



I&P Afrique Entrepreneurs 2

ANNUAL ESG AND IMPACT REPORT

MARCH 2019

EDITO

As one of the pioneers of impact investing, I&P was **among the first adopters of the Operating Principles for Impact Management** launched in early 2019 under the leadership of the International Finance Corporation. With more and more impact players entering the market, these principles define best practices and will be key to sharing a common vision for impact investing and extending our reach into the future.

2018 has been a crucial year for IPAE2. Our first closing at €50 million took place in December 2017 and enabled the fund to invest in four SMEs during the year. Operating in various sectors, three of those investments share a common feature: the choice from the outset, to develop their business in several African countries. This choice illustrates a tendency on the part of African SMEs to address a regional rather than a national market and is proof of a growing entrepreneurial network on the Continent.

IPAE 2 is on track to reach its target size of €80-€90 million and will complete a third and final closing by the end of October 2019.

Jean-Michel SEVERINO

CEO



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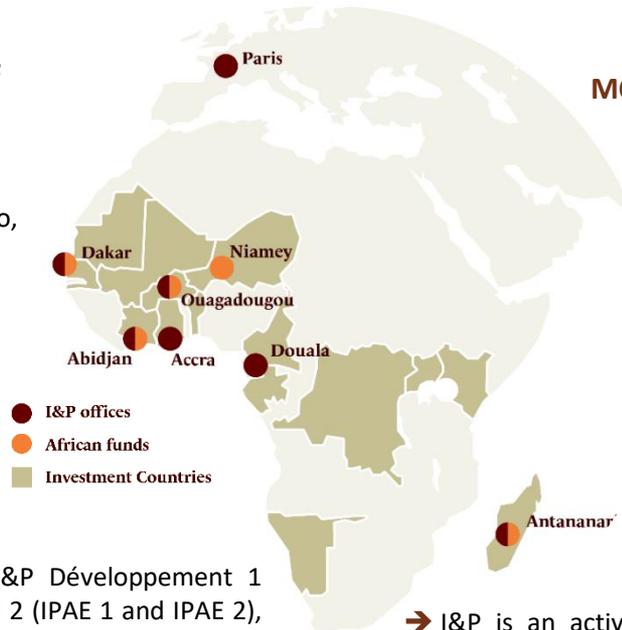
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ABOUT INVESTISSEURS & PARTENAIRES

Investisseurs & Partenaires is an impact investing group with **more than 15 years of experience** dedicated to African Small and Medium Enterprises (SMEs). Created in 2002 by Patrice Hoppenot and managed by Jean-Michel Severino since 2011, I&P manages four pan-African funds and sponsors five African impact funds, which together have invested in **more than 100 companies** located in 16 African countries.

50+ FRANCO-AFRICAN STAFF

- A team of **50 professionals**
- Teams based in **8 locations** : Burkina Faso, Cameroon, Côte d'Ivoire, France, Ghana, Madagascar, Niger and Senegal
- A separate advisory counsel, **I&P Conseil**, launched in 2017



MORE THAN 100 COMPANIES FINANCED

- Located in **16 sub-Saharan African countries**
- Operating in diversified sectors: agro-industry, IT, health, building materials, education, renewable energy, etc.

€160M ASSETS

- **4 pan-African funds managed by I&P**: I&P Développement 1 (IPDEV 1), I&P Afrique Entrepreneurs 1 and 2 (IPAE 1 and IPAE 2), and I&P Développement 2 (IPDEV 2)
- **5 African funds sponsored by IPDEV2**: Comoé Capital (Côte d'Ivoire), Mirakap (Madagascar), Sinergi Burkina, Sinergi Niger, Teranga Capital (Senegal)

A COMMITTED IMPACT INVESTOR

- I&P is an active member of the emerging ecosystem of impact investors and affirms its mission through membership in **multiple networks** (GIIN, ANDE, EVPA...)
- I&P joined the community of certified **B Corp™** companies in 2017 and is among the 60 early adopters of the **Impact Management Principles** designed by the IFC



ABOUT IPAE2

Target fund size	€80M - €100M
Investment size	From €300,000 to €3M
Target number of investments	35 – 55 investments
Geographical scope	Sub-Saharan Africa, with a focus on Western and Central Africa, the Indian Ocean region and East Africa
Sectors	Working in various sectors
Fund life	Closed-end, 10-year tenure from first closing, with a possible 2-year extension



IPAE 2 - ESG & IMPACT REPORT

IMPACT THESIS AND METHODOLOGY

IMPACT MANAGEMENT IN 2018

- 1 PORTFOLIO OVERVIEW
- 2 IMPLEMENTING ESG ACTION PLANS
- 3 MEASURING IMPACTS ON LOCAL STAKEHOLDERS
- 4 ENHANCING OUTREACH & IMPACT WITH ADVOCACY

MISSION

Our commitment to 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 and formal decent employment in African economies.

As documented in this 2018/2019 report, formal SMEs pay taxes, which contribute to social expenditure and the provision of public services, which in turn strengthen 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 relationship with banks and their shareholders. Through their boards and management, a new modern 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, such as employer-provided/subsidized health care for employees and their families.

IPAE2 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”, these SMEs that do not have access to international investors and banks given their small size but whose financing needs are also too large to qualify for microfinance. We help move them into the formal financial economy of their country.

Additionality and sustainability are key concepts of 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 is helping to develop an SME eco-system that would not have been possible without our funding. However, we are also deeply aware of the negative externalities generated by economic activity involved. This is why we support as often as possible businesses that provide environmental services. We also help reduce CO2, limit and manage waste, and combat biodiversity loss.



ADDRESSING THE “MISSING MIDDLE” IN AFRICA

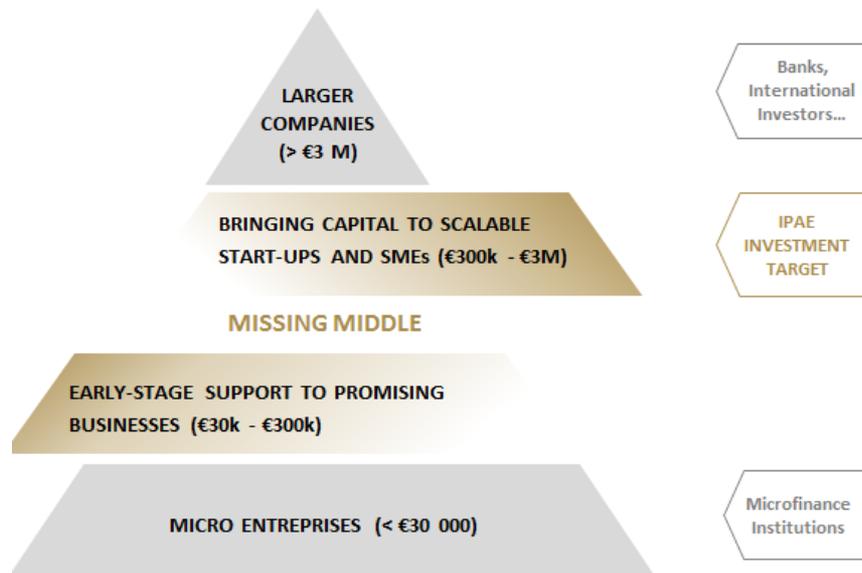
Private equity: a proven response to growth needs of SMEs

WHY PROMOTING AND GROWING SMEs MATTERS

SMEs appear as 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 local economic fabrics**. SMEs tend to obtain their supplies locally, more than multinationals, which rely on international networks.
- **Improve access to useful goods and services for domestic markets** and the BOP (such as water, healthcare, housing or education). African SMEs tend to be predominantly focused on domestic markets, 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 faced by 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 AFRICAN

A dynamic yet challenging region

Significant growth momentum

- Sub-Saharan Africa reached 2.3% growth in 2018 (World Bank). Overall, the recovery in growth has been faster than envisaged, especially among non-resource-intensive economies, underscoring Africa's resilience.
- Africa will become the world's youngest and most populous continent in 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 might provide a great opportunity for Africa.

A strong entrepreneurial spirit

- A 2015 Approved Index study ranked Africa among the top of 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 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 40% of SMEs cite access to finance as the major factor limiting their growth (World Bank)

In such a context, I&P capitalizes on its knowledge in the field and on its 17 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.



Delta Irrigation © Béchir Malum

IMPACT THESIS

A mission-driven fund

THE FUND'S IMPACT THESIS:

Promote local entrepreneurship to foster inclusive growth and stability in Africa

ENTREPRENEURS

Developing 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 densify the local economic fabric

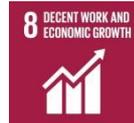
WOMEN

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



BEYOND THE MISSION, THE MEASURE

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**.

We believe that **impact performance should be 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 proposal is to adjust the carried interest percentage for the investment manager (in a range between 10% to 17%) according to the achievement of the key impact targets presented below.

KEY IMPACT TARGETS

Developing responsible African entrepreneurship, including in Most Fragile Countries

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

14%

of impact investing in Africa allocated to LDCs or Fragile Countries (GIIN, 2015, 2016)

Creating decent jobs & training opportunities

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

+15%

of employment growth in PE-backed companies in Africa over the investment period (AVCA, 2016)

BEYOND THE MISSION, THE MEASURE

IPAE2's measurable impact targets

Promoting women entrepreneurs and managers

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



5%
of companies led by women in Africa (Mac Kinsey, 2016)

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

- **50%** (or more) of companies providing local goods or services addressing essential needs and the new United Nations SDGs

Fostering an environmentally friendly development

- **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 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.



ESG RISK MANAGEMENT SYSTEM

Pursuit of impact goals supported by strong ESG performance



What does « ESG » mean?

Environmental, social and governance (ESG) criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments.

- **Environmental** criteria consider how a company performs as a steward of the environment.
- **Social** criteria examine how a company manages relationships with employees, suppliers, customers, and the communities in which it operates.
- **Governance** deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

FROM ESG
TO IMPACT

RISK MANAGEMENT

Understand and minimize Environmental Social and Governance (ESG) risks

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

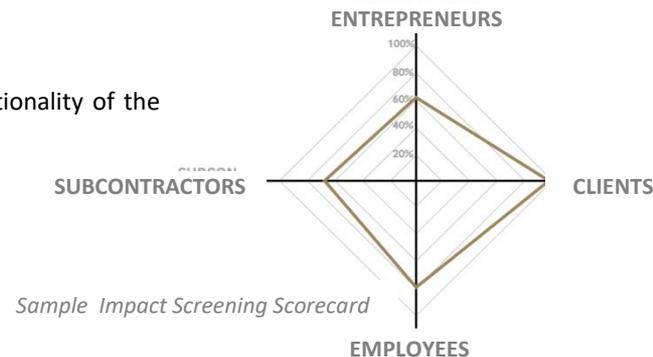
IMPACT MANAGEMENT – PRE-INVESTMENT

Screening investment projects on ESG & impact

ASSESSING PROSPECTIVE IMPACTS

For each of its impact funds, the I&P team uses **Impact Screening Scorecards** to:

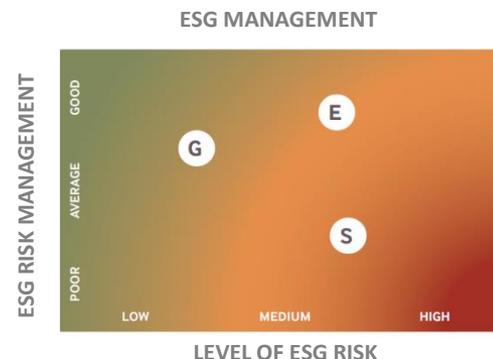
- **Screen investment projects** for alignment with the fund’s core impact objectives for:
 - Impact on local entrepreneurship (entrepreneur nationality and location, additionality of the investment, etc.)
 - Impact on employees (creation of decent jobs)
 - Impact on clients (meeting of local and essential needs)
 - Impact on local suppliers and distributors
- Encourage gender empowerment and foster environmentally-friendly development
- Identify ways to **improve overall impact**



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)

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



Sample ESG risk categorization matrix

CONDUCTING ESG RISK DUE DILIGENCE

Includes an **in-depth analysis of the following ESG-related matters as an integral part of the assessment:**

- **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

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 company’s management 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 Africans and by women
- Age, level of education, years of experience, etc.

EMPLOYEES

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

SUBCONTRACTORS

- Number and share of local suppliers and distributors
- Number of smallholders for agribusiness companies

CLIENTS

- Quantity of goods/services provided (company-specific metrics)
- Number of clients (company-specific)



360° Impact studies (available on I&P’s website under “Resources”)

Once a year, I&P conducts in-depth impact studies on one or two partner companies. A 4- to 5-members team conducts a field survey among local stakeholders to evaluate each company’s impacts. Practical recommendations are provided, **and** followed-up on by the investment team. In 2018, two studies were published on the impacts of formal employment in Madagascar and Senegal ([see more on page 26](#)).

ENSURING GOOD IMPACT MANAGEMENT AFTER EXIT

- I&P selects buyers who **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: implementation of **6 Principles for Responsible Investment**
- **Third assessment report** based on I&P's 2017 report to the PRI
- 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 30★)	<ul style="list-style-type: none"> ▪ Excellent score, 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
Band	A+ (median score of all respondents: B)	

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

Module	DIRECT – INCLUSIVE FINANCE	
TOTAL SCORE	48★ (out of a maximum 54★)	<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
Band	A (median score of all respondents: B)	



IPAE 2 - ESG & IMPACT REPORT



IMPACT THESIS AND METHODOLOGY



IMPACT MANAGEMENT IN 2018

1

PORTFOLIO OVERVIEW

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IMPLEMENTING ESG ACTION PLANS

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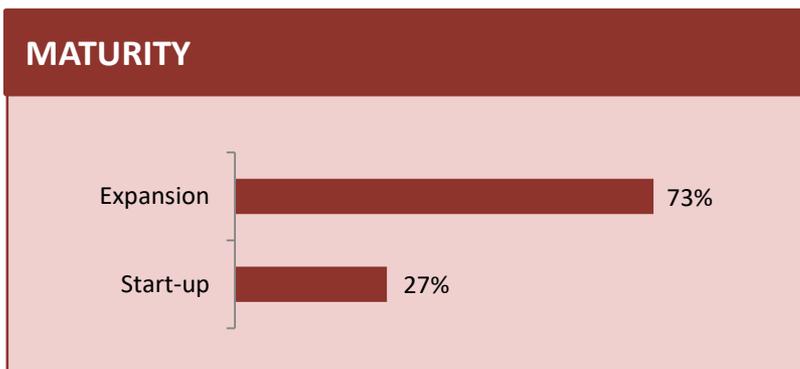
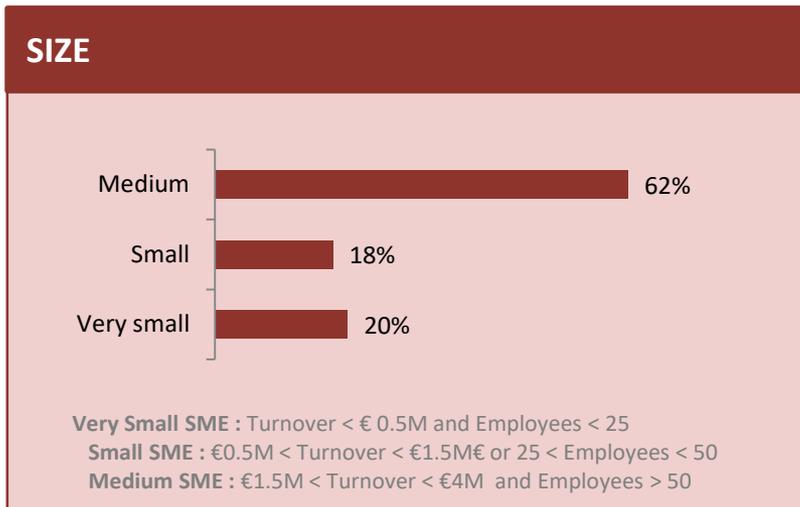
MEASURING IMPACTS ON LOCAL STAKEHOLDERS

4

ENHANCING OUTREACH & IMPACT WITH ADVOCACY

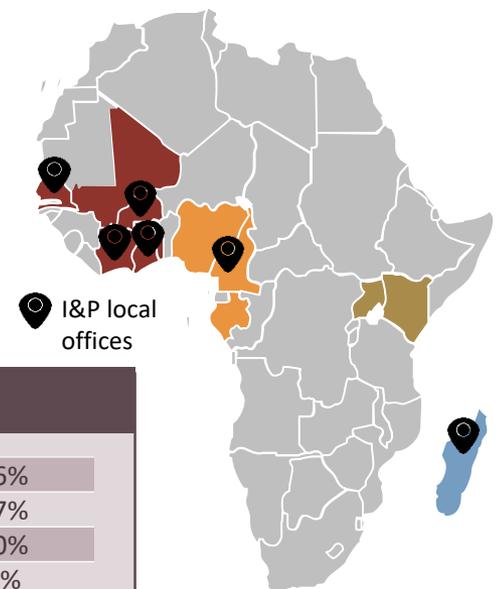
2018 IPAE2 PORTFOLIO OVERVIEW

Four investments, four different sectors



Note: The percentages in each category are calculated according to commitment in each company.

62%
of funds committed in Least Developed and/or Fragile Countries¹



IPAE2's countries of scope

COUNTRIES

Cote d'Ivoire	35,6%
Senegal	26,7%
Kenya	26,0%
Nigeria	5,6%
South Africa	4,5%
Mauritius	0,9%
Cameroon	0,7%
Other	0,2%

COMPANIES AND SECTORS

- Atribon (*Nutrition & Agribusiness*)
- AMI (*Education*)
- CoinAfrique (*Digital business*)
- Procrea (*Health*)

¹As defined by the United Nations and the World Bank

IMPACT-ORIENTED PORTFOLIO MANAGEMENT

IPAE2's progress

An assessment of IPAE2's performance on key impact objectives after one year of investment was conducted in 2018. Since the portfolio currently contains only four 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	2018 progress
Developing responsible African entrepreneurship	1	Percentage of companies owned or led by leaders rooted-in Africa on the long term	70% or more	75%
	2	Percentage of companies operating in Least Developed Countries or Fragile Countries	70% or more	50%
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	75%
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 that address essential needs and the new UN Sustainable Development Goals (target: 50% or more)	50% or more	75%
Environmentally friendly development	7	Percentage of companies implementing "green" projects	50% or more	n/a



IPAE 2 - ESG & IMPACT REPORT

IMPACT THESIS AND METHODOLOGY

IMPACT MANAGEMENT IN 2018

1 PORTFOLIO OVERVIEW

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- Environment
- Social
- Governance

3 MEASURING IMPACTS ON LOCAL STAKEHOLDERS

4 ENHANCING OUTREACH & IMPACT WITH ADVOCACY

CONTRIBUTION TO ENVIRONMENTAL CHALLENGES

Moving towards a greener portfolio

IPAE2's IMPACT-BASED STRUCTURE

One of the seven objectives set in the Extra Carry concerns the environment, i.e. "Fostering environmentally-friendly development".

Target: 50% of companies implementing **"green" projects***, as part of their products and services or as a way to mitigate their environmental impact.



CLIMATE POLICY

I&P is currently drafting 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 (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.

MITIGATE POTENTIAL NEGATIVE IMPACTS



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 at separating investees' economic growth from their carbon growth and 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.



FOCUS ON PROCÉA

Procréa has an existing waste management plan that includes specific treatment of biomedical waste. As part of I&P's investment, the plan will be upgraded on the new site to be built.

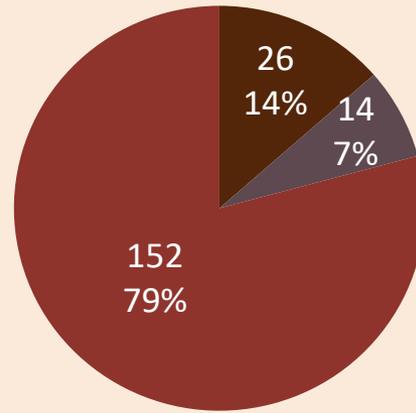
CARBON FOOTPRINT

Portfolio carbon emissions by scope and category

GHG EMISSIONS BY SCOPE IN 2018

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-for-like basis relative to one unit of CO₂.

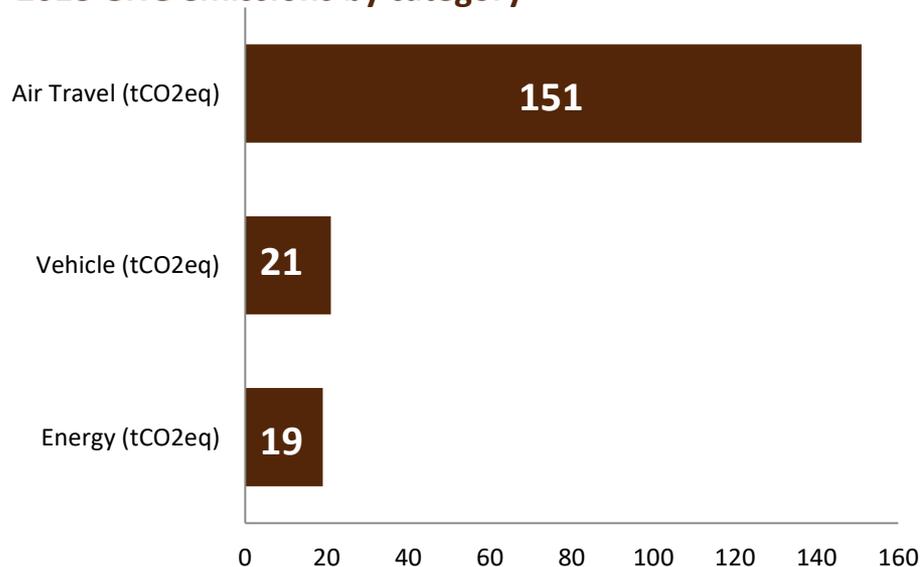
We use the methodology proposed by ADEME.



TOTAL: 191 tCO₂e

- Total GES Scope 1 Emissions due to the company's direct business activities
- Total GES Scope 2 Indirect GHG emissions from consumption of purchased electricity, heat or steam
- Total GES Scope 3 Other indirect emissions (production of purchased materials and fuels, transport-related activities in vehicles not owned by the company, outsourced activities, etc.)

2018 GHG emissions by category



LARGEST SOURCES OF EMISSIONS



79% from business travel: Companies have made several business trips related to their geographical expansion strategies (in particular Afrigon and CoinAfrique)



11% from company vehicles: Nearly 86% come from Procréa vehicles



10% from energy: Energy consumption is still at similar levels for the four companies in the portfolio

HEALTH INSURANCE & SOCIAL PROTECTION

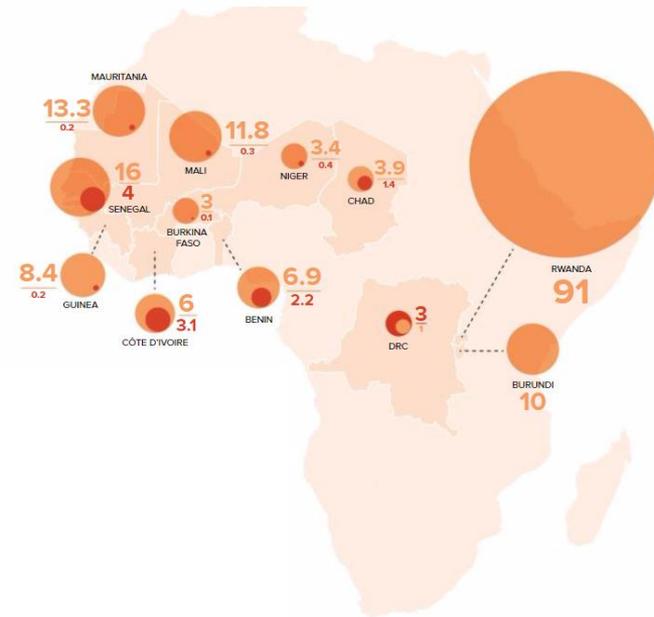
Current performance of partner companies

CURRENT SITUATION IN AFRICA

As shown below, the number of people covered by **health insurance in Africa remain extremely low**, from 3% to 20% in West Africa

■ Mandatory insurance ■ Voluntary insurance

Source: data compiled from Preker and coll. (2010), Barroy and coll. (2015)



For more information on the African insurance sector, see PROPARCO's magazine *Private Sector & Development*: https://issuu.com/objectif-developpement/docs/proparco_revuepsd_n25_uk/1?e=4503065/39027290

CURRENT SITUATION IN IPAE2 COMPANIES



95
employees are covered
by health insurance



For each employee, on average
a second person benefits from
this insurance



181
people (employees and family
members) are covered
by health insurance



FOCUS ON AMI

To select a new health insurance company for their employees, AMI 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 a 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.

MAIN ACTIONS TO DATE

Projects in 2018 included:

- 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.
- Current process to identify a new independent and qualified expert/consulting company** to assist portfolio companies.

ADDRESSING THE GENDER GAP

Women's access to entrepreneurship and leadership positions



SDG 5.5

Ensure women's full participation in leadership

2X CHALLENGE FINANCING FOR WOMEN

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. In order to do that, they have defined what can be considered as a gender lens investment. [Read more about the 2X Challenge and its criteria by clicking here.](#)

100% of IPAE2's portfolio companies satisfy at least one of the 2X Challenge criteria

75% of those companies satisfy at least two criteria

FOCUS ON 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:

- In 2018, a series of portraits of women entrepreneurs was realized and shared widely
- I&P actively participated in the Women in Africa event and others related to gender issues
- Raising awareness on the topic of women entrepreneurship is a key objective of our advocacy objectives and strategy

REPRESENTATION OF WOMEN

AFRICA*

5%
of CEOs in Africa*

14%
of board members*

23%
of executive
committee members*

I&P GENDER STRATEGY

30%
of women employees

IPAE2 PORTFOLIO

75%
women-owned
or led companies

27%
of board members

36%
of senior
leadership positions

IPAE2 PORTFOLIO

43%
of women employees

(*) Women Matter, Africa, Mc Kinsey & Company, 2016

FOSTERING GOOD GOVERNANCE (1)

Shared governance with a majority of boards, including independent(s)



KEYNOTE

Under the New Partnership for Africa's Development (NEPAD), African governments have committed to:

- Regulations to foster economic activity, as well as subsidies when necessary
- Development of company responsibility towards Human Rights, society and the environment (Corporate Social Responsibility, CSR)
- Fair and equitable treatment of all stakeholders (shareholders, employees, society, suppliers, customers)
- Accountability of all companies and administrators, as well as mandatory disclosure of all relevant information
- Accounting and auditing procedures in line with national and international standards

Source: 2011 African Development Report, African Development Bank

1

IMPLEMENTATION OF A SHARED GOVERNANCE

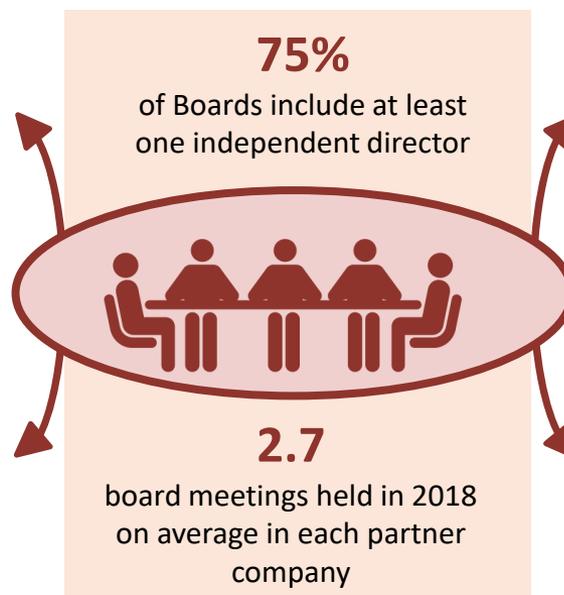
IPAE2 requires all partner companies to establish a Board of Directors. Board members include:

Entrepreneur(s)

Usually hold a majority stake and remain in charge of day-to-day operations. They are provided with strategic guidance, as well as additional skills and networks in a context of difficult access to talent and financing. This also improves the credibility of the business vis-à-vis external partners.

One or two independent directors

are included when appropriate and possible, to bring additional expertise with an independent view. In situations of conflict, they can play a useful mediatory role.



One or two IPAE members

on the investment or strategic advisors' teams, as part of I&P's commitment to providing close support to the entrepreneurs. With respect to ESG, they ensure that extra-financial considerations are regularly raised and discussed.

Other minority shareholders might be represented in some cases.

FOSTERING GOOD GOVERNANCE (2)

Transparent & reliable accounting and management practices

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.
- In particular, financial and accounting practices generally need to be upgraded to enable both management and shareholders to adequately track the company's performance.

OUR ACTIONS

Audited accounts

We require that annual accounts be audited by statutory auditors to ensure reliable accounting practices that fully comply with fiscal obligations.

Training seminars

In 2017 and 2018, entrepreneur training seminars focused on middle management and financial management, respectively.

Technical assistance

Customized assistance is provided to several partner companies.



3

DIFFUSING 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.

CONTRIBUTION TO SME FORMALIZATION

Ensuring full social and fiscal compliance



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).



SDG 17,1

Strengthened domestic resource mobilization

€600,000+

paid in taxes to the local authorities in 2018



FOCUS ON MAIN ACTIONS

- IPAE2's investment requires full compliance with labor law and formalization of the employees. Our partner companies therefore receive support on those matters when they need it.
- 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 for employees of a job contract** (higher wages, better job security, access to bank accounts, access to social benefits such as a pension plans, health insurance)

[Read the full study on Senegal](#)

[Read the full study on Madagascar](#)



IPAE 2 - ESG & IMPACT REPORT

IMPACT THESIS AND METHODOLOGY

IMPACT MANAGEMENT IN 2018

1 PORTFOLIO OVERVIEW

2 IMPLEMENTING ESG ACTION PLANS

3 MEASURING IMPACTS ON LOCAL STAKEHOLDERS

4 ENHANCING OUTREACH & IMPACT WITH ADVOCACY

PROMOTING ENTREPRENEURSHIP

Support of gender-diverse and rooted-in-Africa entrepreneurs

Gender-diverse entrepreneurs and managers with local roots



75% of entrepreneurs in our portfolio are rooted in Africa over the long term

75% led by women



Rebecca Harisson,
AMI



Myryam Kadjo Morojro,
Procrea,

Significant local and international experience



100% of our partner CEOs have studied or worked abroad



Anne Merienne,
Afrison

A great majority operating in the poorest and most fragile countries



50% of our partner entrepreneurs operating in Least Developed Countries*



Matthias Papet,
Coin Afrique

*As per the December 2018 UNDCP list of Least Developed Countries

SUPPORT FROM THE TECHNICAL ASSISTANCE PROGRAM

CONTEXT

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, the IPAE 2 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 being carried out by independent specialists.

FIELDS OF ACTION



MAIN FIGURES

6 missions have been conducted and 1 is still in progress



A total budget of **€70K** financed by IFC (€53 k), FISEA (€3 k) and investee companies (€14 k)



All of our companies have benefited from this program



273 days have been dedicated for TA missions



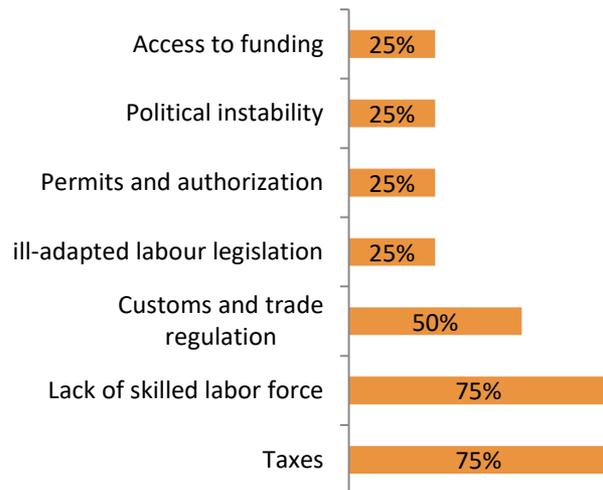
7 different experts, **3** of them African, have been committed to TA missions

SUPPORTING ENTREPRENEURSHIP UNDERSERVED BY FINANCING

STRONG ADDITIONALITY OF IPAE's INVESTMENT

75% of companies would have had to carry out their investment project at a smaller scale without IPAE2's funding

Main obstacles faced by our investee companies during their development process



LEVERAGE EFFECT OF IPAE's INVESTMENT



SDG 17.3

Mobilize additional financial resources

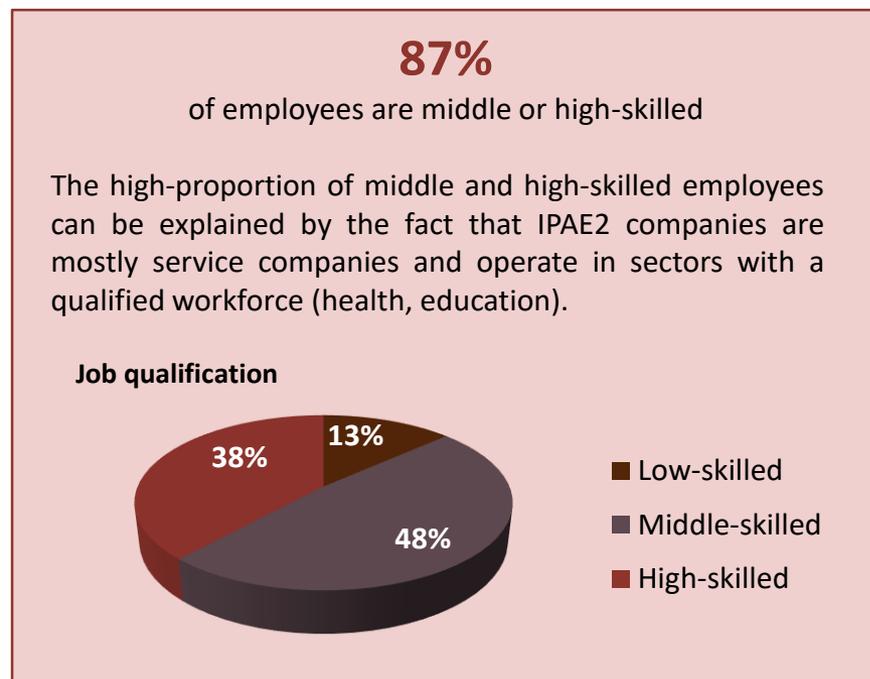
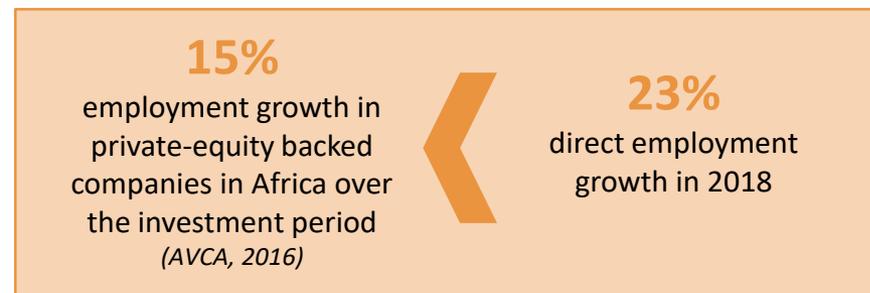
- SMEs face **significant difficulty securing external financing** from local commercial banks and other traditional financiers.
- **We assist our entrepreneurs in their negotiations with other local or international financial institutions** or by participating in the search for new shareholders, using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

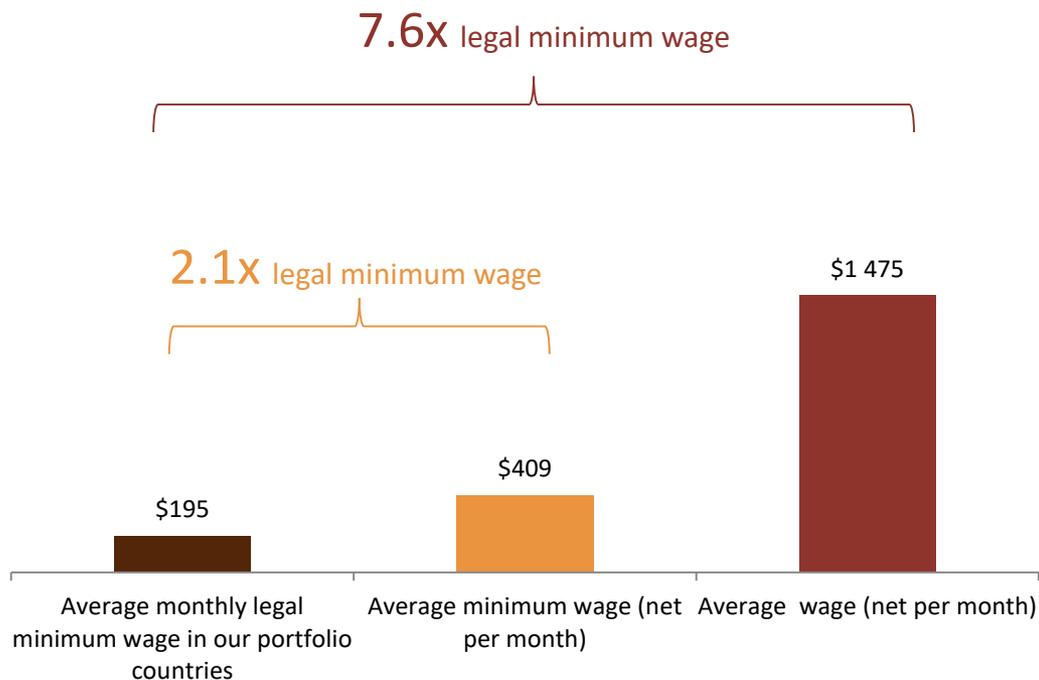
23% direct employment growth recorded in one year



(*) 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/>

LEVEL OF WAGES

Average minimum wage 2x higher than the legal minimum wage



€1.3 million
in wages paid to employees in 2018

SDG 8.5
Decent work for all

The average net monthly wage in portfolio companies is around **2.2x higher than the average wage in sub-Saharan Africa.**

\$1,475 average wage in portfolio companies	➤	\$657 average wage in Sub-Saharan Africa (*)
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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.

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

ADDRESSING BASIC NEEDS IN AFRICA

A majority of investments providing SDG-aligned essential goods and services

100%

of our partner companies address local needs of the African population or African companies (i.e. these companies focus on the local market and do not export)

75%

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

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

Procréa: Quality healthcare for women and children

 **5,622**
gynecological consultations in 2018

 **138**
babies delivered at the clinic

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

AMI: Renowned, high quality education provider



71%
of AMI programs participants in 2018 were women

GOAL 4: Ensure inclusive and equitable quality education

AMI: Renowned, high quality education provider



5,422
managers trained in 2018

GOAL 8.3: Support productive activities and entrepreneurship, including through access to financial services

Coin Afrique : A digital peer-to-peer marketplace



187,323
offers published in 2018

(*) 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.

FOCUS ON AMI

Empowering managers and entrepreneurs



OFFER



The **African Management Initiative (AMI)** is a social enterprise delivering Africa’s first scalable solution for skills and enterprise development. It seeks to transform African organizations, and empower entrepreneurs, managers, entry-level workers and job seekers through practical and affordable learning tools.

AMI’s learning programs combine online courses, in-person workshops, and on-the-job practice and support.

AMI delivers world-class learning and development at 10-20% of the cost of high-quality African business education, creating huge potential for impact at scale.

SKILLS THAT IMPROVE COMPANY PERFORMANCE

- 97%** of program participants apply what they learn at work
- 100%** of CEOs/HR leads saw tangible performance improvements in their staff
- 99%** of entrepreneurs in AMI’s SME programs reported improved business performance after engaging with AMI

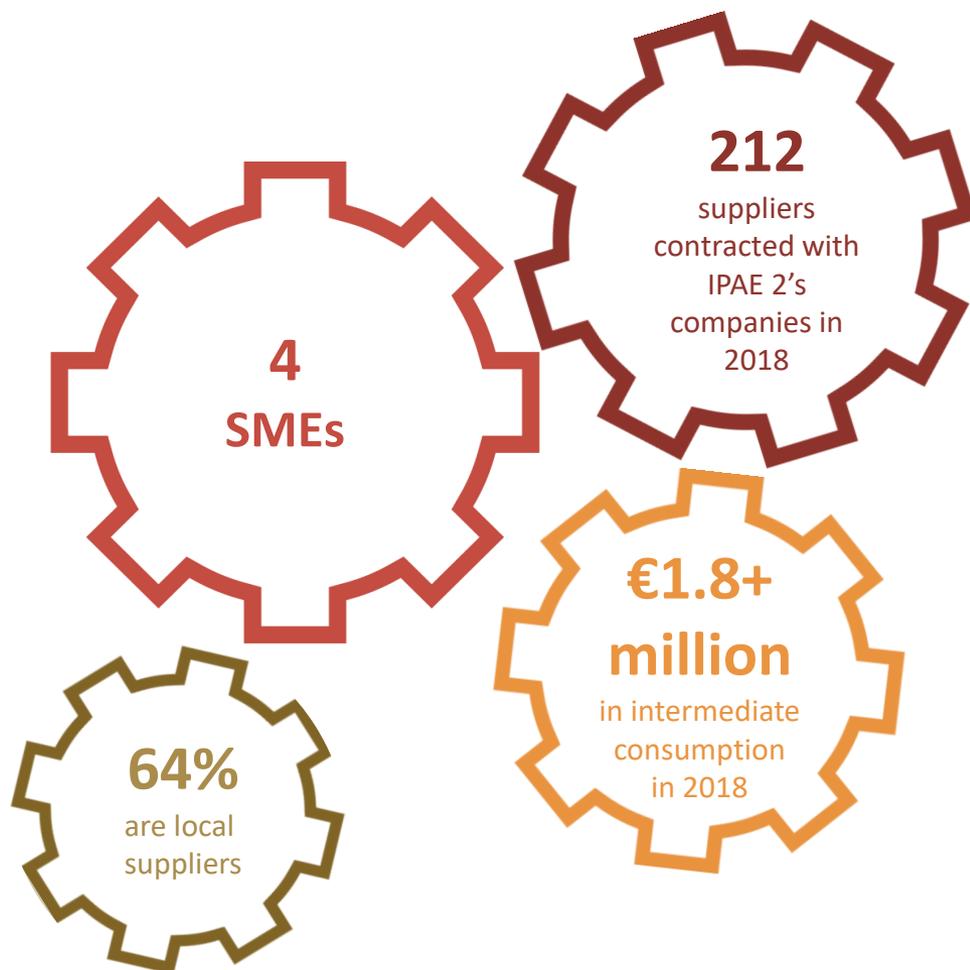
A DIVERSITY OF PARTICIPANTS

- 8,700+** individuals participated in AMI’s programs in 2018
- 10** nationalities were represented
- 71%** were women
- 62,000** people have engaged with the AMI online platform since its inception



RIPPLE EFFECT ON LOCAL SUPPLIERS

SMEs build local networks of subcontractors



ZOOM : COIN AFRIQUE

CoinAfrique is a 100% mobile community platform designed to buy and sell products simply.

Created in 2015, CoinAfrique aims to become the leader in online want ads in Francophone Africa. In 2018, CoinAfrique received over 1,400,000 visits on its website and over 187,000 ads were published. Its mobile app was downloaded 675,000 times.

CoinAfrique enables small entrepreneurs to easily sell their products.



IPAE 2 - ESG & IMPACT REPORT



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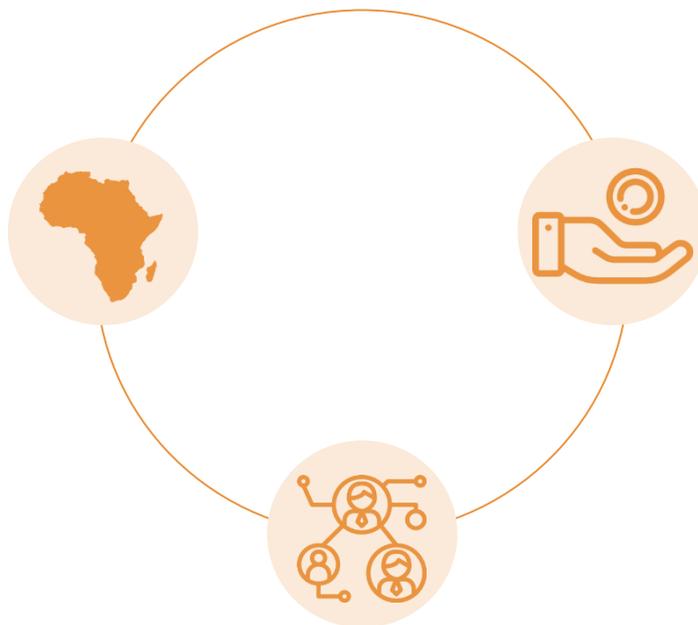
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I&P'S ADVOCACY POLICY

Our vision and objectives

I&P has adopted a proactive advocacy policy to promote the recognition of SMEs as vectors of change and the implementation of appropriate financing solutions in Africa.

Stimulating **entrepreneurial spirit in Africa** and promoting a new generation of men and women entrepreneurs on the continent



Fostering the **growth of private equity** in Africa, a good financing solution for SMEs

Mobilizing financial resources and contributing to the **development of impact investing** in Africa and the world

I&P'S ADVOCACY POLICY

Our tools

A BLOG TO FOSTER AFRICAN ENTREPRENEURSHIP

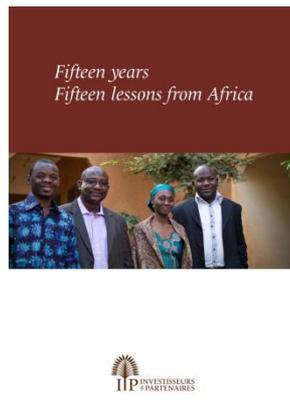


In 2018 I&P launched the blog **ENTERPRISING AFRICA**, in partnership with the Foundation for Studies and Research on International Development (FerdDi) and the African Club of Entrepreneurs. The blog aims to demonstrate and promote the rise of entrepreneurship on the Continent, and help us understand the African context through the stories of entrepreneurs. Its objectives:

- Create a **unique forum** for sharing the stories of African entrepreneurs
- Share **research work on African entrepreneurship and related topics** (economic, social, environmental issues)
- Plead the cause of African entrepreneurship to **promote its development** and reach a diverse range of actors : public authorities, civil society, investors and financial institutions

A SET OF PUBLICATIONS

I&P regularly publishes studies to share its experience and insights.



“Fifteen years, fifteen lessons from Africa” (2017)

→ a document conceived by I&P's team to present key lessons learned from its 15-year experience financing African SMEs and startups.



“Investing in Africa's Development” (2016)

→ An academic study presenting the landscape of impact investing and how impact investors can contribute to meeting the SDGs in Africa.



“Investing in African Small and Growing Businesses” (2015)

→ A practical tool to understand the context and methodology of African SME financing.

PROMOTING GOOD PRACTICES

A growing ecosystem

I&P helps grow the emerging ecosystem of impact investors and exemplifies its mission through multiple networks

IMPACT INVESTING & PHILANTROPY NETWORKS



AFRICAN NETWORKS



A COMMITMENT TO RESPONSIBLE INVESTMENT



PROMOTING GOOD PRACTICES

I&P among the early adopters of IFC's Operating Principles for Impact Management

On April 12 2019, The International Finance Corporation (member of the World Bank Group) launched **the Operating Principles for Impact Management** - a market standard designed to bring greater transparency, credibility, and discipline to the impact investment market.

I&P has been involved since the beginning in the definition of these principles since the beginning and is among the 60 early adopters of the principles.

“I&P joined and supported the process of building the IMPs from Day One for this is a fundamental step toward building an impact investing community, bringing it together and aligning it around good practices, as well as fighting impact washing and strengthening discipline around impact measuring”

Jean-Michel Severino, I&P CEO



[Read more](#)

For more
information,
please visit:
www.ietp.com



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