



# I&P Développement II

## ANNUAL ESG AND IMPACT REPORT

### MARCH 2018

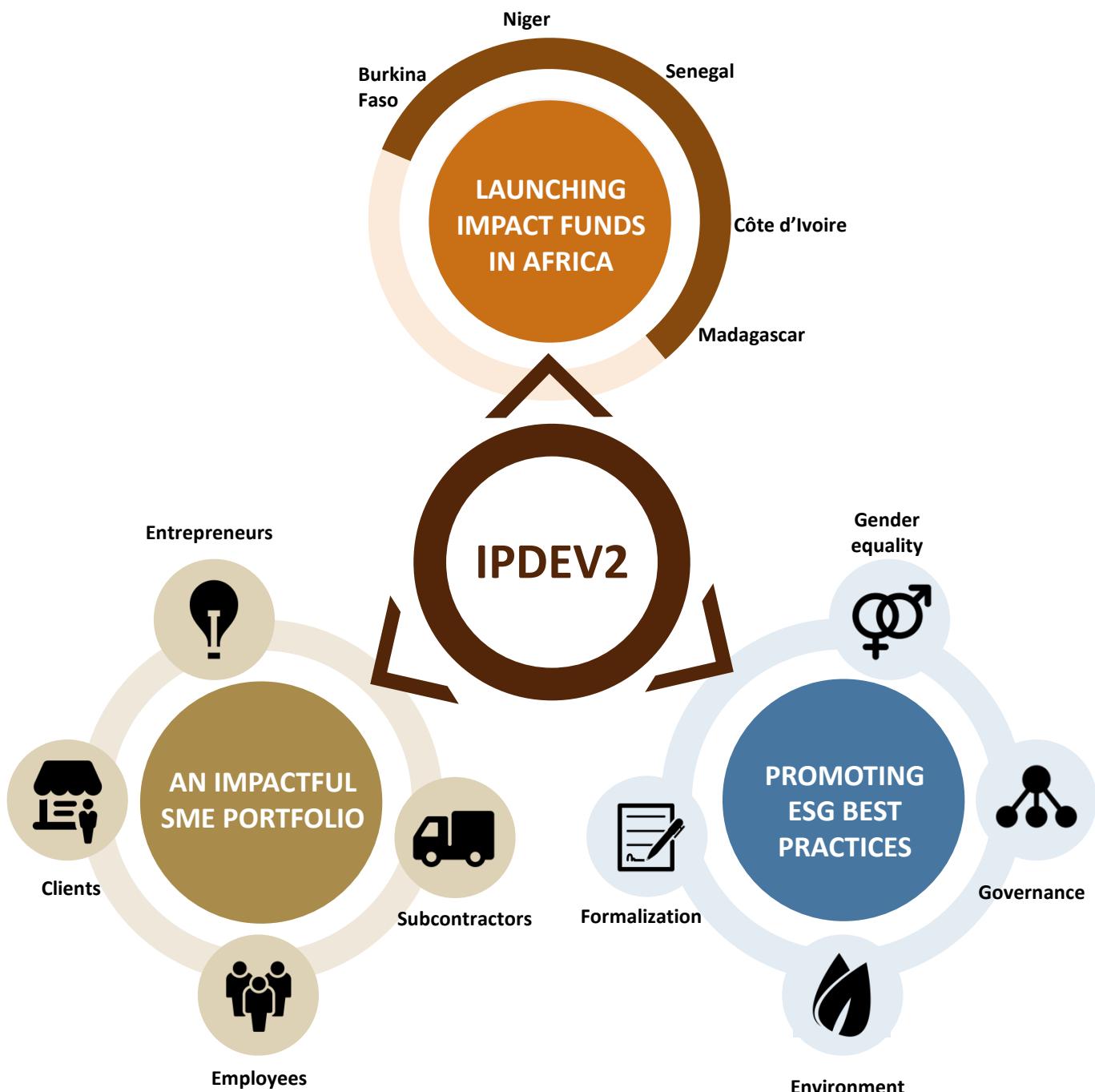


AgroServ © Béchir Malum, 2016

# SUMMARY

## Our ESG & impact framework

IPDEV2 works at launching funds in Africa to build an impactful SME portfolio while promoting best practices:



# SUMMARY

## Our ESG & impact framework

### 1

#### Our framework and objectives

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#### Launching Impact funds

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## EDITO

"At I&P, we care deeply, not only about who our business partners are, but also about their mission, their practices and whether they contribute to the social good. We also focus on how they deliver on their mission: high ESG performance is not merely an option for us but rather the surest route to high financial performance and at the core of the principles that drive our overall mandate.

December 2017 was marked by a major event: I&P joined the community of certified B Corp™ companies, an independent label that brings mission-driven businesses together from across the globe

Certified B Corps meet the highest standards of social and environmental performance, transparency and accountability.

Attaining this certification provides I&P a unique opportunity to acknowledge and affirm our dual mission of I&P as an impact investor. Maximizing and measuring our societal impacts is as important to us as the financial sustainability of any given project. This also relates to what we observe daily working with African SMEs: businesses can be powerful vectors of change, both directly through the products and services they provide, and indirectly through the inclusion of social and environmental considerations in the daily management of their businesses."



Jean-Michel

SEVERINO

CEO



# OUR FRAMEWORK AND OBJECTIVES

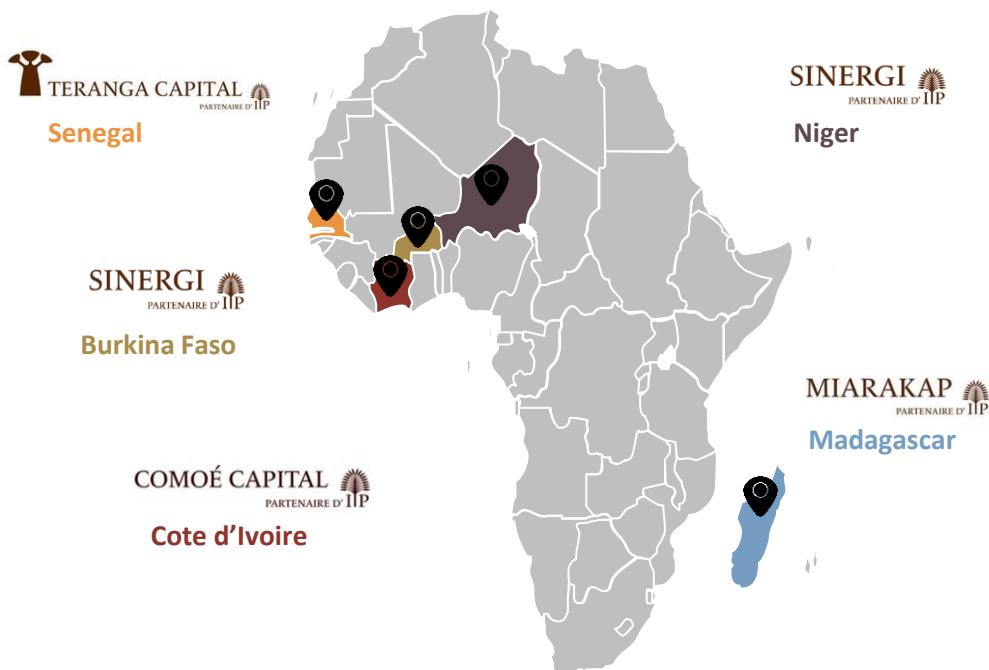
OVERVIEW

OBJECTIVES

KEY RESULTS

**IPDEV2 is a sponsor for African impact funds dedicated to financing start-ups and early-stage businesses on the Continent.**

IPDEV2 has already launched 5 African funds: Teranga Capital in Senegal, Sinergi Burkina in Burkina Faso, Sinergi Niger in Niger, Comoé Capital in Côte d'Ivoire and Miarakap in Madagascar, and will launch another 5 in the coming years. The funds will finance up to 500 early-stage SMEs in 10 countries, which will create and formalize jobs, develop essential goods and services, have a knock-on effect on their suppliers and increase their tax contributions. The funds implement IPDEV2's ESG and Impact methodology which promote ESG best practices in particular gender equity, formalization and good governance, and environmental concerns.



Mandate	Sponsor new African investment teams dedicated to SME Equity investment
Size	EUR 21 million
Geography	West Africa, Central Africa and East Africa
1 <sup>st</sup> close	October 2015
Final close	June 2018
Type of structure	Open-ended fund
Target impact	Launch 10 African impact funds and finance 500 early-stage SMEs
Target return	Low single digit
Investors	DFIs (AfDB, Proparco, BOAD), Foundations, family offices and individuals
TA	USAID, World Bank, Proparco-AFD, Cooperation de Monaco
Junior Debt	AFD provided a €3 million long term junior debt to IPDEV2 covering initial losses

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# OUR FRAMEWORK AND OBJECTIVES

OVERVIEW

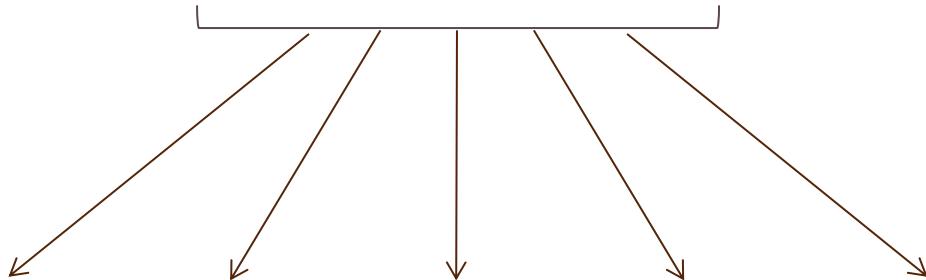
OBJECTIVES

KEY RESULTS

An innovative incubating mechanism of African investment funds

## IPDEV2

*Anchor investment + Tools + Best practices  
+ Network + Technical Assistance*



MIRAKAP  
PARTENAIRE D'IP



COMOÉ CAPITAL  
PARTENAIRE D'IP



TERANGA CAPITAL  
PARTENAIRE D'IP



SINERGI  
PARTENAIRE D'IP



SINERGI  
PARTENAIRE D'IP

Antananarivo  
2018

Abidjan  
2017

Dakar  
2016

Ouagadougou  
2015

Niamey  
2007



SMEs



2 SMEs



3 SMEs



2 SMEs



3 SMEs

## 10 SMEs

18 SMEs financed since the beginning\*

\*We report on the 10 SMEs with a equity stake from an African fund: Cogelec, Lysa&Co, Vallesse, Etudesk, Agroserv, OuiCarry, Unifam, Siatol, Halal, EAL. Neither direct USAID seedfunding nor SMEs that have been exited, are included ; these SMEs which have not been reported are 8 in total.

# OUR FRAMEWORK AND OBJECTIVES

OVERVIEW

OBJECTIVES

KEY RESULTS

In the context of the 3rd anniversary of IPDEV2, a working group made up of members of the ESG/**Impact Committee will work on an evaluation of IPDEV2 results against the series of objectives listed below.** Results will be used to determine a performance-related bonus for the IPDEV 2 operational team.

## Objectives

## Results

### INCREASE OPERATIONAL AND FUNDRAISING PERFORMANCE

5 funds launched	p.5
Total of €5 million to be raised by national funds 3 years after the first closing	p.13
€7 million in grants to be raised	p.13

### IMPROVE TECHNICAL PERFORMANCE

Implementing best practices in the team: fund management, reporting and committee meetings	p.14-18
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### IMPROVE AND CONSOLIDATE GOOD GOVERNANCE PERFORMANCE OF NATIONAL FUNDS

Capitalize committee names	p.15
Holding ESG/impact committee meetings	p.15

### IMPROVE PERFORMANCE OF NATIONAL FUNDS ON GENDER EQUALITY

40% or more of new investments (seed or equity) are "women-impact SME"	p.14
Gender equity in IPDEV2 teams and national funds (between 40% and 60% women)	p.14

### MEET INVESTMENT IMPACT PERFORMANCE OBJECTIVES

Ex ante impact ratings on investments above 50%	
More than 90% African or locally based entrepreneurs	p.19
Over 60% of investments provide access to basic goods and services and meet the MDGs	p. 23
More than 50% local suppliers	p. 24
100 jobs created or formalized per fund after 3 years of operation	p. 17

### BOOST THE OPERATIONAL PERFORMANCE OF NATIONAL FUNDS

Number of SMEs in portfolio or amounts committed in line with the funds' business plans	p.8-12
Good financial performance of SMEs in the portfolio (business plan)	Financial Report

### IMPROVING PERFORMANCE OF NATIONAL FUNDS ON GENDER EQUALITY

Monitoring and rigorous review of ESG/impacts issues (ESG/impacts tools completed, ESG action plans and progress on ESG issues)	p.16
Social and fiscal compliance of SMEs	p. 17

# OUR FRAMEWORK AND OBJECTIVES

OVERVIEW

OBJECTIVES

KEY RESULTS

## Key 2017 impact results

IPDEV2 has raised **40M€** including 21M€ in capital and 19M€ in grants in order to create a network of 10 African Impact Funds over 10 years. **3** years after inception,

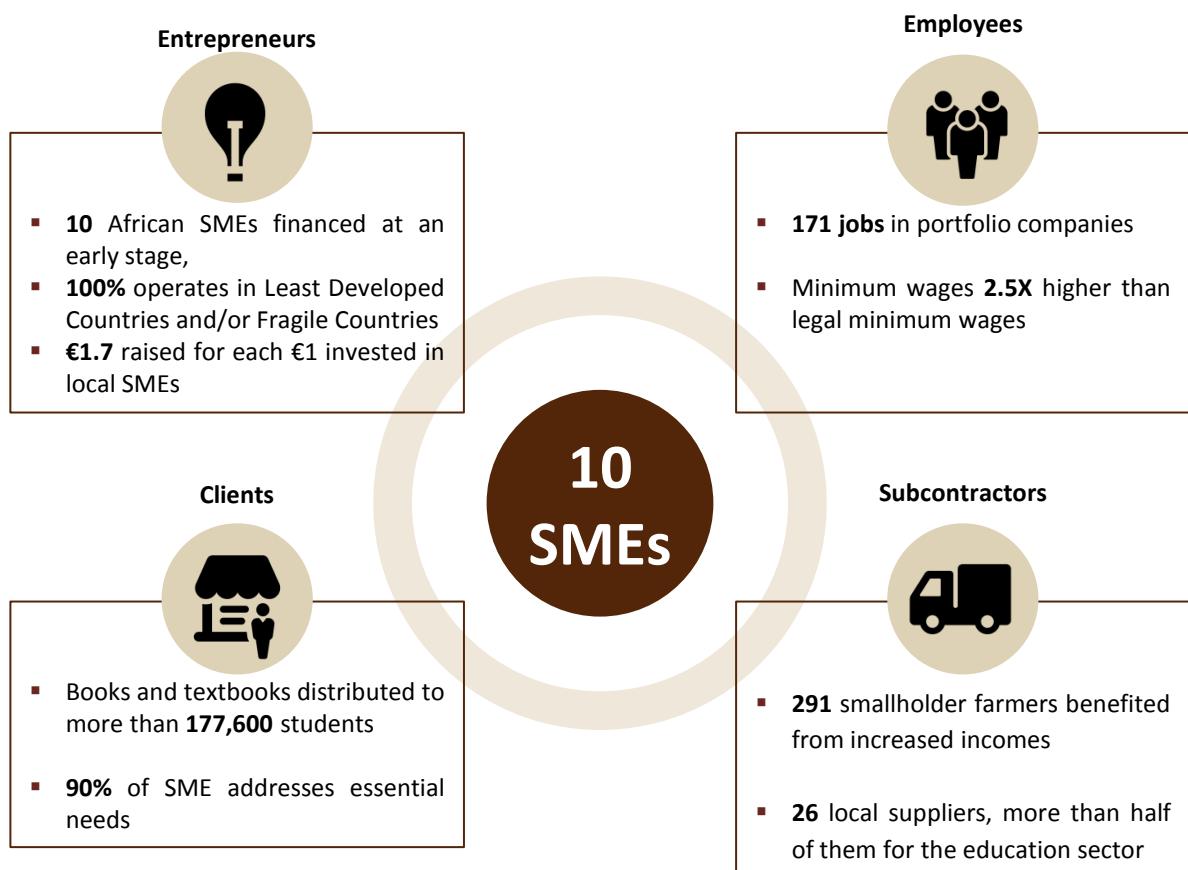
**5** new impact funds are operational with **21** team members recruited and trained

**100%** of the funds are the first SME impact funds registered in their respective host countries

Additional **19 m€** in capital raised locally by the 5 funds from **37** investors in the country funds including **87%** of African investors, with a ratio of **2.9€** raised from other investors for 1€ invested by IPDEV2

**10** early-stage SME investments made and growing

### THE PORTFOLIO HAS STARTED TO GENERATE IMPACTS :



# OUR FRAMEWORK AND OBJECTIVES

OVERVIEW

OBJECTIVES

KEY RESULTS

## Key 2017 impact results (by fund)

### Comoé Capital Cote d'Ivoire

### Teranga Capital Senegal

EMPLOYEES

- **17** jobs maintained or created
- All employees are full-time
- Average monthly salary of lowest paid employees is **1.6 times higher** than the minimum wage in Cote d'Ivoire
- **380** direct and indirect beneficiaries of income distributed to employees

SUPPLIERS &  
CLIENTS

- **27** corporate customers and about **60** end customers
- **189,000** schoolbooks published/produced and distributed
- **54** people trained in e-learning

- **60** jobs created or maintained, **15%** of them young people
- **48** new jobs created Average monthly salary of lowest paid employees is **2 times higher** than the minimum wage in Senegal
- **580** direct and indirect beneficiaries of income distributed to employees

- More than **1,242** end customers
- **6** local suppliers

### Sinergi Burkina Faso

### Sinergi Niger

EMPLOYEES

- **74** jobs maintained, **18%** of them young people
- **64** full-time employees
- Average monthly salary of lowest paid employees is **2.4 times higher** than the minimum wage in Burkina Faso
- **565** direct and indirect beneficiaries of income distributed to employees

SUPPLIERS &  
CLIENTS

- **250** smallholder farmers organized, trained and pre-financed
- **1,180 tons** of soybeans collected and **8,800 tons** of maize purchased from smallholder farmers
- More than **6,500** end customers

- Since 2008 more than **200** jobs have been created, with an average monthly wage of FCFA 80,000
- **187** employees have been trained since 2008
- **6** new jobs created
- **260** direct and indirect beneficiaries of income distributed to employees

- SMEs in SINERGI's portfolio have sourced goods and services from **15** local suppliers and more than **10,000** end customers
- Structuring of a network of **41** smallholder farmers

# LAUNCHING IMPACT FUNDS

5 FUNDS SO FAR

BLENDED FINANCE



Madagascar

## €3 MILLION RAISED IN CAPITAL

15 key investors in the Malagasy landscape including financial institutions, corporates, a mobile operator and entrepreneurs

An open-ended investment company



### A TEAM LED BY EMMANUEL COTSOYANNIS

Emmanuel is a franco-malagasy entrepreneur, trained in Europe and Sciences Po Paris. He grew up in Madagascar and started his career in France. He started several ventures in France and built a diversified group of businesses in the catering and services sector.



### A PARTNERSHIP WITH CEPF

**CRITICAL ECOSYSTEM**  
PARTNERSHIP FUND

Given the critical topic of wildlife and the environment in Madagascar, Miarakap has developed a specific approach with support from CEPF to identify SMEs with strong environmental impact potential and increase their critical skills.

4 team members recruited and trained

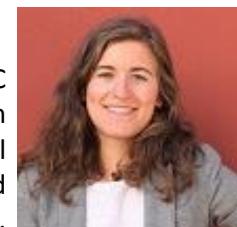


#### Manda Tiana Razafimahela

Manda graduated from INSCAE in 2013, and joined Miarakap's investment team since its inception. She has 5 years experience in financing and supporting companies within banking institutions and consulting firms in Madagascar

#### Alia Drouin

Alia is a graduate from ESSEC Business School (MSc in Management) and Seoul National University (MBA). She has worked in Miarakap since its inception. Previously she had been working 2 years for a French Bank on impact investing projects



#### Herinantaina Rabemanantsoa

She graduated from INSCAE in 2015 and joined Miarakap's investment team after working 3 years for an audit and consulting firm in Madagascar.



# LAUNCHING IMPACT FUNDS

5 FUNDS SO FAR

BLENDED FINANCE

## COMOÉ CAPITAL Cote d'Ivoire

PARTENAIRE D'IIP

**€6.6 MILLION RAISED IN  
CAPITAL**

**8** key investors in the Ivorian business landscape including financial institutions, corporations and entrepreneurs gathered in an open-ended investment company

A managed account with the Jacobs Foundation focused on **education sector** SME.



### A TEAM LED BY ISSA SIDIBE

Issa Sidibe has been an entrepreneur and private equity investor in Côte d'Ivoire. He was trained at HEC Paris and INPHB. He cofounded TaxiJet in Abidjan.



*2 high impact investments made  
in the education sector*



### EDITIONS VALLESSE

A publishing company dedicated to children's literature and school books

Led by Fidèle Diomandé, an experienced woman entrepreneur

The company has doubled its sales since investment and is expanding its reach to rural and underserved regions



### ETUDESK

The first e-learning startup in French-speaking Africa dedicated to helping job-seekers

Led by Lamine Barro, a young entrepreneur

Winner of Seedstars Abidjan and Digital Africa

Comoé Capital was launched in Q4 2017 and now has **4** investment staff.



### Adama FOFANA

Investment officer  
at Comoé Capital

### Interview with Brigitte ABBE

Investment officer at Comoé Capital

#### WHAT IS THE BENEFIT OF PARTICIPATING IN SUCH A PROJECT?

Participating in such a project allows me to evolve on a personal and professional level. Above all, it helps me to understand the difficulties of each promoter and to try to provide financial, organizational and strategic solutions.



#### WHY DID YOU JOIN THE CAPITAL COMOÉ PROJECT?

Supporting entrepreneurs through financing and strategic support based on ESG issues and real impacts was perfectly consistent with my vision for addressing the missing middle in Africa

#### WHAT DO YOU REALLY LIKE ABOUT THIS PROJECT?

What I appreciate is the quality of the exchanges with the promoters, the sharing of their vision, their difficulties, their experiences and the fact that we ultimately join our efforts to build the sector of early-stage investment in Côte d'Ivoire

Brigitte holds a Master's degree in Finance from the Ecole Supérieure de Commerce and a diploma in Business Administration from the University of Caen. She has founded an NGO for the promotion of women's entrepreneurship.

#### WHAT CHALLENGES DO YOU SEE AHEAD ?

The challenge for me is *to take a small company that often operates in an informal environment with many risks, and lead it to be a totally formal firm*, creating wealth, while taking socially and environmentally responsible action



### Dyane Tchagag

Office Manager  
Comoé Capital

# LAUNCHING IMPACT FUNDS

5 FUNDS SO FAR

BLENDED FINANCE



TERANGA CAPITAL  
PARTENAIRE D'IP

Senegal

**€6 MILLION RAISED IN  
CAPITAL**

7 key investors in the Senegalese landscape including financial institutions, corporations, a mobile operator and entrepreneurs.

Teranga is the first Senegalese fund dedicated to start-ups and SMEs. The fund has invested between €50,000 and €300,000 in promising Senegalese SMEs.

&sonatel    SOCIETE GENERALE    FONSIS

Teranga Capital was launched in Q1 2016 and now has 5 team members.

## Interview with Fatou DIOP

Investment officer at Teranga Capital

### WHY DID YOU JOIN THE TERANGA CAPITAL PROJECT?

It's a unique and challenging adventure for me. With Teranga Capital, we contribute directly to the development of small Senegalese SMEs in an original way: strengthening equity capital and operational and strategic support.



### WHAT DOES IT BRING YOU AND WHAT ARE THE CHALLENGES YOU SEE IN THE PROJECT?

I can be in regular contact with a diversity of companies and identify their main challenges and issues. I was able to participate fully in the development of the Teranga Capital project, with all the challenges that growing SMEs can face. The biggest challenge is to find companies with motivated talented and transparent promoters carrying projects with strong economic potential while improving the living conditions of the populations

Fatou holds a Master's degree in mathematical methods applied to economics and finance from Panthéon Sorbonne University and a degree in Quantitative Finance from ENSTA Paris Tech..

### WHAT DO YOU REALLY LIKE ABOUT THIS PROJECT?

It's *seeing the impact of our financing and support in the daily life of the company, its employees* and sometimes the positive externalities it generates within the populations.



# LAUNCHING IMPACT FUNDS

5 FUNDS SO FAR

BLENDED FINANCE



## €2.5 MILLION RAISED IN CAPITAL

**13** investors including key regional entrepreneurs and individual investors, national corporates and international impact investors

The first impact fund in Burkina Faso dedicated to SMEs



### A TEAM LED BY HERVE HIEN

Hervé HIEN, a Burkinabe national with 15 years experience at the RCPB (largest microfinance network in Burkina Faso)



*2 investments made in the agricultural value chain:*



#### SIATOL

Siatol manufactures high-protein inputs for poultry farmers and soybean oil for health-conscious households

The company buys its main raw material, soybeans, from a network of smallholder farmers in 5 regions of Burkina Faso



#### AGROSERV

Agroserv buys local maize which is processed into flour and semolina for households.

Agroserv has formalized 20 jobs since the investment and raised €3,686, 738 in agricultural finance

The company launched with West African Food Markets an outgrower project to support 3000 smallholders with irrigation and purchase contracts

Sinergi Burkina was launched in 2015 and is now a **4**-persons investment team



#### Davy Soubeiga

Investment Manager

Davy holds a MBA from Georgetown University and has 10-year experience in financial departments and in the banking sector in Canada and in the USA.



#### Germaine Nagalo

Administrative and accounting assistant

Germaine holds more than 7 years experience in accounting, organization and financial management support.

#### Aicha Savadogo

Investment Officer

Aicha has held positions of Analyst and Manager at the SOFIGIB, a guarantee fund in Burkina Faso. Aicha has a Master of Finance at ENSA (Morocco).



# LAUNCHING IMPACT FUNDS

5 FUNDS SO FAR

→ BLENDED FINANCE



PARTENAIRE D'IIP

Niger

**€1 MILLION RAISED IN CAPITAL**

The investment capacity has reached **€1 million**, and include funding by a bank, an insurance company, seasoned individuals investors.

Sinergi Niger has funded **10** SMEs since its inception and exited **4**

Sinergi Niger is the pilot of the IPDEV2 program



Sinergi Niger employs **4** trained investment professionals



### Ismaël Karim

Investment officer

Karim has been an Investment officer for 4 years at Sinergi. He is a specialist in financial modeling, entrepreneurship and business coaching. He has previous experience in auditing and accounting and in sales



### Abou Issia

Administrative and Finance

Abou has been responsible for Administration and Finance at Sinergi since February 2007. He is also in charge of monitoring and supporting IPDEV2's portfolio companies.

### A TEAM LED BY IBRAHIMA DJIBO

Djibo has had various management experiences in Nigerien companies and carried out feasibility studies for the launch of companies in Niger, Mali and Burkina Faso. He was responsible for a World Bank project aimed at promoting Nigerien SMEs in the construction industry (1991 – 97)



*An investment in Education by Sinergi Niger*



### EDITIONS AFRIQUE LECTURE (EAL)

It is a publishing and printing company specializing in literature, school textbooks and exercise books. EAL creates and distributes more than 50 000 books nationwide at a very affordable price for middle class and BoP households, in a context where the State cannot provide such textbooks and exercise books to schoolchildren.



# LAUNCHING IMPACT FUNDS

5 FUNDS SO FAR

BLENDED FINANCE

## Scaling impact through blended finance

**IPDEV2 designs blended finance programs to scale and increase the impact of each impact fund. These programs respond to 3 key challenges identified by the investment teams : investment-readiness of the pipeline, capacity-building of SMEs and peer learning.**

### Argidius Foundation

Launch of new funds, training of fund managers, network of entrepreneurs and capitalization



### Coopération de Monaco

Launch of new funds in Madagascar and Mali, Technical assistance to management teams and to SMEs, Research, impact evaluation and communication (PhD students)



### AFD

Launch of the new fund in Côte d'Ivoire, Technical assistance to SMEs, seed funding program for start-ups



### FISEA Proparco

Technical assistance to SMEs and to management teams in Mali, Burkina Faso and Niger



### USAID

Seed funding program for start-ups in Niger, Burkina Faso and Senegal



### European Union Trust Fund

*In process* : Large 9-year program with 3 components: TA to SMEs and management teams, seed funding to start-ups and guarantee for investors of the African funds



**Total of €19 million** in grant resources raised by IPDEV2 and complementing the equity investment program. These grants are decisive in rolling-out IPDEV2's strategy and in reaching its impact results and are used in 5 primary ways: (i) support during the launch phase of each fund, (ii) TA to the management teams and portfolio SMEs, (iii) seedfunding resources to accelerate the due diligence process, (iv) guarantee to investors, (v) evaluation and research

# PROMOTING ESG BEST PRACTICES

GENDER

GOVERNANCE

FORMALIZATION

ENVIRONMENT

## Women's access to decent jobs and leadership positions

As explained in I&P gender strategy, women entrepreneurs are well represented in the informal sector but the key challenge for them is to gain access to higher value-added activities in the formal sector.

In line with I&P gender strategy, IPDEV2 has made the strong commitment to develop a pipeline of **women-impact SMEs**:

- Where women are **empowered in decision-making processes** as shareholders, Board Members and CEOs
- Focusing on **women inclusion** - providing basic goods and services for women and/or implementing specific support programs for women as employees or small-scale suppliers/distributors



**Boosting women entrepreneurship thanks to USAID PACE**

**Promoting women entrepreneurship and women inclusion is one of the key impact targets** of the Seed Funding program currently being implemented with USAID (described in page 13).

To date, 10 seed-stage SMEs have been selected (in Burkina Faso, Niger and Senegal), including **80% of women-led projects**, many of them engaged in the agri-business field.

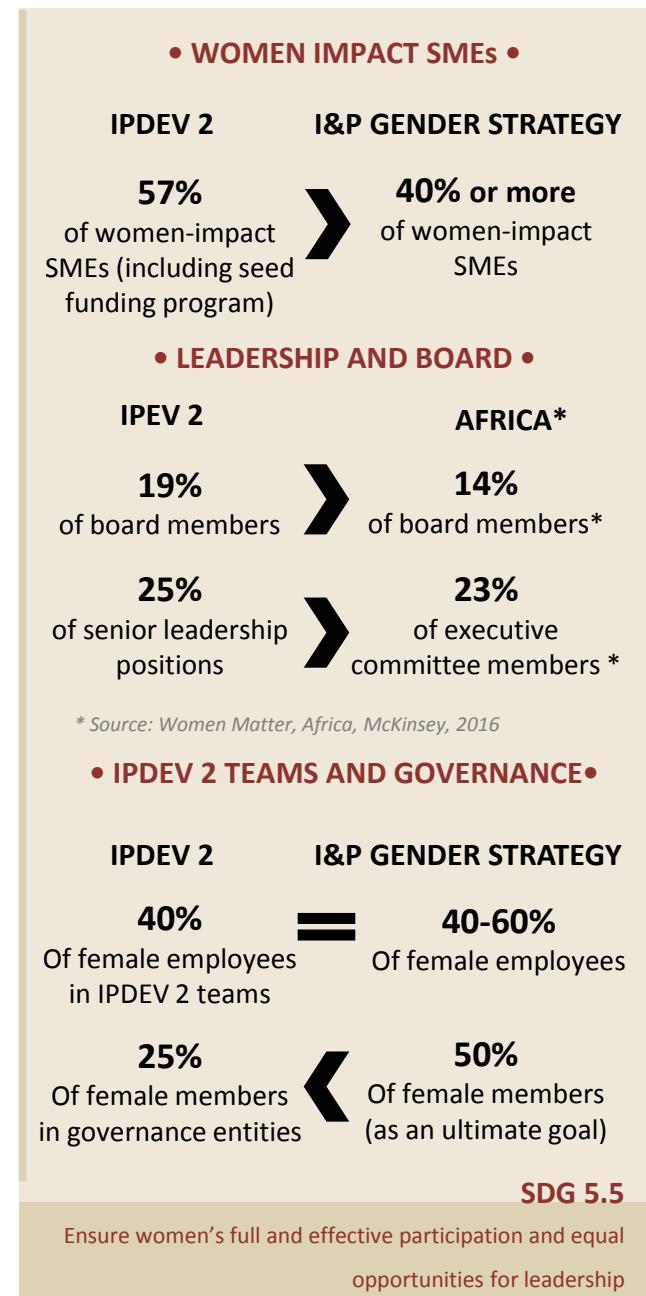
## Advocacy on gender-lens investment and women entrepreneurship

On International Women's Day (8th March), I&P published its gender policy: "Opportunities to Address the gender gap in African SMEs".

Specific actions include:

- "News" on the gender strategy on I&P website and social networks
- Participation in events and networks related to this topic (e.g. OIF conference, Women in Africa)
- Regular portraits of women entrepreneurs (e.g. Senar on I&P website and in *Great Insight* magazine)
- Inclusion of the topic in upcoming events of the African funds.

SDG 5 : Achieve gender equality and empower all women and girls



# PROMOTING ESG BEST PRACTICES

GENDER

GOVERNANCE

FORMALIZATION

ENVIRONMENT

## Building a strong governance in all of the funds

Each African fund has a **Board of Directors**, an **Investment Committee** and a **coordinator** in charge of ESG issues. The funds' investors are also strongly involved in the governance of each fund, as members of the Board of Directors, Investment Committees, etc.



**Laureen Kouassi  
Olsson**



Member of Comoé Capital's Investment Committee and of IPDEV2's. She is head of Amethis Finance's West Africa office and of Financial Institutions and Investment Director at Amethis.



**Mamadou  
Lamine Loum**



Chairman of the Board of Directors of Teranga Capital and former Prime Minister of Senegal

## Promoting a mission-driven governance

### IPDEV2 EXTRA-FINANCIAL COMMITTEE

Submits proposals to the Board with regard to:

- ESG & Impact strategy and management system
- Annual analysis of the extra-financial performance
- Reputational risk management
- ESG & Impact team
- ESG & Impact based incentive structure for IPDEV team

### EXTRA-FINANCIAL GOVERNANCE OUTCOMES

Bi-annual extra-financial committee meetings:

- 2 meetings held in 2017/2018 fiscal year

These meetings have focused on several key issues: the implementation of the ESG & Impact methodology in IPDEV 2 African funds, the gender strategy, the review of annual impact results and the job formalization process in local SMEs.

### MEMBERS

Includes investor representatives and independent members:

- Pierre ARQUIÉ**, Congrégation Notre-Dame
- Didier KAUFFMAN**, IPDEV 2 private investor
- Sylvie LEMMET**, French Court of Auditors
- Philippe LEVEQUE**, CEO, Care France
- Priscilla ROZÉ-PAGÈS**, Inclusive Business Global Manager, Air Liquide
- Sally WALKERMAN**, Senior Executive, Small Foundation

IPDEV

AFRICAN FUNDS

<b>Sinergi Niger</b>	<ul style="list-style-type: none"> <li>✓ Appointment of 4 members</li> <li>✓ First meeting held in January 2018</li> </ul>	<ul style="list-style-type: none"> <li>✓ Appointment of the team coordinator (CEO)</li> <li>✓ IC member assigned with specific ESG focus</li> </ul>
<b>Sinergi Burkina</b>	<ul style="list-style-type: none"> <li>✓ Appointment of 4 members</li> <li>✓ First meeting held in May 2018</li> </ul>	<ul style="list-style-type: none"> <li>✓ Appointment of the team coordinator (Investment officer)</li> <li>✓ IC member assigned with specific ESG focus</li> </ul>
<b>Teranga Senegal</b>	<ul style="list-style-type: none"> <li>✓ Appointment of 4 members</li> <li>✓ 2<sup>nd</sup> meeting held in January 2018</li> </ul>	<ul style="list-style-type: none"> <li>✓ Appointment of the team coordinator (CEO)</li> <li>✓ IC member assigned with specific ESG focus</li> </ul>
<b>Comoé Capital</b>	<ul style="list-style-type: none"> <li>✓ Appointment of 4 members</li> <li>✓ First meeting to be set up in 2018</li> </ul>	<ul style="list-style-type: none"> <li>✓ Appointment of the team coordinator (Investment officer)</li> <li>✓ IC member assigned with specific ESG focus</li> </ul>
<b>Miarakap Madagascar</b>	<ul style="list-style-type: none"> <li>✓ Appointment of 4 members</li> <li>✓ First meeting to be set up in 2018</li> </ul>	<ul style="list-style-type: none"> <li>✓ Appointment of the team coordinator (CEO)</li> <li>✓ IC member assigned with specific ESG focus</li> </ul>

SDG 16 : Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels



# PROMOTING ESG BEST PRACTICES

GENDER

GOVERNANCE

FORMALIZATION

ENVIRONMENT

## Implementing good governance in the SMEs financed

1

### IMPLEMENTATION OF A SHARED GOVERNANCE

### UPGRADING OF ACCOUNTING AND REPORTING PRACTICES

2

### ZERO TOLERANCE POLICY FOR FRAUD AND CORRUPTION

1. Portfolio SMEs go along a shareholder representative body (Board or Strategic Committee) to manage the company in a concerted manner. Such shared governance helps entrepreneurs feel less isolated. Governance bodies usually include:

- Entrepreneurs
- One or two investor representative(s)
- Other minority shareholders.
- One independent member in some cases

2. The African funds also enforce integrity and do not tolerate corruption or other illegal practices, even if it means giving up an investment opportunity

3. The African funds invest in early-stage and fast growing companies, which absolutely need to strengthen financial and accounting practices to enable both management and shareholders to adequately track company performance. The following actions are implemented:

- Annual audits of the company accounts to ensure reliable accounting practices that fully comply with fiscal obligations.
- Technical assistance provided to a majority of companies, in order to build internal reporting capacities and enhance the reliability of the accounts

## Training and review of the ESG/Impact methodology

### • TRAINING SESSIONS •

In 2017, several sessions dedicated to ESG/Impact involved IPDEV 2 African fund CEOs:

- Session in April 2017 focused on main ESG challenges at pre-screening, monitoring and exit phases, organized as a role play
- Portfolio review in April 2017 including a focus on job formalization and declaration of employees
- Meeting in December 2017 focused on best practice sharing with regard to job formalization and gender strategy
- Participation of Comoé Capital's CEO in a 2-day training on IFC performance standards on environmental and social sustainability in Accra
- Detailed training session focused on international environmental standards and biodiversity issues planned for Miarakap team in 2018.

### • REVIEW OF CURRENT IMPLEMENTATION OF THE METHODOLOGY •

#### After over two years of practical implementation

##### STRENGTHS

Strong commitment to ESG & Impact matters, including gender equality,

Teams are eager to build on I&P's methodology, considered as a key competitive asset.

Good adoption of the ESG methods: satisfactory ESG risk assessment and ESG due diligence

Timely collection of reliable impact metrics among portfolio companies.

Implementation of employee health insurance systems in all the Senegalese investments.

##### AREAS FOR IMPROVEMENT

High priority currently given to SMEs' formalization processes, especially for the employees, where delays are registered for some SMEs in Burkina Faso and Niger.

The performance on ESG closely linked to general performance

Strong job creation potential, but limited so far given the cost of the initial formalization process and recentness of underlying investments.

SDG 16 : Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels



# PROMOTING ESG BEST PRACTICES

GENDER

GOVERNANCE

FORMALIZATION

ENVIRONMENT

## Progress toward job formalization

**84** jobs were formalized in the SMEs since investment

IPDEV 2

More than **55%** of  
formal jobs in 2017



AFRICA

Less than **28%** of  
employment is formal \*

### Situation at end 2017

The transition to formality is expected but is sometimes too slow, especially for employee-formalization. After investment, SMEs have 1 year maximum to fully comply with the law. As detailed in the table below, the situation in SMEs varies greatly. For companies lagging behind, we have learned that:

- The cost of formalization is sometimes under-estimated.
- Becoming formal is a gradual process including several steps: written contract, tax status, health coverage...

**Investees enter the portfolio every year and the ratio could remain high**

**Based on this experience we have implemented the following next steps:**

- Commitments on formalization in shareholder agreements
- Successive disbursements subject to progress on formalization
- Ongoing training of entrepreneurs and top management
- Support in the form of technical assistance in the formalization process

### • HEALTH INSURANCE •

In West Africa, 3% to 20% of the population have access to health coverage\*. Formal employees in portfolio SMEs gain an access to a first layer of social benefits including retirement pensions, coverage for maternity, work accidents, disability, death, and medical hospitalization in some cases.

In Senegal, all portfolio SMEs have implemented complementary systems, based on Senegalese intercompany health insurance (IPM), providing a greater medical coverage for employees.

SDG 3.5

Achieve universal health coverage

### Case studies : a better understanding of the formalization process

An in-depth impact study will be conducted in Senegal and Burkina Faso in 2018 to identify areas for improvement.

\* Source: McKinsey, Africa at Work, Job creation and inclusive growth 2012

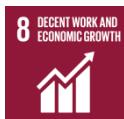


\*For Siatol and Agroserv, the increase in formalization rate is also linked to some departures among informal employees.

GOAL 3 : Ensure healthy lives and promote wellbeing for all at all ages



SDG 8 : Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



# PROMOTING ESG BEST PRACTICES

GENDER

GOVERNANCE

FORMALIZATION

ENVIRONMENT

## Invest to preserve biodiversity and ecosystems

Miarakap (Madagascar) will have an investment component specifically dedicated to preserving biodiversity and natural ecosystems with the support from CEPF



### KEYNOTE

#### Madagascar's biodiversity

Madagascar is a mega-biodiversity zone and one of the world's 10 biodiversity hot spots

The country has about 15000 plant species of which 83% are endemic, 61% of bird species, 92% of reptiles, 99% of amphibians and 100% of lemurs are found nowhere in the world but in Madagascar

However, Madagascar's unique natural heritage is severely threatened with extinction by numerous pressures of human origin. 44% of natural forests have disappeared in the last 60 years and the remaining forest areas are extremely fragmented

(CIRAD, 2018; Goodman & Benstead 2005)



**MIARAKAP**  
PARTENAIRE D'IIP



Forest and biodiversity in Madagascar

#### Our agribusiness companies:

Respect biodiversity and soil preservation

Do not use products harmful to the environment

Do not use cultural techniques that amplify desertification



#### Cogelec in Senegal

Cogelec energy is an **access to energy company** in Senegal which electrifies rural areas by providing engineering solutions, production and distribution of energy, installation, operation & maintenance.



#### Its different impact fields are:

Extend access to electricity and services to rural areas in Senegal, where electrification rate was 40% (end of 2017)

Increase the competitiveness and energy efficiency of Senegalese economic players and give them access to sustainable energy solutions

Increase the contribution of renewable energies in the production of electricity

Promoting a more rational use of energy with greater respect for the environmental heritage

Thirty intervention works completed in 2017



**TERANGA CAPITAL**  
PARTENAIRE D'IIP

15 LIFE ON LAND



SDG 15 : Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

# AN IMPACTFUL SME PORTFOLIO

ENTREPRENEURS

EMPLOYEES

CLIENTS

SUBCONTRACTORS

## Financing African entrepreneurs



**18** African SMEs financed and supported, all led by African entrepreneurs. This report covers the **10** companies currently in the portfolio, including 3 in Niger, 2 in Burkina Faso, 3 in Senegal and 2 in Côte d'Ivoire



**Entrepreneurs with significant professional experience and a high level of education**

**50 years old** on average

**17 years** of **experience** in their respective sectors

**12 years** of experience in corporate management positions

**70%** have a **university level education**



Sahel Lab, Niger



**100%**  
of companies operating in  
Least Developed Countries  
or Fragile Countries

Agroserv, Burkina Faso

**High catalytic effect of African funds' investment in early-stage SMEs**



On average, for every euro invested by a local fund, €1.7 is raised from other investors

**Young companies supported at an early stage:**



**5 years** of activity on average

GOAL 17 : Strengthen the means of implementation and revitalise the global partnership for sustainable development



# AN IMPACTFUL SME PORTFOLIO

ENTREPRENEURS

EMPLOYEES

CLIENTS

SUBCONTRACTORS

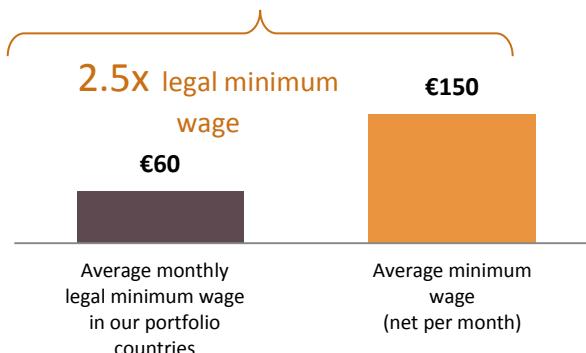
## Creating better and decent job

According to the International Labor Organization, a decent work is defined by an access to productive and adequately paid work, safety in the workplace, social protection for families, better prospects for personal development and social integration, freedom of association and of speech and equal treatment for men and women. **In this framework, we monitor working conditions within our portfolio. We work to foster jobs with:**

1

DECENT WAGE

### • WAGE LEVEL •



### • LEVEL OF INCOME OF EMPLOYEES •



"Low-income": persons earning less than \$10 per day based on a 2011 purchasing power parity index



SDG 1 : End poverty in all its forms everywhere

SDG 8 : Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

## WHAT ABOUT JOB CREATION ?

In 2017, there was job stagnation in portfolio companies for two main reasons:

On the one hand, several companies are new to the portfolio, particularly due to the recent launches of Teranga Capital and Comoé Capital. These new businesses should enter job-creating cycles as early as 2018-2019, particularly in key sectors such as education, agriculture and energy.

On the other hand, concerning companies that were already in the portfolio, the focus in 2017, was on structuring, formalizing employees and training.

However, **more than 200 jobs** have been created or maintained in Sinergi's partner companies in Niger since 2008.

### 1 JOB = 1 FAMILY

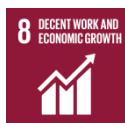
More than **1,400** Total Family Members\* Supported by employees in 2017 including:

- **565** people in Senegal
- More than **480** people in Burkina Faso

\* Based on household size derived from the Global Data Lab developed by researchers at the University of Radboud in the Netherlands. It is estimated by crossing different surveys (Demographic and Health Surveys, UNICEF Multiple Indicator Cluster Surveys, World Development Indicators, etc.).

**SDG 1.1**

Eradicate extreme poverty



# AN IMPACTFUL SME PORTFOLIO

ENTREPRENEURS

EMPLOYEES

CLIENTS

SUBCONTRACTORS

## Creating better and decent job

2

INCLUSIVE JOBS

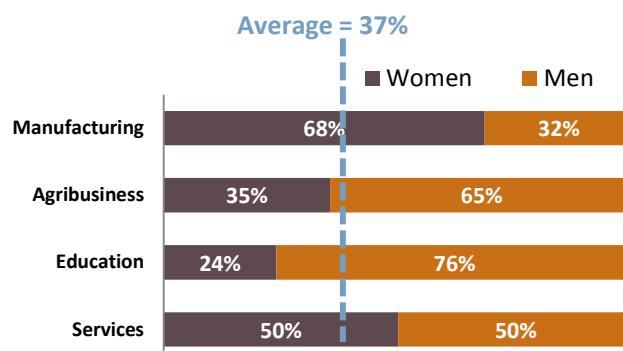
### • WOMEN AND LABOR MARKET IN AFRICA •

**AFRICA\*****45%**  
of employees**IPDEV 2****37%**  
of employees

Manufacturing and services companies tend to employ the largest shares of women.

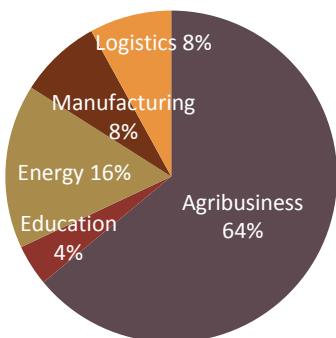
**SDG 5.5**

Ensure women's full and effective participation and equal opportunities for leadership



Gender breakdown in IPDEV II's portfolio by sector\*

### A majority of young employees in agribusiness



Distribution of young people by sector

"Young person" : employee below 25 years old

### • YOUTH AND LABOR MARKET IN AFRICA •

Africa has 420 million young people and this figure is expected to grow to 830 million by 2050. Africa also has 36 of the 40 youngest countries in the world

While 10 to 12 million young people arrive each year on the labor market, only 3 million formal jobs are created annually. Most young people in Africa are unemployed or in precarious or informal jobs .

*Source: AfDB (2018)*

**IPDEV 2**

**15%**  
Employees are young

**Africa**

**10%** of young find a job corresponding to their abilities

**SDG 8.6**

Reduce the proportion of youth not in employment

5 GENDER EQUALITY



SDG 5 : Achieve gender equality and empower all women and girls

SDG 8 : Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

8 DECENT WORK AND ECONOMIC GROWTH



# AN IMPACTFUL SME PORTFOLIO

ENTREPRENEURS

EMPLOYEES

CLIENTS

SUBCONTRACTORS

## Creating better and decent job

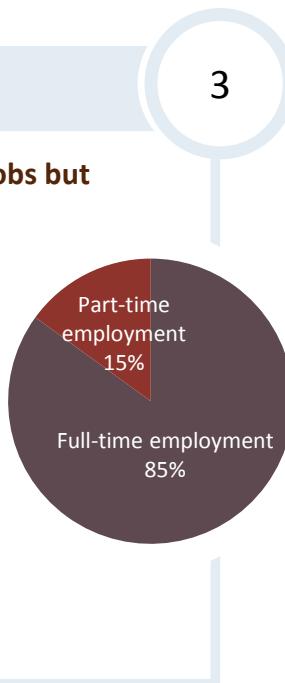
### STABLE JOBS

#### A majority of full-time jobs but few permanent jobs

##### Focus on seasonal jobs

In addition to 171 jobs in portfolio SME, agribusiness companies recruited 148 seasonal jobs in 2017, providing additional income for numerous low-skilled workers.

However, the proportion of seasonal employment in some SMEs (Halal: 70 seasonal jobs) is an area of concern



**Service and education** sectors employ a large number of highly skilled and mid-skilled employees and offer training opportunities.



Vallesse, Côte d'Ivoire

The **agribusiness** sector accounts for the majority of low-skilled jobs, mainly in agricultural processing plants. It provides a stable and steady income to low-income people with a lack of education.

##### Increasingly highly qualified women

Highly skilled women represent **52%** of highly skilled employees in Senegal (Teranga Capital) and **42%** in Côte d'Ivoire (Comoé Capital).

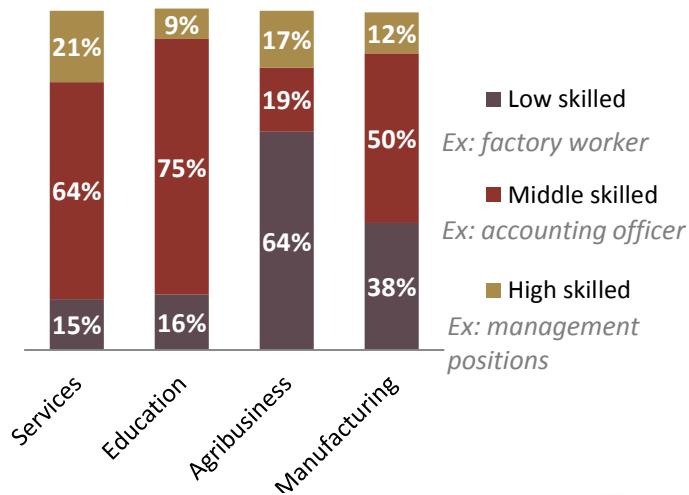
### 4

6% of employees have received training in the past year.

### SKILLS DEVELOPMENT

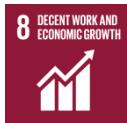
Around **€ 300** of average training cost per employee

#### Employment breakdown by qualification and by sector



OuiCarry, Senegal

SDG 8 : Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



# AN IMPACTFUL SME PORTFOLIO

ENTREPRENEURS

EMPLOYEES

CLIENTS

SUBCONTRACTORS

## Providing SDG-aligned essential goods and services

### • FOOD •

- AGROSERV (Burkina Faso):** Transformation of maize into semolina and flour for households
- SIATOL (Burkina Faso):** Production of soybean oil for human consumption and of soybean meal for poultry feed
- UNIFAM (Niger):** Manufacturing of agro-equipment
- HALAL (Niger):** Production of improved millet, sorghum and maize seeds for smallholder farmers

**3,900+**  
agricultural equipment and materials sold (Unifam)

**172** tons of improved seed sold (Halal)      **1,880** tons of soybeans purchased (Siatol)

### SDG 2.a / 2.4 / 2.3

Ensure agricultural productivity and incomes for small-scale food producers in developing countries toward sustainable and resilient food production systems

### • EDUCATION •

- EDITIONS AFRIQUE LECTURE (Niger):** Production of school textbooks and exercise manuals
- UNIFAM (Niger):** Manufacturing of school furniture (Goal 4.a)
- ETUDESK (Cote d'Ivoire):** Online vocational training
- VALLESSE (CI):** publishing books and textbooks



**227,686**  
schoolbooks published/prod uced and distributed (Vallesse and EAL)

**9,900+**  
students received school textbooks (EAL)

### SDG 4.1 / 4.3/4.4 / 4.A

Ensure equal access to primary, secondary and tertiary education for both men and women in an inclusive environment

### • WATER & ENERGY •

**COGELEC :** Access to energy (studies / engineering, production and distribution, supply and equipment, installation, operation & maintenance).



Cogelec, Senegal



SDG 2 : End hunger, improve nutrition and promote sustainable agriculture



SDG 4 : Ensure inclusive and equitable quality education



SDG 6: Ensure availability and sustainable management of water and sanitation for all



SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all

# AN IMPACTFUL SME PORTFOLIO

ENTREPRENEURS

EMPLOYEES

CLIENTS

SUBCONTRACTORS

## SMEs support their own local subcontractors

- RIPPLE EFFECT ON LOCAL SUPPLIERS•

### 100% local suppliers

**26** local suppliers supported, generating income for **214** people

**309** distributors in agribusiness and education

**291**

Smallholder farmers contracted with agribusiness companies in 2017

- SUPPORT PROGRAMS •

About **3600 local suppliers and distributors** were monitored and supported in 2017

#### AGROSERV

Structuring of a network of more than **3000** smallholder farmers through a project to promote irrigated maize cultivation.

#### VALLESSE

Support to a network of **325** small distributors by bearing the costs of mobile money

#### EAL

**20%** discount for small textbook distributors to structure the distribution network

#### HALAL

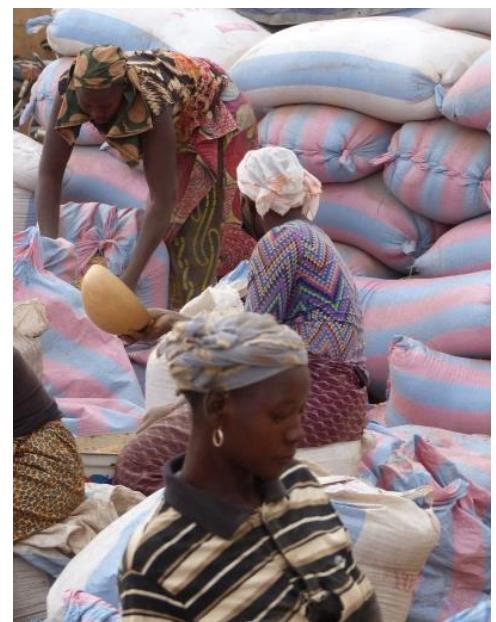
Structuring of a network of over **266** smallholder farmers.

**2** companies support smallholder farmers with financing & technical assistance:

**Siatol** is providing its network of **250** smallholders with pre-financed inputs (seeds, small equipment), technical assistance throughout the growing period, farm visits and purchase contracts with a bottom price and a premium based on quality and quantity of produce.

**Halal** trains **41** smallholder farmers in various areas :

- Seed multiplication techniques
- Post-harvest techniques
- Commercial support
- Experimentation on demonstration plots



Siatol, Burkina Faso

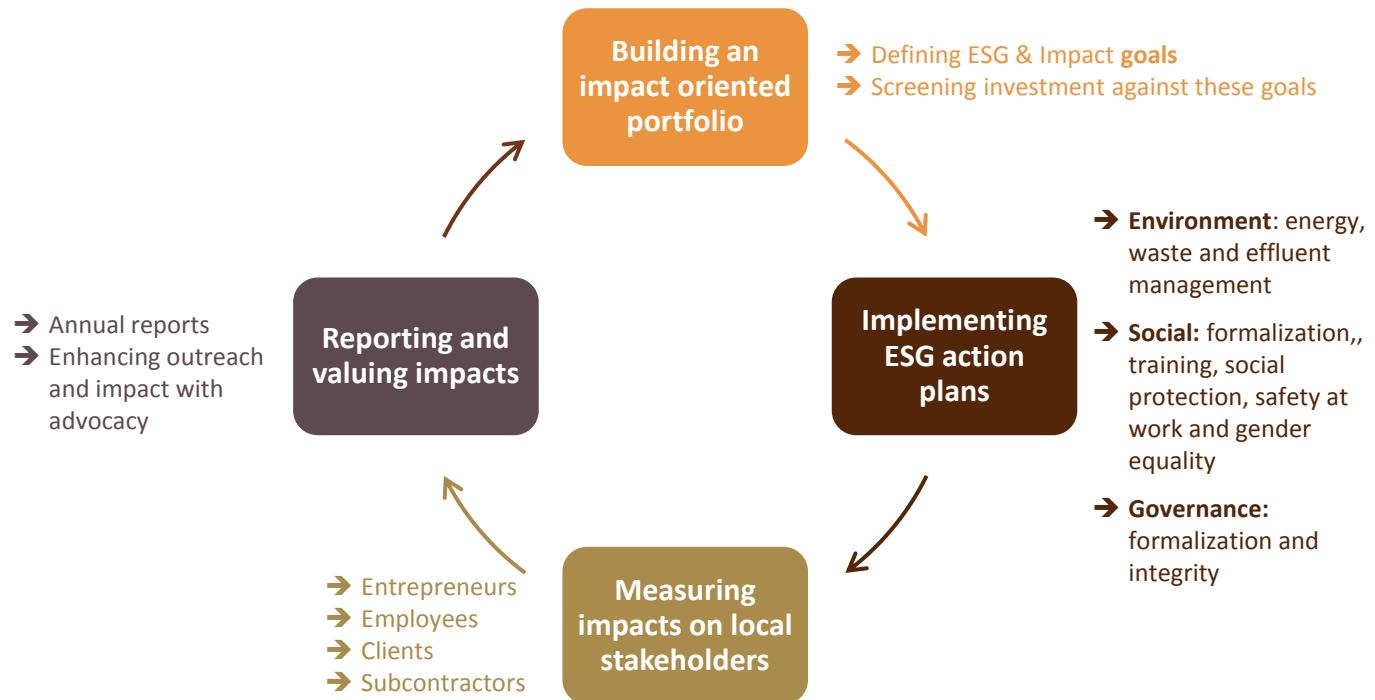
# METHODOLOGY & IMPACT

IMPACT MANAGEMENT WHEEL

IMPACT PROCESS

Pursuit of specific impact objectives and strong ESG performance

I&P team implements an impact management wheel throughout the investment process:



## RISK MANAGEMENT

Understand and minimize Environmental Social and Governance (ESG) risks

FROM ESG  
TO IMPACT

## VALUE CREATION FOR THE INVESTEE COMPANY

Identify ESG opportunities and promote actions creating combined societal and economic value

## DEVELOPMENT IMPACT

Enhance positive impact to achieve broader development outcomes, especially on our four impact goals (mentioned above)

# METHODOLOGY & IMPACT

## IMPACT MANAGEMENT WHEEL

## IMPACT PROCESS

### Screening and monitoring on ESG & impact during investment and until exit

#### IMPACT SCREENING

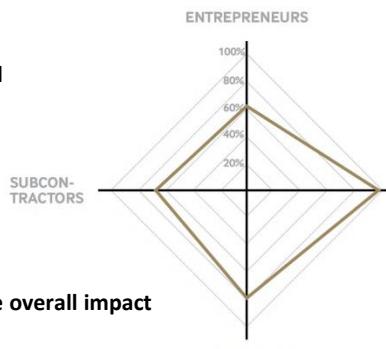
#### IMPACT MONITORING

##### ■ Assessing potential impacts

The investment team uses **Impact Screening Scorecard**

- **Screen investment projects** for alignment with IPDEV 2's core impact objectives
- Identify ways to **improve overall impact**

*Sample Impact Screening Scorecard*



##### ■ Evaluating ESG risks and opportunities

- The investment team rates **ESG risk** (high, medium or low), as well as ESG opportunities (high, medium or low)
- ESG risk rating categories are based on **international standards** (IFC, CDC).

*Sample ESG categorization matrix*

	RISK	OPPORTUNITIES
E	Medium	High
S	Medium	High
G	Low to medium	

##### ■ Conducting ESG due diligence

Due diligence includes an **in-depth analysis of ESG-related matters as an integral part of the assessment and is performed in close conjunction with:**

- **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

##### ■ Implementing ESG action plans to generate economic and societal value

African funds work with partner companies on **ESG actions** that generate economic value and are fully integrated into partner/investee company operations.

Partner companies legally undertake the implementation and monitoring of these ESG action plans, and a contact person is appointed to oversee the process.

**Bi-annual meetings** with the company's management team are set up to assess progress made and to update the action plan.

##### ■ Measuring results

IPDEV 2 measures African fund investee performance annually with an **in-house IM tool** based on IRIS metrics. Close to **40 indicators** are collected and analyzed every year to assess partner companies' impacts on their local stakeholders.

Staff	Clients
Job creation Job patterns (gender, wages, etc.) Employee training and other advantages	Quantity of goods/services provided (company-specific metrics) Number of clients (company-specific)
Suppliers & distributors	National value added
Number and share of local suppliers and distributors	Contribution to state revenues, GDP and exports

##### CASE STUDY SIATOL (2016-2017)

Founded in 2010 by Marcel Ouédraogo and supported by Sinergi Burkina since 2015, Siatol works with a network of more than 3,000 smallholder farmers.

**Smallholder farmers:** SIATOL provides farmers access to a

new cash crop that increases their income

**Employees:** First wage-paying job for 30% of employees

**Poultry farmers:** A 38% increase in profitability through a higher egg-laying rate

##### ■ Ensuring good impact management after exit

I&P selects buyers who **allow for the durability 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**.

# ENHANCING OUTREACH & IMPACT WITH ADVOCACY

## Sharing our experience and advocating for impactful projects

As the African continent is undergoing profound changes, it is of prior importance for I&P to promote the reality of African entrepreneurship and raise awareness about the role of impact investors in supporting small and medium enterprises.

### The « Club Africain des Entrepreneurs »



As of 2016, I&P has sparked the creation of an African Club of Entrepreneurs, an Ivory Coast based NGO 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:** Spark new types of interactions between the members, on the local, national, regional and pan African scales in order to share best practices and foster business opportunities
- Enhance skills:** Both for the entrepreneurs and their employees in order to develop local human resources



CLUB AFRICAIN  
DES ENTREPRENEURS

PARTENAIRES BY IIP

## A LOOK AT OUR PREVIOUS PUBLICATIONS



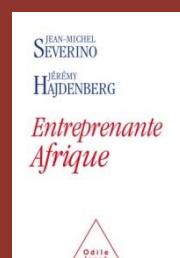
*"Investing in African Small and Growing Businesses"*  
(2015)

[More Info](#)



*"Investing in Africa's Development"*  
(2016)

[More Info](#)

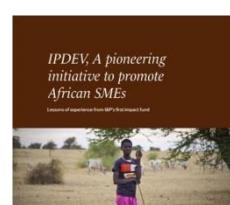


*"Entreprenante Afrique"*(2016)

Jean-Michel Severino, Jérémie Hajdenberg

## LESSONS FROM I&P'S FIRST IMPACT VEHICLE

Investisseurs & Partenaires published a short document reflecting on the successes, drawbacks and key lessons learned from its first impact fund: Investisseur & Partenaire pour le Développement (IPDEV 1). Founded in 2002, IPDEV 1 was a pioneering project at a time when investors showed little interest in African entrepreneurship.



IPDEV, A pioneering  
initiative to promote  
African SMEs

Lessons of experience from IPDEV 1 impact fund



[Click here to download](#)

## AN INSIGHT OF I&P'S 15-YEAR EXPERIENCE

Investisseurs & Partenaires published "Fifteen Years, Fifteen Lessons from Africa", a new document conceived by the team to present some key lessons learned from our 15-years of experience in African SME and startup financing.



Fifteen years  
Fifteen lessons from Africa



[Click here to learn more](#)

# ENHANCING OUTREACH & IMPACT WITH ADVOCACY

Sharing our experience and advocating for impactful projects

## OUR PARTICIPATION IN SEVERAL NETWORKS

### Aspen Network of Development Entrepreneurs (ANDE)

Dedicated to players supporting development in emerging countries, ANDE provided decisive support for the start-up and then deployment of the IPDEV2 program, notably through the Argidius-ANDE Finance Challenge, then PACE (Partnering to Accelerate Entrepreneurship Initiative) promoted by USAID. I&P contributes to the governance of the Association by participating in its executive committee (O. Lafourcade), as well as in the steering committee of the West Africa Working Group.

### Global Impact Investing Network (GIIN)

IPDEV2 is a reference organization on impact investment and has been the subject of numerous studies and presentations for its innovative and inspiring character, notably its evergreen structure mobilizing patient capital adapted to the development of promising young companies accompanied by funds sponsored by IPDEV2.



## PRESS COVERAGE

### Launch of Miarakap

*L'Express Mada, La Tribune Afrique, Jeune Afrique, Eco Austral...*

[More Info](#)

### Launch of Comoé Capital

*Ivorian Press Agency, Fratmat...*

[More Info](#)

### Launch of the Education Impact Fund, managed by Comoé Capital

*Afrik.com*

[More Info](#)

### Teranga Capital investments : COGELEC, OuiCarry, SENAR

*Le Quotidien (Senegal), December 2017.*

[More Info](#)

### Visit by Prince Albert II of Monaco and the Burkinabe President to AgroServ, a company supported by Sinergi Burkina

[More Info](#)

Two interviews conducted by the radio Africa N°1 with entrepreneurs accompanied by Teranga Capital Abdou Kane from COGELEC and Oumar Yam from OuiCarry

[More Info](#)

We also published an article on the OECD Development Matters blog, which mentions the IPDEV 2 program

[More Info](#)

For more information:

[www.ietp.com](http://www.ietp.com)

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