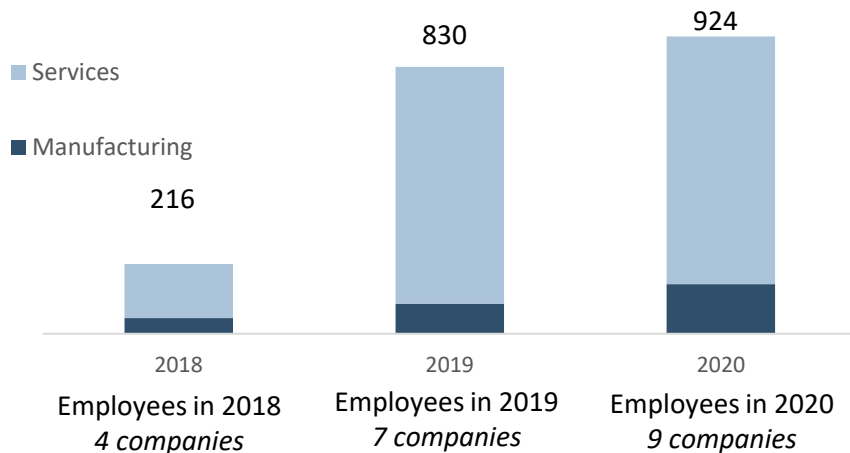
CREATING DECENT JOBS

- Entrepreneurs
- Employees
- Environment
- Women
- Clients

IPAE 2 pursues 2 impact objectives regarding job creation:

- 50% (or more) of direct employment growth during the holding period and aggregated at the portfolio level, provided that jobs created have decent conditions.
- 50% (or more) of companies improving health and safety in the workplace (beyond compliance with IFC standards) or social protections for employees during the holding period.

To date, our portfolio has achieved 18% growth in employment. The year 2020 has obviously been strongly marked by the Covid crisis. On a like-for-like basis, companies already in the portfolio still managed to experience positive job growth (868 jobs in 2020 vs. 838 jobs in 2019). This is due to dynamic growth in most companies, with only two companies experiencing a slight decline in employment numbers in 2020.

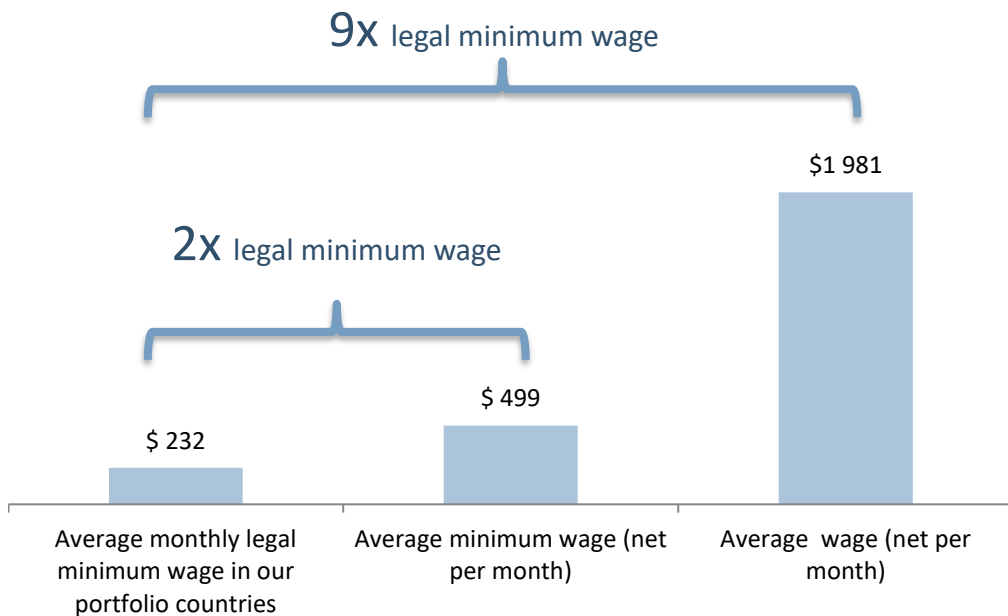


(*) This figure is computed by multiplying the number of employees by the average household size in each country, based on GDL data available online: <https://globaldatalab.org/areadata/hhsize/>

WAGE LEVELS

Average minimum wage twice as high than the legal minimum wage

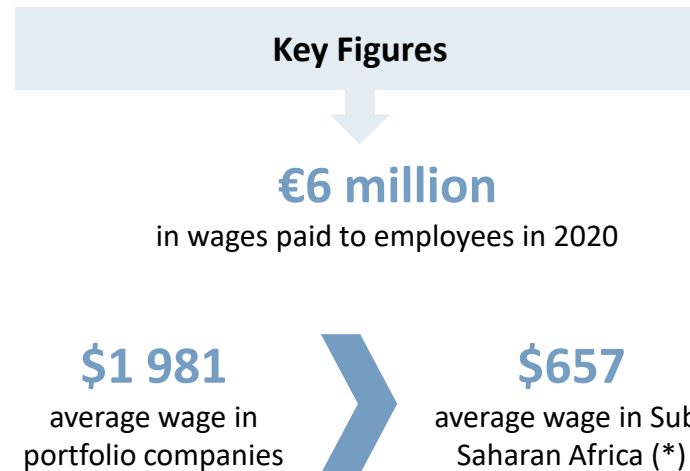
- Entrepreneurs
- Employees
- Environment
- Women
- Clients



Reasoning in terms of averages could mask a number of disparities. If we look more precisely at the distribution of salaries in our companies, the level of remuneration is considered very satisfactory. All our partner companies have a minimum wage higher than the monthly legal minimum wage in their country and **44% of companies have a minimum wage 30% higher than the monthly legal minimum wage in their country**. It is noteworthy that despite the Covid crisis, we have not seen a decrease in compensation.


We use the Purchasing Power Parity (PPP) conversion rate to control for the variable cost of living in various countries. CEO wages are not taken into account in order to more accurately reflect the reality of salary levels.

(*) Borhat H., Kanbur R. and Stanwix B. (2015). *Minimum Wages in Sub-Saharan Africa: A primer*. IZA DP No 9204.



The average net monthly wage in portfolio companies is around **3x higher than the average wage in Sub-Saharan Africa**.

8 DECENT WORK AND ECONOMIC GROWTH

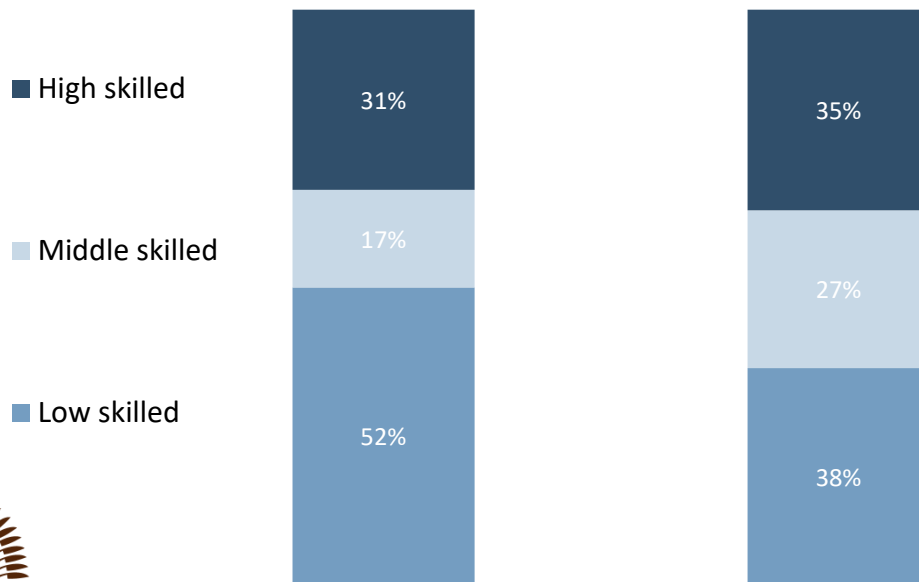
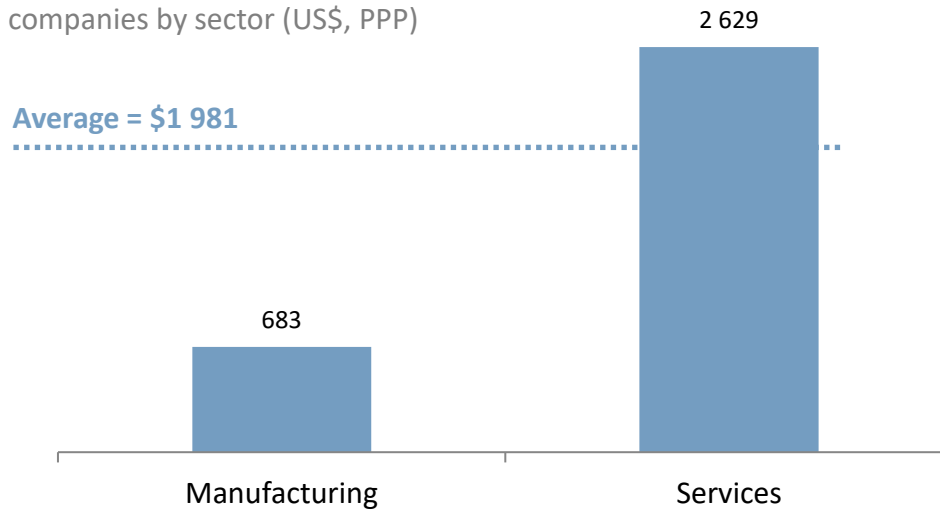


SDG 8.5
Decent work for all

QUALIFICATION AND WAGE LEVELS

- Entrepreneurs
- Employees
- Environment
- Women
- Clients

Average monthly wage in our investee companies by sector (US\$, PPP)



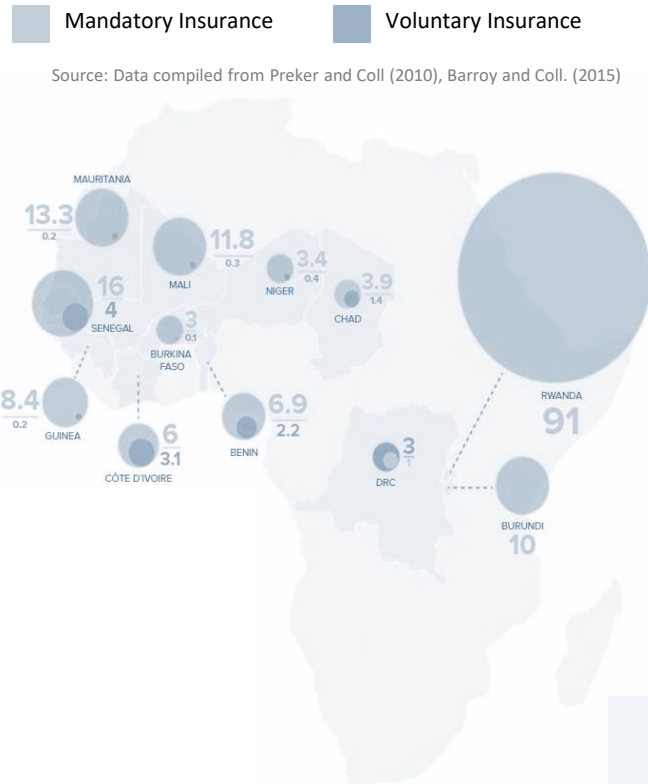
- The average level of remuneration mentioned in the previous slide may appear relatively high, but must be assessed taking into account the level of qualification of employees. **59% of employees are middle or highly-skilled.** The high-proportion of middle and highly-skilled employees can be explained by the fact that IPAE2 companies are mostly service companies.
- **Wages are higher in the services sector.** This can be partially explained by the high proportion of skilled jobs in these sectors, for instance, in the IT or education and health sectors.
- **Wages are lower in the manufacturing sector** because it accounts for a majority of low-skilled jobs. It still provides a stable wage for low-income people who lack education.

HEALTH INSURANCE AND SOCIAL PROTECTIONS

Current performance of partner companies

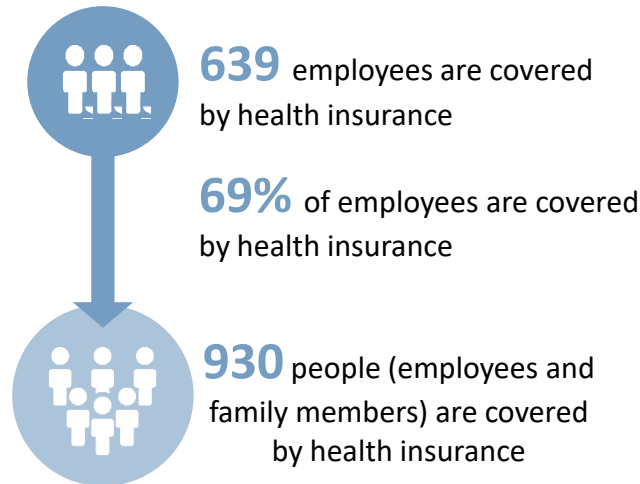


Context: As shown below, the **number of people covered by health insurance in Africa remains extremely low, ranging from 3% to 20% in West Africa.**



CURRENT SITUATION IN IPAE2 COMPANIES

MAIN ACTIONS TO DATE



Projects include:

- Implementation of a portfolio-wide study to **identify best practices & lessons learned** (25 respondents among portfolio companies). This study was shared with the entrepreneurs and presented during the 2018 entrepreneurs' annual seminar.
- **ICONA** : with the creation of the new legal company, all employees have been formalized, therefore, 14 employees now have access to public social protections.

FOCUS ON AMI

To select a new health insurance company for their employees, AMI (African Management Institute) asked the team to choose five insurance companies to consider and invited the companies to present their programs to the team. Thereafter, the team came together and chose one finalist, Minet AON. AMI invited the company back for a final presentation and to answer any questions the staff had, after which a contract for health insurance coverage was signed with Minet AON.

For more information on the African insurance sector, see [PROPARCO's magazine Private Sector & Development](#).

HEALTH & SAFETY AT WORK

Reaching SDGs and promoting good practices inside our firms

- Entrepreneurs
- Employees
- Environment
- Women
- Clients



SDG 3.8

Achieve universal health coverage

78%

of our companies provide **complementary health insurance** beyond public health programs



SDG 4.4

Promote lifelong learning opportunities

78%

of companies held at least one training in 2020

745

employees trained in 2020



SDG 8.8

Promote safe and secure working environments

56%

of our companies have implemented measures to **enhance safety at work** (formalized processes, employee training, etc.)



MONITORING SAFETY AT WORK

- During the due diligence phase, impact assessments or technical audits are conducted for all projects involving significant risks.
- Any serious incident is directly reported to our investors.



© Soafiary

ENVIRONMENTALLY FRIENDLY DEVELOPMENT



IPAE 2 pursues one main impact objective regarding the environment:

- 50% (or more) companies implementing green projects



I&P'S CLIMATE POLICY

I&P wish to establish a “climate policy” to formalize our objectives and approaches to climate-resilient economic growth in Africa through private finance and local entrepreneurship. This policy will be carried out at two levels:

- **At I&P:** in line with our B-Corp certification, we have implemented several actions to **reduce our carbon footprint** (green electricity supplier, offsetting of carbon emissions, implementation of more extensive waste sorting, reduction of plastic packaging for lunch, etc.)
- **In our partner companies:** **environmental risks** are systematically analyzed. As explained in our impact monitoring methodology, an environmental impact objective has been set in our Extra Carry, etc.



REDUCING THE PORTFOLIO'S CARBON FOOTPRINT

OUR APPROACH:

- Our partner companies can play an active role in experiencing and sharing **new and replicable energy efficiency and renewable energy solutions.**
- Ultimately, we aim both at separating investees' economic growth from their carbon growth and at setting an example.

OUR ACTIONS:

- We assess the **portfolio's carbon emissions** on a yearly basis to identify the main sources of reduction or offset.
- We are implementing specific and systematic actions to **promote energy efficiency and renewable energy.**



MANAGING WASTE AND EFFLUENT ISSUES

Environmental impact assessments conducted by external experts include specifications about waste and effluent management that are routinely added to ESG action plans. During the due diligence phase, we assess whether the prospective company generates dangerous waste that requires specific treatment.

FOCUS ON NEW CRYSTAL

In addition to its pre-existing waste removal process, and as part of the upgrade and expansion of the new clinics, the company will look to design and install a waste water treatment plant, in compliance with IFC guidelines and local regulations.

CARBON FOOTPRINT (1/2)

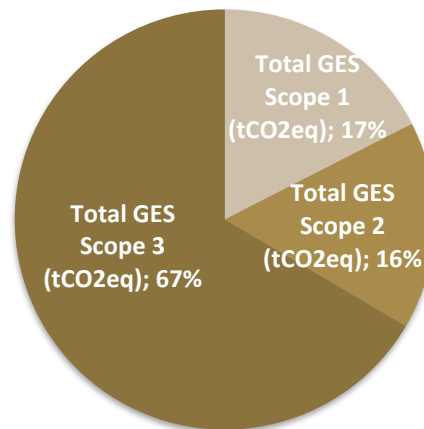
Portfolio carbon emissions by scope and category

- Entrepreneurs
- Employees
- Environment
- Women
- Clients

2020 GHG EMISSIONS, BY SCOPE

TOTAL: 1 523 tCO₂e_q

A **carbon footprint** is measured in **tons of carbon dioxide equivalent (tCO₂e)**, which allows the different greenhouse gases (GHG) to be compared on a like-to-like basis relative to one unit of CO₂. We use the methodology proposed by ADEME.

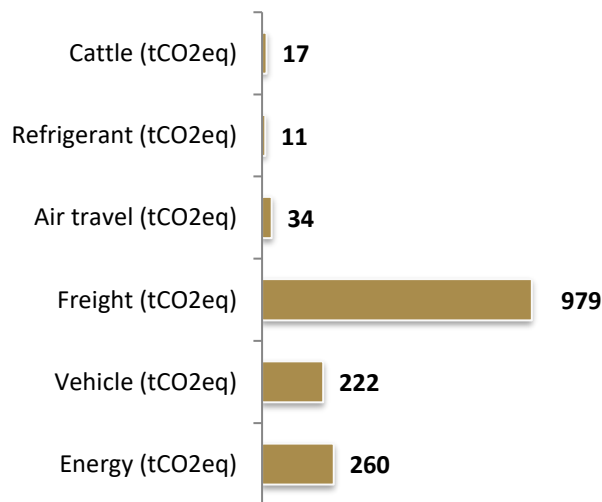


Scope 1: Emissions due to the company's direct business activities


Scope 2: Indirect GHG emissions from consumption of purchased electricity, heat or steam


Scope 3: Other indirect emissions (production of purchased materials and fuels, transport-related activities in vehicles not owned by the company, outsourced activities, etc.)


2020 GHG emissions by category



Largest sources of emissions

 **64% from freight:** A large majority from Afribon and Soafiary.

 **17% from energy:** A large majority coming from Procréa and New Crystal.

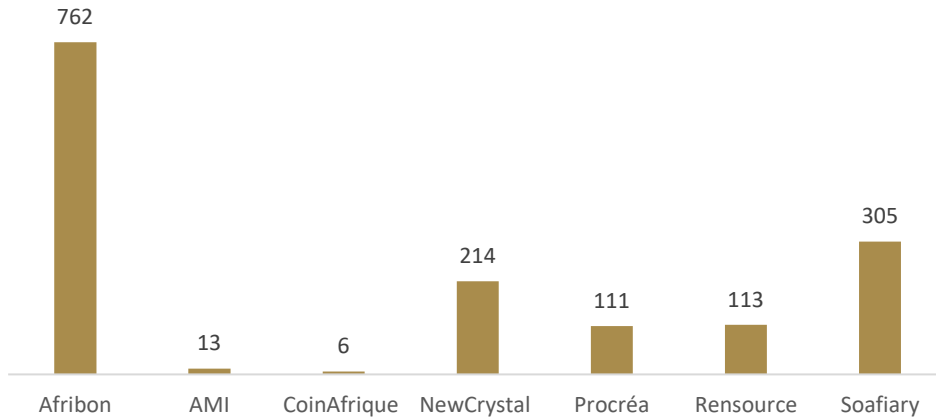
 **15% from vehicles:** A large majority coming from Soafiary and New Crystal.

CARBON FOOTPRINT (2/2)

Portfolio carbon emissions

- Entrepreneurs
- Employees
- Environment
- Women
- Clients

2020 GHG emissions, by company (tCO2)



FOCUS ON RENSOURCE

Rensource is a Nigerian company which provides clean, reliable and affordable off-grid energy to West-African SMEs. Rensource is currently the leading provider of solar-based energy in Nigeria.

Rensource aims at supporting African SMEs in their growth by helping them to reduce their carbon footprint and providing them affordable access to electricity.

Rensource's high level of carbon emissions can be explained by the large number of intra-Nigerian flights the company is required to make in order to meet with their SME networks, far from the capital, and to implement off-grid solutions.



450Mt

CO2
emissions
saved in
2020

8 834

Number of
clients in
2020

191 663

liters of fuel
saved in
2020

PROMOTING WOMEN EMPOWERMENT

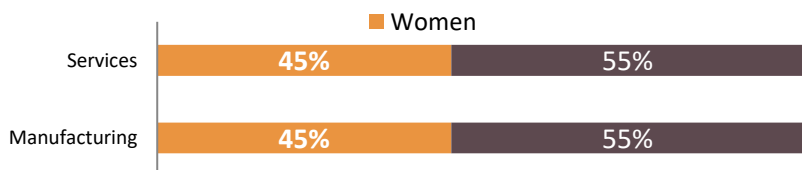
- Entrepreneurs
- Employees
- Environment
- **Women**
- Clients

IPAE 2 pursues one main impact objective regarding gender equality:

- 50% (or more) companies owned or led by a woman or with more than 30% of women in senior leadership positions

1 WOMEN AMONG EMPLOYEES

2020 IPAE2 Portfolio Gender Performance



2 WOMEN IN MANAGEMENT

ENTREPRENEURS

7%
of CEOs in
Africa*

44%
women-owned
or led companies
(IPAE2)

TOP
MANAGEMENT

23%
of executive
committee
members in
Africa *

33%
of senior
leadership
positions (IPAE2)

(*) World Bank Enterprise Survey , 2019

3 WOMEN AMONG OUR COMPANIES' CLIENTS

I&P's gender policy also implies that its portfolio includes firms that are directly responding to gender issues in Africa by:

→ Offering **services or goods completely dedicated to women** (Procréa)

6 086
gynecological
consultations

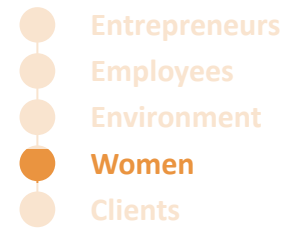
→ Setting up **products especially dedicated to women** (AMI)

1 597
women trained
in 2020



SDG 5.5
Ensure women's full participation
in leadership

OUR ADVOCACY FOR GENDER EQUALITY



MAIN AREAS OF ACTION

On International Women’s Day (March 8th), I&P took a step back to assess the progress made one year after the launch of our **gender strategy**, “**Opportunities to bridge the gender gap in African SMEs**”. Beyond our achievements with entrepreneurs, clients and employees, I&P has been an active advocate for the promotion of women:

- On Women’s Day 2020 I&P published a **report in order to review I&P’s performance in terms of gender equality**.
- In 2019 I&P published an article entitled “[How can general impact investors tackle gender-related issues?](#)” in the Proparco magazine : *Private Sector & Development*.
- In 2018, a series of portraits of women entrepreneurs was realized and shared widely across our networks.
- Raising awareness on the topic of women entrepreneurship is a key objective of our advocacy objectives and strategy.



FOCUS: 2X CHALLENGE



In June 2018, the G7 member DFIs launched the 2X Challenge to invest \$3 billion by 2020 to provide women in developing countries with opportunities [*Read more about the 2x Challenge by clicking here.*](#)

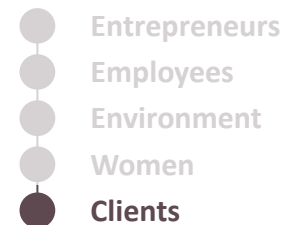
89% of IPAE2’s portfolio companies satisfy at least one of the 2X Challenge criteria.

56% of those companies satisfy at least two criteria.

**I&P 2020
Gender Performance**

51%
of women
employees

ADDRESSING BASIC NEEDS IN AFRICA



IPAE 2 pursues one main impact objective regarding clients and local communities:

- 50% (or more) companies improving local access to goods or services addressing essential needs and the new UN Sustainable Development Goals

The role of I&P in achieving the SDGs in Africa

Responding to the main development challenges in Sub-Saharan Africa is at the heart of I&P's mission. We refer to the framework established by the United Nations to select our investments.

Our impact strategy is thus built around **six fundamental pillars: entrepreneurship, employment, gender, access to essential goods and services, the environment, and the local economic fabric.** The pillar “access to essential goods and services” is taken into account in our impact scorecard; companies that meet criteria get a higher impact rating in our pre-investment analysis.

Through these commitments, I&P and its partner companies are contributing to the achievement of the Sustainable Development Goals.



FOCUS: What are the new UN Sustainable Development goals ?

The Sustainable Development Goals (SDGs), also known as the Global Goals, are a **global call to action to eradicate poverty, protect the planet, and ensure that all people live in peace and prosperity.** The UNDP is in charge of helping countries to reach the 17 SDGs and of assessing improvement around the world.

Africa is still the continent the farthest behind in achieving the SDGs :

- World's lowest school enrollment rate, with only **40%** children enrolled in pre-school and primary schools.
- Only **43%** of the African population have access to electricity. Moreover, **47%** of African SMEs registered in WBES 2019 considered the lack of electricity as a major obstacle.
- In 2015, more than **50%** of people living in extreme poverty were located in Africa (**413 million people**).

100%

of our partner companies **address the needs of the African population or African companies** (i.e., these companies focus mainly on the local market and not on exports)

67%

of our partner companies improve local access to goods or services that **address essential needs and the UN Sustainable Development Goals***

() Investment companies can improve local access to essential goods or services, as direct providers or as part of the value chain. Essential goods and services include: food, water, sanitation, energy, land, health, lifelong education and learning, housing, clothes, media and information, new technologies, financial services for underserved populations, and passenger transport.*

ADDRESSING BASIC NEEDS IN AFRICA

- Entrepreneurs
- Employees
- Environment
- Women
- Clients



GOAL 2: Achieve food security and improved nutrition

ICONA : Feeding the Burkinabe's livestock



6 320 tons of aliments sold

SOAFIARY : Feeding the world, including vulnerable populations



1 597 tons of grain sold



GOAL 3: Ensure healthy lives and promote well-being for all at all ages

Procréa: Quality healthcare for women and children



6 086

gynecological consultations in 2020

379

babies delivered at the clinic

New Crystal: Quality healthcare with a focus on the urban poor



167 626

patients in 2020

150+

hospital bed capacity



GOAL 4: Ensure inclusive and equitable quality education

AMI: Renowned, high quality education



3 549 managers trained in 2020

2x more program participants compared to 2019



GOAL 7: Affordable and clean energy

Rensource: Providing affordable and reliable electricity to SMEs



3 projects in Nigeria

8 834 clients in 2020



GOAL 8: Support productive activities and entrepreneurship

Coin Afrique: A digital peer-to-peer marketplace



1 million offers published in 2020

20,6 million

visits to the website in 2020

FOCUS ON AFRICAN MANAGEMENT INITIATIVE

Providing quality formalized training

- Entrepreneurs
- Employees
- Environment
- Women
- Clients



AFRICAN MANAGEMENT INITIATIVE (AMI) is a social enterprise providing scalable solutions to empower managers and support enterprise development (SDG 4.4.).

AMI is contributing to the growth and thriving of African SMEs by providing them trained managers and the help they need to structure and better build their firms.

- **3,549** managers trained in 2020
- **45%** are women
- **2X** more program participants than in 2019
- **51** full-time employees
- **28+** new employees since IPAE2 investment

PROVIDES FORMALIZED TRAINING TO EMPOWER MANAGERS AND ENTREPRENEURS

The African Management Initiative (AMI) provides formalized training to empower managers and entrepreneurs.

AMI has developed over **45 practical business modules** – including over **2,000 tools** – with Africa’s leading business schools and global adult learning experts. AMI’s training strategy and programs are based on a blended offering of both online components and in-person workshops with experts in their fields.



Ensure inclusive and equitable quality education



IPAE 2 - ESG & IMPACT REPORT

IMPACT THESIS AND METHODOLOGY

IMPACT MANAGEMENT IN 2020

1 PORTFOLIO OVERVIEW

2 MEASURING IMPACTS BASED ON OUR INVESTMENT OBJECTIVES: 2020-2021 PERFORMANCE

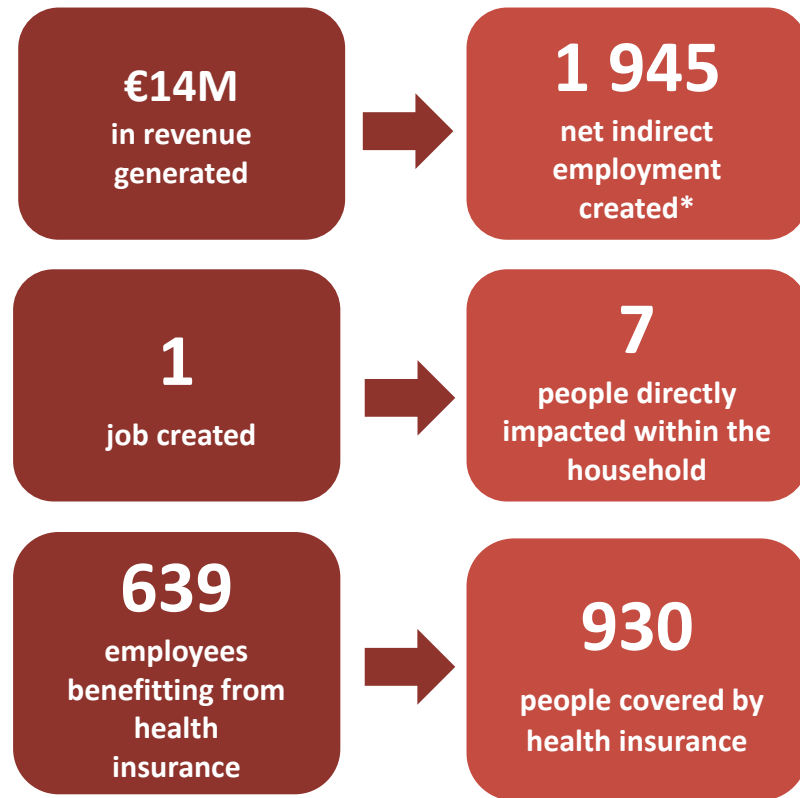
3 **STRENGTHENING THE LOCAL ECONOMIC FABRIC THROUGH INDIRECT IMPACTS**

4 ENHANCING OUTREACH & IMPACT WITH ADVOCACY

INVESTEE ESG & IMPACT REPORTS

INDIRECT IMPACTS ON LOCAL STAKEHOLDERS

I&P's impact mission: I&P impact goes beyond the scope of its partner companies; through investments in African SMEs, I&P also aims at contributing to the economic development of the continent from a larger perspective. Our partner SMEs are indeed taking part in an ongoing dynamic of building and strengthening the fabric of African economies by working mostly with local suppliers and contributing to political stabilization and social redistribution.



HOW TO GENERATE INDIRECT IMPACTS

→ Impact on local suppliers

I&P impact measures take into account the impact of our portfolio on local supply chains by promoting firms that are deeply rooted in the local economic fabric.

→ The effects of SME formalization

SME formalization contributes to the growth and strengthening of local firms by enhancing best governance practices and formalizing employees' status and rights.

→ Contributing to African countries' resource mobilization

Six companies in our portfolio directly contribute to the mobilization of national resources through the payment of taxes.

INDIRECT IMPACTS ON TRADE EXCHANGE AND BALANCE OF PAYMENTS

The balance of payments is the record of all international trade and financial transactions made by a country's residents. Through our investment activities as well as through the commercial activities of our companies, we have an impact, albeit minimal, on the balance of payments of African countries. The consequences of this balance of payments on the exchange rate, competitiveness, inflation and many other indicators can be powerful.

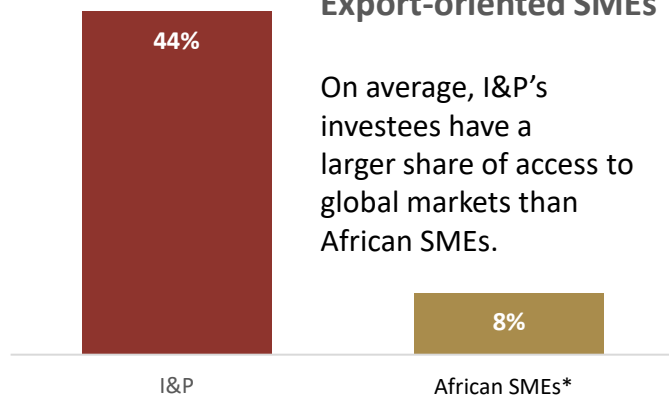
EXPORTATIONS

44%

of our partner companies **export at the pan-African or international markets**. Companies that export contribute to the **inflows of foreign currencies** and by implication have a **positive impact on the balance of payments** of their operation countries.

Export-oriented SMEs

On average, I&P's investees have a larger share of access to global markets than African SMEs.



* Share of African SMEs that have direct exports according to the World Bank Enterprise Survey

IMPORT SUBSTITUTION

33%

of our partner companies have contributed to import **substitution**. It has a positive effect on the balance of payments by reducing the outflow of foreign currency needed to acquire imports.

INVESTMENTS

The currency balance-sheet of IPAE 2 is equal to the capital inflows and outflows of the fund. Currently, **we have a positive impact on the balance of payments since we have invested nearly €9 million in Sub-Saharan Africa**, which represents foreign currency inflows in our countries of intervention.

However, we can anticipate that at the end of the fund's life, the more our operations are profitable, the higher the exit of our dividends from the countries. Thus, **IPAE 2 should have a negative impact on the balance of payments**. However, **this negative effect is offset by the positive impact of IPAE 2 investments through the exportations our investee companies have made and the import substitution effect they have had**.

MARKET SHARES AND INDIRECT IMPACTS ON COMPETITORS

Where does the growth of our companies come from? A powerful indirect impact is that of market share gains. Where does the growth of our companies come from? These gains can come from several sources, which we have grouped into three categories: import substitution, informal sector substitution and a fast-growing local market.

33%

of our partner companies **capture part of their market share from import substitution to importing firms**. In addition to having a positive effect on the balance of payments by reducing the outflow of foreign currency needed to acquire foreign imports, this import substitution also makes it possible to strengthen the autonomy and sovereignty of African countries.

78%

of IPAE 2 companies **benefit from local market opportunities**. As the needs of local populations are far from being met, our companies are positioning themselves in markets where the needs are immense and have not been satisfied until now.

33%

of IPAE 2 SMEs **partly supplant the informal sector in their market segment**. In this case, the creation of jobs and value added generated by our partner companies could be translated into a decrease in informal businesses. The net impact is then difficult to identify from a quantitative point of view. However, this substitution of the informal sector generally allows for important qualitative progress by promoting more stable and better paid jobs with access to social protections.

CONTRIBUTION TO SME FORMALIZATION

Ensuring full social and fiscal compliance



FOCUS ON MAIN ACTIONS

IPAE2's investment requires investees' full compliance with labor laws and formalization of their employees. Our partner companies therefore receive support on these matters when they need it.

63% of the African SMEs registered in WBES 2019 compete against the informal sector. They are much more exposed to risk than large African companies.

In August 2018, a study was conducted in Senegal and Madagascar on a group of IPDEV 2 and IPAE partner companies in order to capitalize on partner companies' experience and better understand the issues at stake, with two areas of focus:

- **Key barriers to formalization for companies**
- **Socio-economic impacts of a job contract for employees** (higher wages, better job security, access to bank accounts and access to social benefits, such as a pension plans, health insurance)

[Read the full study on Senegal](#)

[Read the full study on Madagascar](#)

KEY FIGURE

€2,000,000M+

paid in taxes to the local authorities in 2020



KEYNOTE

In IPAE's countries of intervention, the **low level of mobilization of fiscal resources** is a key barrier to developing the most needed public services (infrastructure, water, education...). Tax revenues represent less than 20% of GDP in Africa (OCDE, 2015). Most companies remain informal to avoid paying taxes and salary charges. In West Africa, **informal employment accounts for 92.4% of total employment** in all sectors (ILO, 2018).

17 PARTNERSHIPS
FOR THE GOALS

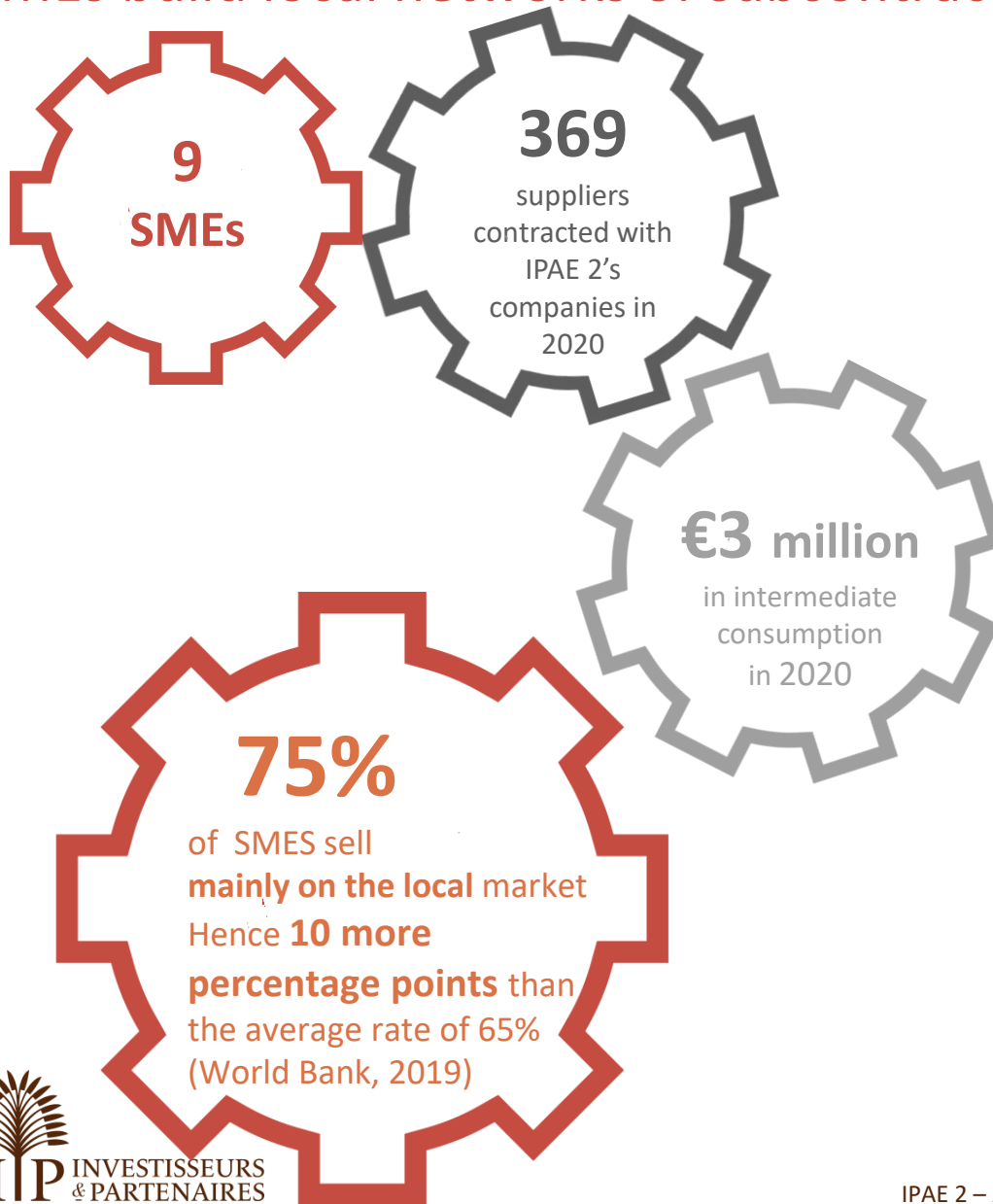


SDG 17.3

Mobilize additional
financial resources

RIPPLE EFFECT ON LOCAL SUPPLIERS

SMEs build local networks of subcontractors



SPOTLIGHT: COINAFRIQUE

CoinAfrique is a 100% mobile **community platform** that allows users to buy and sell products simply.

Created in 2015, CoinAfrique aims to become the leader in online want ads in Francophone Africa. In 2020, CoinAfrique received over 20,6 Millions visits on its website and almost 1,000,000 ads were published.

CoinAfrique enables small entrepreneurs to easily sell their products.



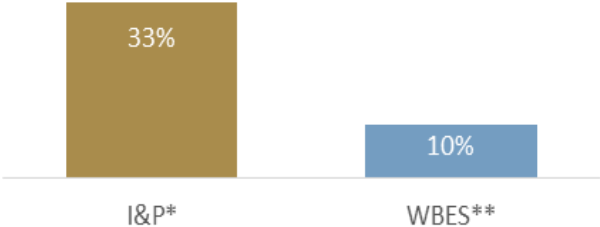
PROMOTING TRACEABILITY AND BEST E&S STANDARDS/PRACTICES

Access to new certifications, skills and technologies



Share of SMEs with certification

On average, SMEs in IPAE 2's portfolio have a larger share of certification than African SMEs surveyed in the World Bank Enterprise Survey (WBES).



33%

Of IPAE 2 companies developing environmental, social or quality certifications



10%

Of African SMEs surveyed in the World Bank Enterprise Survey (WBES)

*Share of SMEs with at least one certification
 **African SMEs with Internationally-recognized quality certification

Implementation of international standards to ensure traceability and good industrial practices

AFRIBON	This Panafrican firm specialized in aroma production is certified ISO 22000 on good nutrition and hygiene promotion.
NCHS	Epa Permit certifies that the business operates in a responsible manner.
PROCREA	This clinic in Ivory Coast is a member of the Inter-African Group for the Study, Research and Application of Fertility (GIERAFE).



IPAE 2 - ESG & IMPACT REPORT

IMPACT THESIS AND METHODOLOGY

IMPACT MANAGEMENT IN 2020

1 PORTFOLIO OVERVIEW

2 MEASURING IMPACTS BASED ON OUR INVESTMENT OBJECTIVES: 2020-2021 PERFORMANCE

3 STRENGTHENING THE LOCAL ECONOMIC FABRIC THROUGH INDIRECT IMPACTS

4 ENHANCING OUTREACH & IMPACT WITH ADVOCACY

INVESTEES ESG & IMPACT REPORTS

I&P'S ADVOCACY POLICY

Our vision and objectives

I&P is committed to a **proactive advocacy policy for the recognition of SMEs as vectors of change** and to the promotion of adapted financing solutions in Africa. The primary objective of our advocacy mission is **to go beyond the impacts of I&P alone** and to have a multiplier effect on our contribution to Africa's development agenda.



STUDIES & REPORTS

I&P regularly publishes studies that address its areas of expertise in concrete terms: impact investment, support for SMEs, private equity, etc.

[Find out more](#)



VIDEOS

I&P showcases its African partner companies through short videos that retrace the path of the entrepreneur and key company impacts.

[Watch our videos](#)



ARTICLES & BLOG

The team regularly shares its experience and best practices on the themes of impact investing and African entrepreneurship through specialized media and blogs.

In 2018, in partnership with FERDI, I&P launched the blog *Entrepreneante Afrique*.



BOOKS

The team also contributes to pleading the African cause through its own publications.

In 2020, I&P published “Bâtisseurs d’Afrique”. Its author, Nathalie Madeline, met with 11 entrepreneurs accompanied by I&P, and traces their different journeys. [Read more](#)



FOCUS : A BLOG DEDICATED TO AFRICAN ENTREPRENEURSHIP

I&P launched the blog “Entrepreneante Afrique” to promote entrepreneurial dynamism in Sub-Saharan Africa and to better understand the context in which African entrepreneurs are working. The blog gathers research articles, experience sharing and field testimonies on African entrepreneurship.

[Discover the blog](#)



PROMOTING GOOD PRACTICES

A growing ecosystem

I&P helps **grow the emerging ecosystem of impact investors** and exemplifies its mission through multiple networks. Our commitment is reflected in **external evaluations and certifications such as the B-Corp™ certification and the Operating Principles for Impact Management.**

IMPACT INVESTING AND PHILANTHROPY NETWORKS



AFRICAN ENTREPRENEURSHIP AND PRIVATE EQUITY NETWORKS



PROMOTE ENTREPRENEURIAL VOICES IN AFRICA

Focus on the African Club of Entrepreneurs



In 2016, I&P sparked the creation of the **African Club of Entrepreneurs**, a pan-African NGO (based in Abidjan) that serves a threefold purpose:

- **Promote entrepreneurship in Africa** by shedding light on the activities of the members and promoting this initiative amongst different stakeholders, including youth and women.
- **Foster opportunities** by sparking new types of interactions between members on the local, national, regional and pan-African scales, in order to share best practices and foster business opportunities.
- **Enhance skills** for both the entrepreneurs and their employees, in order to develop local human resources.



ADVOCACY PROJECTS AND MAIN ACTIVITIES IN 2020

The Club is one of the founding partners and a regular **contributor of the blog "Entreprenante Afrique"**, in collaboration with I&P and FERDI

Company visits by the executive office to learn about entrepreneurs' experiences and situations on the ground (Dakar, January 2020)

Cancellation of the 9th edition of the annual training seminar because of the COVID-19 crisis

Executive Manager meeting with **Burkina Faso employers' organization (CNPB)** to present the Club and discuss opportunities for collaboration (Ouagadougou, March 2020)

Country cluster meetings for sharing experiences (Dakar, January 2020)

Webinar on **"Business Continuity Management in crisis periods"** on October 16, 2020, hosted by Mazars

Grant agreement of German Cooperation through GIZ, Côte d'Ivoire for the **capacity building of the SME members of the Club** (December 2020)

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