

IB DEBT FUND I

GENERAL PRESENTATION

Debt Fund I is a Private Debt Fund that caters to the financing needs of Very Small Commercial, Industrial, and Artisanal Enterprises that have little or no access to traditional bank financing. The Fund provides short and medium-term debt solutions to projects of Micro and Small Enterprises and informal sector businesses led by Groups or Cooperatives, whose primary access to financing is through Microfinance Institutions (MFIs).

The Fund is designed to provide financing solutions to project holders in two key industries: Artisanal Processing (i.e. chocolate manufacturers, fruit juice producers, cosmetic manufacturers, non-agricultural products like textiles,...) and Cross-Border Trade (especially in staple food products such as bananas, cassava, corn,...) ,requiring fast funding in critical start-up phases or to speed up their growth, enabling them to subsequently benefit from competitive bank financing.

The Fund's objectives are threefold:

- Help Small Businesses access fundings to develop their activities,
- Lower the Interest Rate for Beneficiaries, by close to half , compared to the rates applied locally, through a specific structuring model validated by our Partners (DFIs),
- Facilitate financial inclusion of the targeted populations and ensure their gradual transition to the formal economy.

The Fund applies a buy-and-hold strategy for investments in Microfinance Institutions, in order to support them (as well as their beneficiaries), over the long term to help them achieve their impact ambitions.

1. Financial Inclusion as the main axis of development

The informal sector : a survival buffer for disadvantaged social groups

- According to a report from the International Monetary Fund dated 2017, the informal sector represents between 20% (South Africa) and 65% (Benin, Nigeria) of the Gross Domestic Product, in various African countries ;
- And according to a study by the International Labour Organization, this same sector covers 85% of employment on African soil.

However, in terms of financing, this sector is largely overlooked, even considered as inadequately equipped in the overall African economy.

The Fund's goal is to offer an Alternative/Structured Financing mechanism, imbued with socio-cultural and economic characteristics specific to informal activities in Africa.



2. Improve Access to Financing

By increasing and diversifying their access to financing, the Fund aims to support the growth of local MFIs. Investments enable these institutions to expand their loan portfolios and provide responsible and affordable financial products and services (with a reduced cost of credit by half), to a larger number of Very Small Businesses in the informal sector.

Access to financial products helps Small Enterprises and actors in the informal sector, deploy and develop their commercial, industrial, and artisanal activities ; increase their incomes, cope with unforeseen costs, create a buffer for investments in health and education; and set a form of risk insurance.

While investing in MFIs, the Fund shall focus on three key impact themes deemed essential for sustainable development and social equality, namely : eradicating extreme poverty, empowering women economically, promoting an inclusive and sustainable economy. By emphasizing these goals, the Fund seeks to promote financial inclusion while improving access to financing in underserved areas.

Furthermore, through its investments, the Fund will encourage MFIs to enhance their transparency and best protect interests of their clients. Lastly, the Fund aims to support MFIs in collecting and improving reports on financial and non-financial performances of loans granted, with a focus on impact evaluation.

IMPACT INVESTMENTS

1. Impact Objectives

The Fund contributes to achieving the following Sustainable Development Goals ('SDGs'), among the 17 set by the United Nations. In line with these goals, the Fund will therefore target projects aimed to improve and promote financial inclusion and reduce inequalities in the selected industries.

- SDG 1: No Poverty

By providing loans to MFIs targeting Very Small Enterprises, actors in the informal sector, and low-income populations, the Fund enables them to engage in productive activities and thus reduce poverty.

- SDG 5: Gender Equality

By providing loans to MFIs targeting women, the Fund provides them with access to financial services, income-generating activities, empowering them to be autonomous and active in the economy.

- SDG 8: Decent Work and Economic Growth

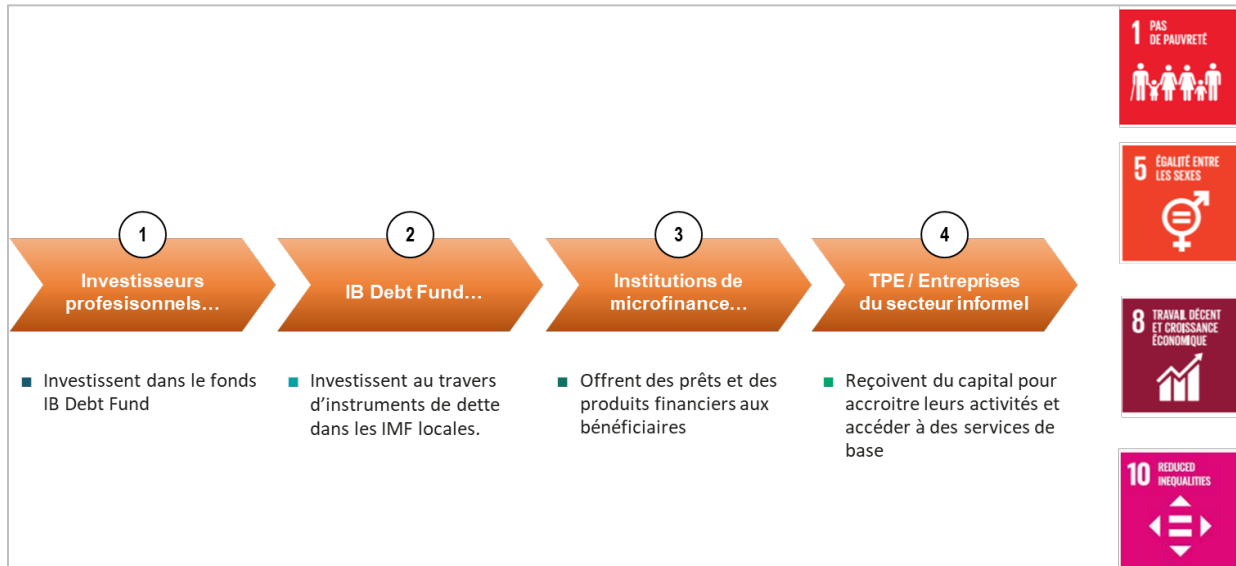
By providing loans to MFIs targeting Very Small Enterprises and actors in the informal sector, the Fund promotes employment and economic growth through work.

- SDG 10: Reduced Inequalities

By providing loans to MFIs targeting low-income groups, the Fund enables them to access financial services and participate in productive activities, leading to empowerment and inclusion.

Only MFIs compliant with predefined impact criteria would be included in the Fund's portfolio.

Figure 1. Visualization of the Fund's Impact Trajectory



2. Impact Measurement

The Fund management teams use an internal model to assess the impact of loans granted to MFIs, through funded projects. MFIs are evaluated based on an internal impact score, reviewing the four above, predetermined impact objectives.

The internal model shall incorporate relevant data at the MFI's level, self-reported data collected by MFIs from their beneficiaries (via a questionnaire), as well as third-party data.

While conducting impact analysis, the management teams assess gaps that, if addressed, would improve the processes and practices of the Small Businesses towards its clients, and increase the likelihood of achieving the Fund's impact objectives and financial returns. Throughout the described process, potential improvements would be identified.

Figure 2. Extract from the criteria evaluated to meet the poverty reduction objective

SDG	Target	Sub-SDG	Sub-target details	Indicator	Threshold	ESG pillar
1	End poverty	1.1	Eradicate extreme poverty	% people with revenues > poverty extreme line	USD 2,15 / day	S
		1.1	Eradicate extreme poverty	% people involved in the agri sector		S
		1.2	Reduce poverty by min 50%	% people with revenues > sector median	Sector median	S
		1.2	Reduce poverty by min 50%	Nb of people / family members supported by the beneficiary	>2	S
		1.3	Implement social protection systems	% people receiving micro-insurances solutions		S

Figure 3. Extract from impact assessment questionnaire

ODD	Données concernant	Critère
1.1	Bénéficiaire final	Nbre de personnes financées générant un revenu supérieur au seuil de pauvreté
1.1	Bénéficiaire final	Nbre de personnes financées évoluant dans le secteur agro-alimentaire
1.2	Bénéficiaire final	Nbre de personnes financées générant un revenu supérieur au revenu médian du secteur
1.2	Bénéficiaire final	Nbre de personnes directement soutenues (ex famille) par le bénéficiaire du financement
1.3	Bénéficiaire final	Nbre de personnes ayant souscrit à un produit d'assurance / micro-assurance

During the negotiation process and prior to loan approval, MFI's commit to collecting and transmitting the necessary data, required for the impact evaluation.

In addition, to address gaps identified as rooms for potential improvement, legally binding specific dispositions may be included in the loan agreement. Impact targets and indicators are also key factors in monitoring beneficiaries and impact outcomes, as agreed and negotiated with investors.