Impact Outlook 2024

AFRICINVEST

About AfricInvest

Thirty years ago, AfricInvest started as a small and mid-cap private equity fund manager. Since then, we have expanded into a Pan-African multi-asset investment platform that delivers value and impact for our investors, portfolio companies and communities. We strive to provide attractive risk-adjusted returns while supporting African entrepreneurs in driving inclusive and sustainable growth. In addition to our investment activities, AfricInvest has played a crucial role in advancing the investment ecosystem in Africa, with a focus on private investments. We have taken the initiative to establish various local and regional associations for private equity and venture capital, including the African Venture Capital Association (AVCA) and the Global Private Capital Association (GPCA).

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Letter from the Founders:

Pursuing Our Value Creation and Impact Journey

Dear Valued Partners and Friends,

As we celebrate AfricInvest's 30th anniversary, we reaffirm our commitment to bettering lives in Africa and reflect on our three decades of impact and value creation on the continent. Our experience has shown that bringing about meaningful change requires a shared vision, rooted in the belief that "the best way to predict the future is to invent it[1]". We constantly ask: *What would Africa look like if we fulfilled our mission of driving progress toward a prosperous, equitable, healthy, and resilient continent contributing to the global pathway to achieve a just net zero future?*

By envisioning this future, we identify the steps needed today to make it a reality, setting ambitious goals, and ensuring every action contributes to sustainable, inclusive growth for the continent.

Africa's path forward is filled with promise, yet significant challenges persist: Every day, 12,000 children die from preventable causes.[2] Africa comprises just 17% of the world's population, yet it bears 23% of the global disease burden due to limited access to healthcare and supply chain barriers[3]. With the continent projected to represent 40% of the world's population by 2050[4] the rapidly expanding youth demographic presents both a challenge and an opportunity. 35,000 more jobs are needed daily until 2030, but only 8,000 are currently created. The situation is further complicated by a high rate of young people who are "Not in Education, Employment, or Training" (NEET), which stands at 26%, with young women facing the greatest barriers[6]. Financial inclusion remains a critical hurdle, with 60% of adults lacking access to a bank or mobile account, while insurance penetration in Africa is just 2.78% of GDP, starkly contrasted with 10% in developed markets. Meanwhile, climate change continues to threaten progress, costing Africa up to 15% of its GDP growth[5] and widening the funding gap needed to achieve the SDGs by $130-160 billion annually.

Despite its vast natural resources, Africa captures less than 5% of the global value addition for its raw materials[7]. Many of the continent's minerals and commodities are exported to Asia for processing and then shipped back as finished goods to Europe or America. This highlights the urgent need for investment in industries that facilitate knowledge transfer and enhance value addition by transforming local resources into higher-value products. Such investments are key to driving inclusive economic growth and job creation, creating deep and lasting wealth that benefit both Africa and the developed countries.

We are at a pivotal moment—a time of both challenge and opportunity. At AfricInvest, we see obstacles as catalysts for transformative investment in Africa's future. With over one billion people and increasingly integrated markets, Africa's consumer spending is projected to reach $6.7 trillion by 2030[8]. As the continent continues to move toward a more cohesive market, rather than 54 fragmented ones, there is great potential to be unlocked. To do so, we must rethink the Risk-Return-Impact equation and dispel myths.

Impact investing that combines financial returns with substantial social and environmental outcomes is no longer an aspiration; it is now an evidence-backed reality. This year, in partnership with Bridgespan Group, we have continued to advance the democratization of the Multiple of Impact (MOI), a rigorous, evidence-based methodology for measuring and managing impact. This approach aims at galvanizing more capital, empowers all investors to rigorously quantify and manage social and environmental outcomes, and amplifies impact for Africa's development.

Over the last 30 years, we have seen the transformative impact of a holistic value creation approach that aligns with AfricInvest's four key pillars:

1. Sustainable Economic Development:
We have developed and continue to support innovative African Micro, Small, and Medium Enterprises (MSMEs), which are vital for sustainable job creation and economic growth. Our efforts focus on connecting these businesses regionally and globally through strategies like the OECD/Africa cross-border initiative, building resilient markets that foster long-term prosperity and greater economic integration across the continent.

2. Environmental Sustainability:
We have integrated and will further advance climate mitigation and adaptation across all our strategies, setting a clear path toward a Global Just Net Zero future. By embedding environmental sustainability in every aspect of our investments, we aim to continue

[1] Quote attributed to Alan Kay, [2] UNICEF, [3] Global Health Data Exchange[e], [4] United Nations Department of Economic and Social Affairs (UN DESA). World Population Prospects 2022, [5] African Development Bank (AfDB), [6] International Labour Organization (ILO), [7] United Nations Economic Commission for Africa (UNECA), [8] The World Economic Forum

contributing to long-term climate solutions and ensuring that communities and businesses are prepared to adapt to and thrive in a changing climate.

3. Equality and Inclusion:
We have empowered financial institutions as key drivers of financial and economic inclusion by connecting traditional financial services with fintech. Our efforts have enabled digital financial services across Africa, extending access to nearly 500 million people in 2023. Moving forward, we will continue to enhance equality and inclusion by promoting skills development through targeted strategies in the education and health sectors. We will support inclusive businesses that expand access to goods, services, and bring opportunities to improve livelihoods for the most vulnerable populations. By supporting our portfolio companies in attracting, training, and nurturing African talent at all levels, we aim to build a diverse, skilled workforce that fosters both economic growth and social equity across the continent.

4. Quality Institutions, Networks, and Services:
We have worked to enhance access to quality healthcare and education through targeted strategies that drive improved health, financial, and educational outcomes, particularly for marginalized communities. We will continue to promote blended finance to attract more commercial funding, devise relevant exit routes that meet investor expectations, and capture African savings into our asset class.

We have continually refined our investment approach, with a steadfast focus on delivering risk-adjusted financial returns and significant social and environmental impact. We believe that if we do not focus on the 'and'—the balance between profit and purpose—we will not achieve the 'end' of sustainable development. This commitment remains our cornerstone, and in this year's report, we are pleased to share how our efforts are making a difference in areas such as healthcare, climate mitigation and adaptation, financial inclusion, job quality, education, gender equality, and cross-border cooperation.

To accelerate progress and mitigate all types of local and global risks linked to the challenges Africa is currently facing, it is more crucial than ever that increased capital flows into Africa. Catalytic investments from sovereign and multilateral institutions, as well as philanthropic organizations and foundations need to play an increasingly vital role. Their unique ability to absorb various risks can unlock financing for high-impact projects, driving innovation, entrepreneurship, and inclusive growth. By directing funds to investments where returns would still be a clear objective (as this is the only way sustainability can be achieved) along with requiring environmental and social returns, these catalytic investors can become the true beacons to define a balanced risk-adjusted return linked to investments in Africa.

AfricInvest's three-decade journey has been guided by a commitment to understanding market needs, learning from our successes and failures, and continuously refining, adapting, and deploying evolving strategies that balance return and impact. Behind every lesson learned, as elaborated in the 'Lessons Learned' section of this report, and every impact achieved, are our companies, our Limited Partners, and our people—the true enablers of our progress. Their dedication and partnership remain invaluable, as does our ongoing investment in strengthening operations, refining processes, and upholding the highest standards of compliance, which we know are vital to our shared journey.

For those seeking meaningful impact, Africa represents a unique and compelling opportunity. Together, let us continue to push boundaries, seize new opportunities, and turn our shared vision into reality.

With gratitude and determination,

AfricInvest Founders

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Our Impact Journey

Since AfricInvest's launch 30 years ago, much has changed—our footprint has expanded across multiple dimensions, from assets under management to the size of our team, local offices, portfolio companies, verticals, asset classes, partners, and the diverse nationalities represented within our teams—yet one thing remains constant: our mission to drive progress toward a prosperous, equitable, healthy, and resilient Africa by empowering scalable enterprises and creating sustainable value for both investors and communities, contributing to the global pathway toward a just net zero future.

AUM ($)
1.3bn 2024
0 1994

Funds Raised ($)
2.3bn 2024
5 1994

Total Investors
107 2024
3* 1994

Number of Companies
1994 **0** — 2024 **220**

Number of Investment Countries
1994 **1** — 2024 **38**

Number of Offices
1994 **1** — 2024 **10**

AfricInvest Team — **25 nationalities**
1994 **3** — 2024 **103**

AfricInvest Partners
1994 **3** — 2024 **30**

*Institutional Investors

3 Impact Strategy and Approach

Building a Sustainable Future for The Next Generation of Africans

What do we bring?

Our pan-African investment platform provides financial, operational and Impact & Sustainability support...

- Financing
- Expertise
- Network

What do we deliver?

GENERALIST FUNDS	SPECIALIZED STRATEGIES
Pan-African Mid/Large Cap Funds	Evergreen Financial Inclusion Fund
North African SME Funds	Venture Capital Fund
Pan-Regional African SME Fund (closing soon)	Blended Finance Debt/Mezzanine Health fund
Country-Specific Funds	Cross Border French-African Private Equity Funds

DEBT VEHICLE

ASSET MANAGEMENT

What do we strive for?

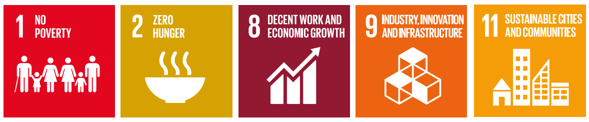
...to aspiring entrepreneurs and mature companies alike creating a strong and inclusive African private sector and positively influencing the livelihoods of the communities they serve.

- Sustainable economic development
- Environmental sustainability
- Equality and inclusion
- Quality institutions, networks, and services

Our impact pillars

Impact pillar 1:
Sustainable Economic Development

Promote strong inclusive economic development for communities by providing affordable quality goods & services and creating quality jobs. At AfricInvest, we recognize that while small and medium enterprises (SMEs) may be small individually, their collective impact on the economy is substantial. In Africa, SMEs account for seven out of every ten jobs, underscoring their critical role in fostering economic resilience and growth. By bridging the financing gap—where nearly 55% of SMEs in sub-Saharan Africa face constraints—we aim to unlock their untapped potential for value creation, growth, and social impact, thereby aligning with our core mission to drive sustainable development across the continent.



Impact pillar 2
Environmental Sustainability

Partner with investees to drive environmental innovations and modifications to existing business models focused on strong environmental governance and climate mitigation and adaptation[9].

[9] Climate change and its urgency are progressively becoming a core focus at AfricInvest. We have undertaken ambitious actions, such as the The Science Based Targets initiative (SBTi) to support meeting the moment around our continent's climate urgency. We have always sought to play a role in fighting climate change through our funds by investing for the long-term and have become more active by increasing the sophistication of our overall climate approach. One example of how we are progressing is by re-evaluating how we measure risk with respect to climate on our balance sheets. While we acknowledge that this new emphasis will require hard work, including shifts to how we and our investees operate, we are up for the challenge given the urgency this moment demands from us.

Impact pillar 3:
Equality and Inclusion

Combat systemic inequality across organizations and communities by increasing access to goods, services, and opportunities for marginalized communities. AfricInvest achieves this through three main avenues:

- **Within countries:** Promote inclusive businesses that expand access to goods, services, and livelihood opportunities, especially for the most vulnerable segments of the population
- **Between countries:** Focus on inclusive expansion by directly investing in relatively more mature markets and scaling into neighboring countries to have indirect reach on those that are categorized as low-income or economically fragile which we see not only as inclusive investments but as a commercially viable approach. Our cross-continent strategy also contributes to developing export opportunities, facilitating the flow of know-how, and promoting the re-migration of African talent and workforce, thereby fostering economic integration and knowledge transfer across regions.
- **Among the African workforce:** Train and hire African staff at all levels of business without compromising on quality to not only increase the amount of investment circling on the continent but to also ensure that African people directly benefit from these gains

Impact pillar 4:
Quality Institutions, Networks and Services

By placing a strong emphasis on governance and business integrity to which we are firmly committed, we invest in high-quality interventions and services. Our focus is on driving improved and elevated health, financial, and educational outcomes. This commitment not only ensures the enhancement of life quality but also instills meaningful and lasting impacts within the communities we serve.

4 Impact Performance

2023 at a Glance

1 Sustainable Economic Development

African countries represented
38

innovative SMEs currently in the portfolio
25

Invested in
129
SMEs since inception

Direct jobs created and supported[1]
75,377
(**+17%** over 2022)

$4,000
PPP-Adjusted Training Investment per employee in 2023[2]

[1] Direct jobs include the number of full-time equivalent (FTE) employees at the end of the reporting period. This amount sums all sub-indicators of FTE permanent and temporary employees listed above. For 13 companies, employment data were estimated based on FY2022 figures, pending confirmation of the actual FY2023 numbers.
[2] This figure was adjusted to a PPP (Purchasing Power Parity) equivalent of $4,000, using a conversion rate of approximately 4.95 to account for cost-of-living differences across the regions where AfricInvest operates

2 Environmental Sustainability

Companies have structured action plans to **reduce carbon footprint** with yearly progress updates
37%
(**+2 ppt** over 2022)

Financed emissions **(scope 1** and **2)**[3]
167,084 tCO_2eq

166 tCO_2e
per M $ in revenue **WACI for AfricInvest's portfolio companies** vs. 451 tCO_2e MSCI Emerging Markets index

[3] Calculated in accordance with the GHG Protocol and the Partnership for Carbon Accounting Financials (PCAF). The Scope 1 & 2 emissions value has been amended from the first 2024 publication to align with the financial control approach for consolidation. Enhanced data quality in 2023 is reflected in improved PCAF data quality scores. Weighted Average Carbon Intensity (WACI) indicates the carbon emissions per $M of portfolio company revenue, weighted by each company's portfolio share, highlighting carbon efficiency relative to revenue generation.

Global Metrics

220+ Companies financed

120+ Exits

Raised since early 90s **$2.3bn**[4]

2.1x Average return multiple

[4] Including AfricInvest Private Credit (APC) and Integra Asset Management

3 Equality and Inclusion

Women employees (**+0.2 ppt** over 2022)

42%

African-based and **African-led companies** AfricInvest is working to empower

83 (**+5** over 2022)

Companies with women's **career advancement** initiatives

61% (**+1 ppt** over 2022)

Companies headquartered in **low-income countries**

11

As per FY2023 World Bank Low-Income Economies ($1,135 or less)

4 Quality Institutions, Networks and Services

individuals with **access to financial services**

+509M

14bn

$ in estimated **risk-adjusted impact achieved** through improved healthcare outcomes via **expanded access to quality healthcare**[5]

55%

Companies with a supplier code and/or **integrated ESG factors** in supplier selection

individuals with **enhanced access to quality education**

24,793

[5] Impact value represent the estimated cumulative impact to date, calculated using the MOI methodology, excluding terminal value

Recent Investments & Exits

Over the past year, we have made seven new investments.

We have continued our support for innovative businesses, ranging from early-stage startups to mid-cap companies and SMEs across diverse, job-creating sectors. These seven investments have created high-quality, formal sector jobs and broadened access to essential services, including affordable healthcare, digital and financial inclusion, and energy-saving solutions, thereby contributing to sustainable development and enhanced quality of life for communities.

Exits:

With over 120 companies partially or fully exited since inception including 12 exits since January 2023, we are committed to exit strategies that deliver strong financial returns while ensuring these companies continue to thrive and contribute positively to Africa's development, with a steadfast commitment to environmental and social responsibility.

Awards and Recognitions

AfricInvest and our portfolio companies have been honored with several prestigious awards, highlighting our commitment to driving impact and fostering growth across Africa. These recognitions underscore our **dedication to inclusivity, impact, and leadership** within the private capital industry.

AfricInvest awards

AVCA

Breaking Barriers Investor Award

This award honors AfricInvest and the dedicated people behind it for significantly advancing inclusivity and diversity within Africa's private capital industry, turning challenges into opportunities for democratized participation.

EAVCA

Impact Deal of the Year

Africa Healthcare Network (AHN) is the first investment of our Blended Finance Health Fund, in partnership with Africa50. AHN delivers over 130,000 dialysis sessions annually, primarily to remote and underserved communities, and continues to expand its reach to advance Universal Healthcare Coverage (UHC)

Outstanding East Africa Leader Award

This award recognizes AfricInvest for its leadership in shaping the East Africa private capital ecosystem, fostering sustainable growth and innovation, and turning regional challenges into opportunities for economic development.

Portfolio company awards

FIDELITY BANK

Gender Equality Champion Award within the banking and finance sector, 2024

Financial Inclusion Leader, Ghana Information Technology and Telecom Awards (GITTA)

Digital Chatbot Platform of the Year for "Kukua," the innovative WhatsApp Banking Assistant (GITTA)

Britam

Life Insurance Company of the Year at the 2023 Association of Kenya Insurers (AKI) annual awards, marking the 17th consecutive win

I&M Bank

Best Bank in Rwanda award, CFI award 2023

fondasol

Prix EY de l'Entrepreneur de l'Année 2023 EY Entrepreneur of the Year Award 2023

RAGN GROUPE RAGNI

Product Award for "Reduction of Environmental Impacts"

Advancing Climate Action: Our 2024 Roadmap to Task Force on Climate-related Financial Disclosures (TCFD)

In 2023, AfricInvest launched a three-year plan to integrate the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations into our operations. This plan, is designed to embed climate considerations throughout our investment processes, ensuring that climate risks and opportunities are a core component of our decision-making.

Governance

In 2023, we implemented targeted climate-focused training sessions, with each team member attending at least 35 hours of training to deepen climate knowledge across leadership, managers, and analysts. We have also established clear responsibilities for climate oversight, assessment, and management at the board, executive, and management levels, ensuring that climate considerations are systematically integrated into our strategic planning and operational execution.

While these steps have laid a strong foundation, we recognize that this is still a work in progress. We remain committed to further strengthening our climate governance practices to continuously enhance our ability to manage climate risks and opportunities effectively.

Strategy

Our strategy emphasizes a comprehensive understanding of climate-related risks and opportunities within our investments. We have advanced our sector analysis to identify high-risk areas, prioritize investments accordingly, and embed a climate risk component into pre-acquisition due diligence. Gaps identified in this process are addressed through legally binding action plans, strengthening the resilience of our portfolio companies.

We also strive to develop comprehensive systems to assess the costs of climate change over the short, medium, and long term, incorporating the cost of inaction through scenario-based analysis. For example, within our Multiple of Impact (MOI) methodology for climate change adaptation, we have integrated a dynamic warming scenario multiplier that projects a future increase of 1.5 degrees Celsius. This multiplier accounts for the compounded effects of extreme heat and natural disasters, such as the projected increase in days with temperatures in Africa exceeding 35 degrees Celsius. This scenario is updated annually to reflect the latest data, ensuring our strategy remains responsive and effective.

At AfricInvest, we are committed to 'financing reduced emissions' rather than solely 'reducing financed emissions,' supporting companies on their path to a sustainable future. This approach

allows us to fund innovative climate solutions that may require initial increases in emissions but promise substantial long-term benefits.
To ensure a just and effective transition, we actively support companies in sectors such as agribusiness, manufacturing, construction and transport. These sectors are key for driving transformation, as they have the people, technology, and processes needed to achieve meaningful emissions reductions. By balancing emissions reduction with affordability, reliability, and competitiveness, we aim to ensure that the principles of a just transition are not just theoretical but are actively realized in communities.

We recognize climate change as the greatest health crisis of our time, with over half of public health emergencies in Africa in the past two decades being climate-related. Rising temperatures and extreme weather events threaten the health and well-being of millions. Our strategy to address these risks is a work in progress, integrating the impacts of climate change on health into our relevant companies' business operations and risk models, while accounting for changes in the geographic incidence, morbidity, and mortality of illnesses and diseases.

Beyond climate change, we address broader issues like pollution and biodiversity loss, understanding their direct impact on both the planet and human health. By investing in transformative solutions across these areas, we aim to creating lasting value for communities and ecosystems.

Risk Management

We have enhanced our risk management framework by conducting Climate Risks and Opportunities (CRO) analysis at the pipeline investment level, guiding our due diligence and mapping physical and transition risks across our portfolio. Post-investment, we engage continuously with portfolio companies to ensure the implementation of mitigation measures.
Our team at AfricInvest remains committed to refining this process by focusing on Critical Risk Factors and driving climate resilience across all investments. We understand that protecting our investment portfolios against the devastating effects of climate change is not the same as preventing that destruction from occurring in the first place. This is why we are taking a proactive approach, actively seeking opportunities to mitigate climate risks and contribute to sustainable development across all our activities.

Metrics and Targets

We are enhancing our calculation of Scope 3 financed emissions (Category 15) using methodologies aligned with the Partnership for Carbon Accounting Financials (PCAF) and the GHG Protocol. This approach provides a clearer understanding of our overall carbon footprint, improves data quality across investments, and further supports our companies in aligning their growth trajectory with a 1.5-degree pathway.

While measuring financed emissions is an important metric, we recognize it is not the all-encompassing measure to manage our transition. Focusing solely on emissions can sometimes prioritize the problem (emissions) over the solution (transition). To capture a more holistic view of our efforts, we also report on additional indicators, such as:

- Progress in the Number of Companies with Structured Action Plans to Reduce Carbon Footprint: Tracking the proportion of portfolio companies that have clear action plans in place, with yearly progress updates, to reduce their carbon footprint.
- Progress in the Number of Companies with Climate Risk and Opportunities Assessment and Action Plans Conducted: Monitoring how many of our portfolio companies have undertaken comprehensive climate risk and opportunity assessments and developed corresponding action plans.
- Number of Climate-Related Training Sessions Conducted: Reporting the frequency and reach of training sessions aimed at building climate knowledge and capacity within our companies.

- Progress in the Number of Companies with Biodiversity Assessments and Corresponding Action Plans: Tracking the proportion of portfolio companies, particularly in sectors like agribusiness, that have conducted biodiversity assessments and established action plans to conserve and restore ecosystems.

- Progress in the Number of Companies Implementing Water, Waste, and Material Emission Management Plans: Monitoring the number of companies with action plans that include legally binding measures to manage water, waste, and material emissions, ensuring efficient use, conservation, and treatment of natural resources.

- Number of Companies with Comprehensive Environmental Management Systems: Reporting the adoption and implementation of systems that integrate biodiversity conservation and resource management into daily operations, aiming to mitigate environmental risks and contribute to the sustainable management of natural resources.

Additionally, we extend support to our portfolio companies, including financial institutions, through technical assistance projects funded by our LPs. This support enables these companies to implement robust climate management systems, further accelerating their transition to a low-carbon economy.

We also measure:

Capital Footprint: The carbon footprint per million dollars invested, assessing the absolute impact of our portfolio per unit of investment.

Carbon Intensity: The carbon footprint per dollar of revenue held (total emissions divided by total revenue attributed to the portfolio), which assesses the portfolio's carbon efficiency. By focusing on year-over-year changes, we believe that improving carbon efficiency can be an indicator of operational excellence, potentially leading to stronger performance outcomes.

Weighted Average Carbon Intensity: The weighted arithmetic average of the carbon intensities of the portfolio companies, allowing us to understand our exposure to high-emitting companies.

Next Steps

Looking ahead, we will increase our internal capacity for scenario analysis, enabling us to develop operationally relevant scenarios tailored to businesses most affected by energy and climate challenges. This includes building a framework for forward-looking climate assessments and integrating these insights into our investment strategy.

Additionally, we will continue to refine our risk management processes, identify and prioritize Critical Risk Factors, and ensure that we are equipped to implement comprehensive risk mitigation strategies. We are also enhancing our acquisition processes to systematically evaluate and manage climate risks throughout the investment lifecycle.

Moreover, we will further integrate climate considerations into our acquisition processes, ensuring that climate risks are systematically evaluated and managed throughout the investment lifecycle. As part of our ongoing efforts, we will establish a process for continuous horizon scanning to identify emerging risks and opportunities, enabling us to stay ahead of the curve in managing climate-related challenges.

The progress we have made so far is a testament to our commitment to integrating climate risks and opportunities into our core business and investment processes. We remain on track to complete the TCFD integration by 2026, confident that the actions we are taking today will enable us to do our part in addressing the most significant existential threat of our lifetime while also seizing a generational investment opportunity.

Promoting Gender Equality and Women's Empowerment at AfricInvest and Across Our Portfolio

At AfricInvest, we are shifting the narrative from "women empowered" to "women in power,"

recognizing that businesses, like societies, thrive when both genders contribute equally to leadership and decision-making.Our efforts are guided by the "3A" framework: Ambition, Action, and Accountability—a holistic approach ensuring that gender diversity is embedded in every aspect of our strategy and operations.

1 Ambition:

Setting the Strategic Goals for Gender Diversity

32% **Women in management**

Inclusive Products and Services: We drive innovation to create **products and services** that cater **specifically to women**

Companies with women's **career advancement** initiatives
60+%

47%
of women employee

Our Commitment:
A Forward-Looking Approach

At AfricInvest, our commitment to gender equity is both unwavering and proactive. As proud signatories of the 2X Challenge since 2021, we integrate inclusive policies, robust governance structures, and a gender lens throughout our investment process to drive innovation, success, and sustainable impact. The scale of our portfolio enables us to create significant value and impact by focusing on inclusion and diversity within our portfolio companies. To achieve these results, diversity, inclusion, and equity factors are integrated at every stage of the investment process, ensuring that they are key drivers of our performance and contributing to more equitable and inclusive societies.

2 Action:
Implementing Strategic Initiatives to Achieve Our Goals

Policy and Organizational Commitments: AfricInvest promotes gender diversity through targeted recruitment, mentorship programs, and flexible workplace policies that support the advancement of female talent.

Gender Action Plans and Initiatives: Gender criteria are integrated throughout the investment process, with a focus on gender equity in Value Creation Action Plans for each portfolio company and annual fund-level impact reports. Additionally, AfricInvest actively engages in and leads industry-wide initiatives that promote diversity, equity, and inclusion, ensuring our efforts contribute to systemic changes and a more inclusive financial sector.

Gender Responsive Risk Management: For each potential investment, AfricInvest assesses potential risks and opportunities from the Impact & Sustainability (I&S) standpoint, with a robust focus on gender equity.

Continuous Learning and Capacity Building: Throughout the year, AfricInvest has participated in several gender-related training sessions, including those focused on Gender-Based Violence and Harassment (GBVH). These trainings enhance our understanding and capability to promote safe and inclusive environments

Incorporating Gender KPIs into Fund Structures: AfricInvest has integrated gender-related Key Performance Indicators (KPIs) aligned with the 2X Challenge into the structure of our newest fund. By linking remuneration to the achievement of these targets, we are moving from responsibility to accountability, ensuring that gender diversity efforts translate into measurable results.

3 Accountability:
Monitoring Progress and Measuring Outcomes

Collaboration with Portfolio Companies: Post-investment, we work with portfolio companies to implement initiatives that promote gender equity and women's empowerment, guided by a legally endorsed, time-bound Value Creation Action Plan.

Diversity Tracking and Reporting: We monitor and transparently report on gender diversity metrics across our portfolio to ensure fair practices and drive continuous improvement.

Outcome Monitoring and Stakeholder Engagement: We systematically track gender-specific outcomes related to promotions, raises, and organizational changes, ensuring equity and fostering a culture of accountability.

Feedback and Continuous Improvement: We continuously gather data and feedback to assess the effectiveness of our gender diversity initiatives, adapting strategies as needed to maximize impact.

Thirty Years of Impact: Challenges and Lessons Learned

As we celebrate AfricInvest's 30th anniversary, we reflect on the many lessons learned along our three-decade journey. Our path has been marked by both achievements and trials, each shaping our growth and strategic direction. Continuous improvement is a cornerstone of our approach, driven by learning from every experience, whether an investment exceeded expectations or fell short. This Impact Report critically assesses the challenges we've faced and how we've addressed them. Recognizing that others may face similar challenges, we share our ongoing thoughts about measuring what matters and our commitment to catalyzing further capital into Africa to address the continent's immense development challenges.

Challenge1:

Developing the Market for Private Equity in Africa and Engaging Family-Owned Businesses

When AfricInvest was founded, the landscape for private equity investments in Africa was vastly underdeveloped. Outside of South Africa, there were virtually no established private equity markets, and the concept of private equity was largely unfamiliar to local businesses, investors, and even regulators. This lack of market infrastructure meant there were few investment opportunities and limited understanding of how private equity could be leveraged as a tool for economic growth. The challenge was multifaceted: it involved building trust in the private equity model, educating key stakeholders, and creating the financial, legal, and regulatory structures necessary for the market to thrive.

Additionally, engaging family-owned businesses, particularly those with strong financial standing, presented another significant hurdle. These companies were often skeptical about private equity and reluctant to open their capital to external investors. With solid foundations and significant growth potential, many of these businesses were self-sufficient and wary of diluting ownership or altering their business dynamics by involving outside partners. This skepticism further complicated the task of developing a robust pipeline of investment opportunities, especially since these businesses were precisely the ones we aimed to partner with to drive economic growth and market development.

By addressing both the broader market development and the specific reluctance of family-owned businesses to embrace private equity, AfricInvest took on the dual challenge of fostering a vibrant private equity ecosystem in Africa.

Response:

Building a Thriving Private Equity Ecosystem and Engaging Family-Owned Businesses

Recognizing the potential of private equity to drive positive economic change in Africa, AfricInvest focused on laying the groundwork for a new and vibrant private equity market. Our initial efforts were centered around engaging with local stakeholders—businesses, governments, and financial institutions—to demonstrate how private equity could be a catalyst for growth and development. Instead of applying a one-size-fits-all approach, we shared successful examples from other regions and worked collaboratively to adapt similar strategies to the African context.

To overcome skepticism, particularly from family-owned businesses with strong financial standing, we knew we needed more than just capital; we needed to build trust through value- and values-based investing. Our approach involved thoughtful, ongoing dialogue, highlighting how our mission-driven strategies had successfully amplified growth and impact in other companies. By positioning ourselves as stewards of their mission rather than just investors, we demonstrated that our partnership could help these businesses grow sustainably while staying true to their long-term vision. This approach gradually converted skepticism into trust, allowing us to develop a robust pipeline of investment opportunities.

AfricInvest also concentrated on securing a few key investments to serve as proof points of what private equity could achieve. These early investments not only delivered financial returns but also showcased the broader benefits of private equity, such as job creation and economic diversification. Through a hands-on management approach, we built credibility, inspiring others to see private equity as a valuable tool for economic development.

Understanding the unique challenges of investing in African MSMEs (Micro, Small, and Medium Enterprises), we adapted our investment and exit strategies to better align with their needs. Recognizing that the complexities of traditional private equity fund structures could limit our ability to maximize financial, social, and environmental impact, we introduced innovative approaches like the AfricInvest Financial Inclusion Vehicle (FIVE). As an evergreen, open-ended fund, FIVE provides the flexibility to align holding periods with the time required for meaningful transformation, supporting MSMEs and fostering financial inclusion across the continent.

Through these initiatives, AfricInvest has contributed in building a strong foundation for private equity in Africa, creating an ecosystem that supports both market development and the growth of family-owned businesses. We are continually demonstrating that private equity can be a powerful tool for economic growth, combining financial returns with social and environmental impact. By focusing on value creation, building trust, and working collaboratively to advocate for a supportive environment, we remain committed to driving meaningful change across the continent.

Challenge2:

Building a Skilled Private Equity Team in the Absence of Experienced Talent

Recognizing that effective capital deployment requires not only fiscal and regulatory framework but also strong internal capabilities, we understood that building a skilled team was essential to leveraging these opportunities and driving systemic impact across the continent.

At the outset of our journey, we encountered a significant challenge in this regard: the scarcity of talent with specialized training in private equity, particularly in the regions where we operated. Unlike established markets with a deep pool of seasoned professionals, our markets lacked individuals with expertise in the key aspects of private equity—such as deal sourcing, due diligence, portfolio management, and exit strategies. This gap posed a challenge as we sought to build a team capable of driving the systemic impact we envisioned across the continent.

Response:

Strategic Talent Development and Capacity Building

To address this challenge, we adopted a proactive and strategic approach to talent development. We focused on recruiting individuals who, while lacking direct private equity experience, exhibited strong potential and a passion for growth. This forward-thinking HR strategy allowed us to assemble a diverse and skilled team capable of scaling with our expanding operations.

To support this talent, we implemented a comprehensive training and development program, centered around a strong internal capacity-building initiative. This program ensured that our team gradually acquired the specialized skills essential for private equity, resulting in a a group of professionals who are both highly capable and deeply committed.

Our culture fosters a sense of adventure and continuous learning, where everyone is encouraged to ask, "What's new? What's interesting? Where should we be? What should we avoid?" This dynamic environment ensures that there is no stability—in the best possible way—as we are in a business built on navigating change and uncertainty.

We have also revamped our carry structure and cultivated a dynamic partnership model, creating a magnet for top talent and fostering team stability. This strategy has fueled AfricInvest's growth from just three partners to 30 today.

Recognizing that HR remains a significant challenge, we continue working on attracting and retaining top talent, which necessitates ongoing investment in education and training. Initiatives such as embedding private equity-focused MBA and executive programs in leading universities across Africa and developed countries are essential. The African Private Equity Fellowship, a training and networking program led by Proparco, exemplifies the targeted educational efforts needed to build a strong talent pipeline, having trained hundreds of professionals. Additionally, tailored support in areas such as talent development, strategic planning, and operational efficiency, offered through technical assistance (TA), are essential for building the capacity of GPs, ensuring that the industry continues to grow and innovate.

By building our team from the ground up, we not only addressed the immediate challenge of the talent shortage but also laid the foundation for broader, systemic impact. Our approach fostered a culture of continuous learning and development, which has become a cornerstone of our success. This culture has empowered us to maintain a competitive edge in a dynamic market environment, ensuring that our firm remains at the forefront of private equity in Africa and continues to drive meaningful change across the continent.

Challenge3:

Navigating and Advocating for Effective Legal and Tax Frameworks for Private Equity in Africa

As facilitators of economic activity, private equity plays a crucial role in driving innovation, supporting scaling, and ensuring a smooth transition to a greener economy across Africa. Nonetheless, in AfricInvest's early years, we faced significant obstacles that impeded the growth of this vital asset class. The legal and tax frameworks in many African jurisdictions were either underdeveloped or nonexistent, creating a complex and often uncertain environment. This lack of clear framework for the operation of investment funds and management companies made structuring transactions that were both efficient and compliant with local regulations exceedingly difficult.

Response:

Advocating for a Supportive Regulatory Environment through Collective Efforts

AfricInvest recognized early on that overcoming these challenges required a concerted and collective effort. We have understood that meaningful change requires a collective voice to engage effectively with regulators and policymakers across the continent. We played a proactive role in advocating for regulatory reforms, often spearheading or actively participating in industry associations such as the Emerging Markets Private Equity Association (EMPEA), the African Private Equity and Venture Capital Association (AVCA), and other regional industry associations. Our collaboration with Development Finance Institutions (DFIs) was pivotal in this effort. These DFIs not only provided financial support but also lent their credibility to our advocacy initiatives, helping us engage effectively with regulators across the continent. Their backing was crucial in establishing industry associations and driving the regulatory changes needed to foster a more enabling environment for private equity.

Our advocacy efforts have led to transformative changes in the investment landscape across Africa. In East Africa, for instance, we have successfully advocated for regulations on anti-trust and competition within the Common Market for Eastern and Southern Africa (COMESA) region, promoting fairer business practices that have leveled the playing field. In Mauritius, we have been supporting initiatives to establish the island as a hub for private equity and an international arbitration center, ensuring a more stable and predictable environment for investors. Our advocacy has also extended to Europe, where we worked to allow African managers easier access to European capital markets with the EU passport under the Alternative Investment Fund Managers (AIFM) directive[1].

In Tunisia, AfricInvest played a key role in reforming private equity laws, microfinance regulations, and the Startup Act, laying the groundwork for the country's eventual integration into COMESA. Similarly, in Morocco, we actively supported the implementation of a private equity regime and worked closely with the Moroccan Capital Market Authority (AMMC) on new anti-money laundering (AML) regulations, further stabilizing the investment climate. Our efforts in Rwanda, in coordination with the Kigali International Financial Centre (KIFC), have contributed to Kigali's emergence as a dynamic financial hub. Meanwhile, in Algeria, AfricInvest facilitated the first-ever Initial Public Offering (IPO) of a private company, setting a precedent in a market with few public listings.

Beyond addressing immediate legal and tax obstacles, these efforts were about fostering systemic, lasting change. The regulatory improvements across the continent have enabled private equity to thrive, transforming the flow of capital into African markets and laying the foundation for a more prosperous future.

Today, the regulatory landscape continues to evolve, particularly with the growing global emphasis on impact & sustainability practices. The question of how to regulate the financial sector, given the inextricable links between healthy people, a healthy planet, and a healthy economy, has become increasingly clear. Globally, there has been a significant push for enhanced impact & sustainability disclosure and practices, and AfricInvest is working with local regulators in our operating African countries to align with these evolving standards.

[1] The Alternative Investment Fund Managers (AIFM) Directive is an EU regulation governing the management and marketing of alternative investment funds within the EU, focusing on authorization, transparency, and risk management.

Challenge 4:
Adapting Investment and Exit Strategies to the needs of African MSMEs within Traditional Private Equity Fund Structures

While creating a conducive environment for private investments—through robust regulatory and institutional frameworks and capacity building—is essential for addressing development challenges, it doesn't automatically guarantee investability. Even with these foundational elements in place, the complexities of adapting exit strategies to the unique needs of African MSMEs within traditional private equity structures present their own set of challenges.

The private equity exit process from investments in African MSMEs can present unique challenges, especially given the fixed timelines of traditional closed-end fund structures. This time pressure can limit our ability to maximize both financial returns and social and environmental impact. Our experience demonstrates that achieving planned value creation for African MSMEs typically requires a holding period ranging from six to seven years. Therefore, AfricInvest has been faced with the need to accommodate longer holding periods to ensure lasting impact and eventual exit success.

Response:
Innovative Approaches to Exits
Evergreen Structure of FIVE

Initially conceived to provide revenue sustainability by circumventing the typical 10-year liquidation rule, our Evergreen Financial Inclusion Fund operates as an open-ended fund, offering the flexibility needed to align holding periods with the time required for meaningful transformation and value creation in the financial services industry. Focused on achieving financial inclusion in Africa by supporting MSMEs and micro-entrepreneurs, fostering quality job growth, and contributing to a just transition to net zero pathway, it operates on three core principles: Affordability, Productive Use, and Accessibility.

The fund's perpetual nature allows for longer holding periods when necessary, making it particularly effective in cases where patient, long-term capital is essential for achieving both financial returns and broader, long-term goals of a sustainable transition. By strategically timing exits, the fund can enter investments when valuations are low and exit when market conditions are most favorable, optimizing outcomes.

By enhancing exit performance through multiple expansion—where we can grow book value and capitalize on favorable valuation multiples—the fund not only maximizes financial returns but also drives significant advancements in financial inclusion, job creation and financing towards a just net zero transition. This approach ensures that our investments deliver sustained environmental and social impact while effectively addressing the challenges posed by traditional private equity fund structures in the African context.

AfricInvest SME Fund Initiatives

The latest AfricInvest SME fund is designed specifically to address the unique challenges of African SMEs within traditional private equity frameworks.

To adapt exit strategies effectively, we've introduced a variable hurdle rate that adjusts based on impact KPIs, directly linking financial incentives to the achievement of social and environmental outcomes. This innovative approach maintains our commitment to attractive risk-adjusted returns while recognizing that impactful change in SMEs requires both time and effort, similar to generating financial returns.

In addition to this fund, AfricInvest Debt Vehicle also targets SMEs in sub-Saharan Africa through debt financing. While the SME Fund leverages impact-linked KPIs to lower hurdle rates, APC employs a flexible debt structure that requires refinancing at concessional levels. This structure, secured from our investors, has proven beneficial in providing much-needed financial flexibility to SMEs. We recognize the importance of expanding this approach to ensure that these businesses have access to the capital they need to grow sustainably.

By integrating these strategies, AfricInvest addresses the unique financing challenges faced by African SMEs, utilizing both equity and debt instruments to support their growth, secure attractive exits, and create meaningful, sustainable impact across the continent.

To further enhance our approach, we deploy a range of innovative financial instruments and exit strategies tailored to the needs of African SMEs.

These strategies include self-redeemable instruments that provide a structured path for companies to buy back shares over time, offering a clear and predictable exit route. Drag-along clauses ensure alignment with majority stakeholders by allowing us to enforce an exit only when fully aligned with the sponsors, safeguarding both investors' interest and the company's future. Put options give us the flexibility to sell our stake back to the company or another party under pre-agreed conditions, providing additional exit security. We also capitalize on the growing maturity of the African private equity industry by pursuing secondary sales, where investments are sold to other private equity firms or financial buyers. This option is increasingly viable as the industry evolves. Furthermore, we focus on strategic or regional sales by transforming national champions into regional and pan-African leaders, making these businesses attractive to strategic buyers seeking to expand their operations or market reach.

Tackling the challenge of exiting investments in African MSMEs, the development of local stock markets and the increase in IPO opportunities, although less common, offer an additional exit avenue. The growth of stock exchanges in countries like Tunisia, Algeria, Morocco, Côte d'Ivoire, Nigeria, and Kenya has brought much-needed liquidity to African markets, offering viable exit routes that were previously unavailable to African MSMEs.

Equally impactful is the development of secondary markets, which keeps the momentum going by allowing shares to trade post-IPO, providing an ongoing liquidity mechanism that benefits both investors and companies. These markets, along with the increasing presence of international and regional players, are essential for attracting diverse capital and expertise, driving up the valuation and exit potential of African MSMEs.

In preparing these SMEs for exit, we are acutely aware that the effort required is often greater than for larger companies. To navigate this, we implement a comprehensive impact action plan from the start of the investment process. Embedding this plan early ensures focused and effective impact strategies, giving SMEs the best chance to succeed.

Recognizing the resource constraints faced by SMEs, our teams work closely with them to drive value addition. This includes specific impact committee governance to accelerate impact creation and ensure that our investments deliver both financial returns and environmental and social benefits. Importantly, throughout this process, we remain committed to responsible exits that do not jeopardize the company's future through excessive leverage, ensuring that the businesses we support are left in a position of strength, capable of sustainable growth and success.

Looking ahead, AfricInvest is focused on improving exit strategies for African SMEs through a practical and strategic approach. We are working to enhance the private equity ecosystem by expanding industry participation, which will help create a more active and resilient secondary market. Our initiatives include developing specialized tail-end funds to manage investments effectively as fund lifecycles conclude and improving stock market liquidity and efficiency through targeted funds for listed companies. Additionally, we are exploring flexible exit options, such as Management Buyouts supported by accessible bank debt, to better align with the growth patterns and market conditions of SMEs. These efforts aim to drive meaningful and sustainable growth and ensure that our investments contribute to the region's broader development goals.

Challenge 5:

Leveraging Investments in Operations, Systems, and Compliance for Continuous Improvement

Operating across multiple jurisdictions, we are grateful for the privilege of onboarding Limited Partners (LPs) from diverse perspectives. This opportunity requires navigating a wide range of regulatory requirements and meeting rigorous compliance and reporting obligations. It also involves implementing appropriate processes, regularly audited, to mitigate the various risks to which our funds and companies may be exposed. For AfricInvest, this highlights the importance of maintaining a high level of operational excellence and engaging in proactive, transparent communication with our LPs. It also requires collaboration and tailored support for our SMEs and early-growth companies, which often face challenges in managing additional reporting requirements due to their limited resources.

The challenge of maintaining operational excellence extends beyond the associated costs; it also involves dedicating substantial time, stable and well-trained internal resources, and external support—such as IT services, consulting, and auditing. These resources are essential to establishing, monitoring, and upholding standards and producing the necessary performance indicators over time.

Response:

Enhancing Operations, Systems, and Compliance for Sustainable Growth

To address this challenge, AfricInvest is dedicated to investing in robust and regularly audited systems and processes, and in cultivating a skilled and stable workforce to maintain high standards and support both our firm and our portfolio companies. We consider these investments not as expenses, but as strategic assets that enhance our operational excellence. Internally, we take pride in our skilled and stable operations team, which continuously improving our compliance, legal, tax, financial, reputational, and IT processes to mitigate potential risks.

We have also reinforced our Impact & Sustainability team with additional resources and continuously enhance our integrated information management system, allowing us to effectively track, analyze, manage and report on performance, impact, and sustainability metrics.

For the early-stage companies and SMEs in our portfolio, we recognize the need to balance reporting requirements with their size and stage of development. As much as possible, we align reporting obligations with the company's capacity, while leveraging the invaluable technical assistance provided by some of our LPs, for which we are deeply grateful. As these companies grow, we gradually expand and broaden these metrics. We view reporting practices not just as a requirement but as an "alignment-of-interest and accountability tool" that strengthens the relationship between AfricInvest and our portfolio companies, ensuring that both parties work towards common objectives of creating sustainable value.

By maintaining these high standards, we aim to position AfricInvest and businesses to effectively navigate the complexities of sustainable investment, uncover new opportunities, and contribute meaningfully to positive and lasting change across Africa.

Challenge/Learning 6:

Securing Capital for High-Impact Investments in Underserved Markets and Asset-Intensive Climate Solutions

New sources of patient private capital are essential for channeling funds to innovative enterprises that drive sustainable job creation. Innovative firms in Africa in healthcare and climate adaptation and resilience, especially those addressing the vulnerable populations often struggle to access growth finance. Traditional funding paths often do not cater to the unique needs of these markets, making it difficult to secure the necessary capital for impactful projects. The high-risk nature and lower immediate financial returns can deter commercial investors, limiting the resources available for sustainable development.
To address these challenges, we developed blended finance products that enable catalytic investors to take on higher risk levels within the financial return distribution framework. This approach attracts impact-driven private investors to these segments, ensuring that essential projects receive the funding they need to thrive. By leveraging these models, we bridge the financing gap for high-impact projects, fostering sustainable development and meaningful change across the continent.

Response:

Leveraging Blended Finance through Concessional Capital and Technical Assistance with our healthcare and climate strategies:

The Blended Finance Health Fund offers an innovative response to the challenge of securing capital for high-impact healthcare investments in Africa's underserved markets. By leveraging blended finance, it brings together commercial with catalytic capital, aligning the pursuit of financial returns with a deep commitment to social impact. This approach not only addresses immediate healthcare needs but also builds sustainable platforms for long-term healthcare delivery across the continent.

Blended finance through this fund is a transformational approach that significantly increases the impact of investments by building resilient healthcare systems capable of meeting the demands of today and the challenges of tomorrow. The funds mobilized through this approach targets critical health issues—such as preventing child and maternal deaths and combating infectious diseases—while also establishing sustainable platforms for ongoing healthcare delivery.

A key element of the the fund's strategy is its grant-funded technical assistance, which can be utilized both pre- and post-investment to significantly enhance the commercial viability and developmental impact of investments. Pre-investment, the Health Finance Coalition (HFC) provides technical assistance through Deal Construction, ensuring that pipeline companies are "investment ready." This support bridges healthcare gaps, attracts additional investment capital, and accelerates time to market, making the healthcare sector more accessible to impact investors.

Post-investment, the fund continues to offer tailored support, addressing operational challenges, building capacity, and enhancing sustainability through technical assistance. This comprehensive approach underscores the power of blended finance in delivering sustainable healthcare solutions, ensuring that companies are well-prepared to scale, expand into new geographies, and drive systematic change across Africa's healthcare landscape.

Blended Climate Fund:

Securing capital for high-impact growth companies that are pioneering solutions in climate adaptation and mitigation in sectors like the agrifood value chain, sustainable mobility, and the built environment, particularly for asset-intensive climate solutions, presents significant challenges. These climate adaptation growth businesses often comprise nascent sectors and business models that are crucial for enabling Africa to deal with the adverse effects of climate change while preventing the exacerbation of existing gaps. Nonetheless, they often struggle to secure traditional financing due to their asset-intensive nature and the perceived risks involved.

The fund, a partnership between AfricInvest and ThirdWay Partners, addresses these challenges by leveraging blended finance to mobilize resources for these critical sectors. It combines concessional capital and technical assistance with innovative financing mechanisms, such as self-liquidating instruments and equity kickers, to mitigate risks and incentivize private sector investment in climate adaptation and mitigation. By addressing the "pioneer penalty" often faced by first movers in climate adaptation, the fund enables pioneering companies to scale and drive systemic change. This approach not only raises ambition for adaptation efforts but also shifts the narrative that adaptation equals costs without benefits, demonstrating the tangible advantages of investing in these areas in a continent where the effects of climate change are already locked in.

Technical assistance is a key component of the the fund's strategy, enhancing the commercial viability and developmental impact of these investments. By providing targeted support—such as reskilling professionals, training smallholder farmers on climate adaptation technologies, and guiding engineers and regulators to reduce reliance on carbon-intensive materials—it ensures that these projects are well-prepared for long-term sustainability. These efforts align workforce skills with the demands of tomorrow's climate-smart sectors, ensuring that Africa's transition to a low-carbon economy is both just and sustainable.

Attracting Local Investors

Mobilizing local investors is crucial for amplifying the impact of blended finance and driving sustainable development across Africa. Local investment plays a key role in channeling African savings into the private sector, where they can have the greatest impact on economic growth and environmental and social progress. By leveraging blended finance models, funds can explore riskier ventures, providing the essential capital that local SMEs require to grow and thrive, whether through debt or equity. This approach not only unlocks the market potential of African enterprises but also contributes to building a more resilient and inclusive economy.

To attract and retain local investors, it is essential to foster trust and offer compelling risk-adjusted returns. Transparency is also a critical factor, which is why AfricInvest employs rigorous impact measurement methodologies like the Multiple of Impact (MOI). These frameworks ensure that the social and environmental benefits of investments are clearly communicated and widely understood, reinforcing investor confidence. By maintaining a strong commitment to these principles, AfricInvest aims to ensure that the advantages of sustainable investments are broadly shared, helping to create lasting value across the continent.

Challenge/Learning 7:

Facilitating European Companies' Expansion into Africa and Bridging the Capital and Knowledge Gap

Despite a long history of investment in Africa, European SMEs particularly those from France, continue to face significant challenges when expanding into African markets. These challenges include navigating complex regulatory environments, understanding local business practices, and managing risks such as information asymmetry and epileptic exchange rate regime. Additionally, gaps in technology transfer, skills development, and the adoption of best practices further complicate efforts to foster local innovation and economic progress.

Response:

Strengthening Economic Ties and Scaling Cross-Border Expansion through the Cross-Border French-African Private Equity Funds

To overcome these challenges and capitalize on Africa's immense market potential, AfricInvest launched the Cross-Border Fund strategy. Over the past eight years, the funds have provided French SMEs with the financial resources and strategic support needed to successfully enter and thrive in African markets. By tapping into Africa's burgeoning consumer market[2]—expected to reach USD 2.1 trillion by 2030—the funds position French SMEs to leverage Africa as both a production hub and a significant consumer base.

The strategy extends beyond merely channeling capital into Africa; it is designed to foster development through direct investments by companies from developed and mature markets. This approach not only creates stable, well-paying jobs and improves product accessibility, but also facilitates significant technology transfer and develop local skills. Additionally, the funds enable African companies to acquire European assets, which further supports innovation and the repatriation of skilled professionals from the diaspora. By strengthening local technological capabilities and enhancing talent on the continent, the strategy fosters a dynamic exchange that contributes to sustainable economic growth.

By overcoming the barriers that have historically limited engagement, the funds unlock the immense potential of Africa's growing markets, positioning the continent not as a collection of 54 separate countries but as a unified and powerful economic bloc. This expansion helps mitigate macroeconomic risks, enhances Africa's resilience to global economic fluctuations, and integrates African economies into the global market. The result is a robust, interconnected economic landscape where French expertise and Africa's market potential are fully realized, fostering dynamic and mutually beneficial economic ties.

A key strength of the Cross-Border Funds' initiative in facilitating European companies' expansion into Africa is its ability to mobilize domestic investment alongside international capital. This dual approach not only attracts foreign investment, addressing the capital gap, but also strengthens domestic financial institutions. By doing so, the funds enhance local economies and contribute to the overall development of Africa effectively bridging the capital knowledge gap between Europe and Africa.

While the strategy has proven successful, it represents a model that needs to be scaled to fully address the challenges of European SME expansion into Africa. Scaling this proven approach will further strengthen economic ties, drive sustainable growth, and ensure that the benefits of cross-border investment are shared across both continents.

[2] Footnote

Challenge/Learning 8:

Enhancing Rigor and Scalability in Impact Measurement and Management to Inform Decision-Making

A significant challenge we face is the lack of a rigorous and standardized impact measurement methodology, compounded by the common perception that impact is a byproduct of operations rather than a core component structured from the outset.

Historically, only a small fraction of investments underwent rigorous impact evaluations, such as randomized controlled trials, often led by academic institutions. While comprehensive, these evaluations were not scalable, leaving most investments' potential and realized impact under-evaluated. This imbalance, particularly evident in Africa, meant that the true social and environmental benefits of our investments were not being accurately captured or communicated in a rigorous, evidence-based manner.

Moreover, the challenge of data quality and availability in Africa exacerbates these issues. Despite having a population of over a billion people, Africa produces the same amount of research papers as the Netherlands, which has a population of just 18 million[3]. This disparity in data production, combined with the challenges in accessing reliable data, particularly in the context of the African continent, creates significant hurdles for investors and organizations attempting to assess impact accurately. The lack of consistent, high-quality data affects both the ability to monetize impact pathways and to assess the risks associated with realizing those impacts.

Additionally, the lack of a common language and standardized approach makes it difficult for investors to make rigorous, apples-to-apples comparisons across different investments. This gap hinders our ability to streamline impact reporting and effectively communicate the social and environmental benefits of our investments, ultimately impeding the broader adoption of impact-focused strategies.

Response:

Structuring Impact from the Outset and Enhancing Impact Measurement with the Multiple of Impact (MOI) Methodology

To counter these challenges, AfricInvest and Bridgespan have collaborated to develop the Multiple of Impact (MOI) methodology, a rigorous and evidence-based Impact Measurement and Management (IMM) approach. The MOI shifts the focus from output-based (KPI) to outcome-based impact measurement, quantifying and monetizing social and environmental outcomes from the outset of the investment process. It is a rigorous approach that deeply examines the drivers of impact within a company, using research to establish outcomes, and then quantifying the value created in economic terms. This methodology to quantify, measure, and verify impact is used as an alignment-of-interest tool, rather than just a reporting tool. By structuring impact as an integral part of the investment strategy from the beginning, we ensure that the social and environmental value generated is not an afterthought but a core objective alongside financial returns.

Recognizing the need for a robust impact assessment methodology, the MOI integrates rigorous data analysis to ensure that both positive outcomes and potential negative impacts are accurately identified and quantified. Our goal is to establish a common language across the field, where the use of MOI measures becomes as standard as MOIC, IRR, and NPV calculations. This approach ensures that we don't simply label any education or healthcare company as an impact company, but rather assess their true impact with the same rigor we bring to all our investments. We aim for MOI to become a mainstream tool, empowering all investors to rigorously quantify and manage the social and environmental outcomes of their investments

[3] Wits University (2024, May 17). A better Africa needs interdisciplinary research. Wits University.

Through our experience with the MOI tool, we have developed three key capabilities in our approach to measuring impact and conducting due diligence:

1. Single Figure Assessment: We can arrive at a single figure that enables investors to assess the various impact potentials across multiple sectors, including negative and positive social and environmental impact opportunities.
2. Material Impact Pathways Identification: Using our data-driven identification approach, we can pinpoint the most material impact pathways, ultimately driving investment decisions that are guided by impact considerations.
3. Quantifying Impact: We quantify impact through rigorous methodologies, which support strategic investment decisions and enhance existing IMM approaches.

As we have always done, we are making the tool open source and sharing it for the benefit of the broader field so the MOI democratizes access to rigorous IMM and transform how we approach impact measurement and management in Africa, bringing rigor and sector-wide applicability. LPs, GPs, practitioners, and advisors can identify, prioritize, and quantify investment opportunities that are transformative for the continent. This ecosystem-wide approach to measurement allows us to be precise in our investment decisions, driving the most material impact investments across sectors and regions through evidence-based methodologies.

Challenge 9:
Navigating Macro Risks in an Unintegrated Africa

The macroeconomic landscape in Africa presents a unique set of challenges that are often more pronounced than in other regions. While global markets face significant macroeconomic headwinds, such as inflation, rising financing costs, and supply chain disruptions, Africa's situation is further complicated by additional factors such as currency volatility, political uncertainties, and fragmented regional markets. These challenges create a complex environment for investments, particularly given the continent's diverse regulatory environments and the lack of integration as a unified economic bloc with regions like North Africa illustrating the challenges of achieving cohesive economic collaboration across the continent. Additionally, while discussions around risks in Africa often focus on currency fluctuations and political instability, it is crucial to expand the conversation to include climate risks. Climate change is no longer a distant threat but a present reality, with its effects already locked in across Africa. The risk of not achieving a just net-zero transition poses profound consequences for the continent.

Response:
Emphasizing Regional Diversification and Export Development, and Resilience Building

The PE industry is known for zigging when others are zagging—finding and making deals even in the most challenging times. This mindset has been crucial in navigating the macroeconomic challenges that come with investing in Africa. In addressing these challenges, a key lesson learned has been the importance of a strategic approach centered around regional diversification, export development, and financial resilience.

For AfricInvest, regional diversification is key at both the fund level and within our portfolio companies. By expanding investments across multiple regions through our pan-African funds, we reduce vulnerability to any single country's economic fluctuations, creating a more stable investment environment. This strategy not only mitigates macroeconomic risks but also enhances currency risk management and provides a buffer against local economic challenges.

At the portfolio level, we strive to transform national champions into regional and pan-African leaders, pursuing both organic growth and

inorganic strategies. This approach is particularly effective in challenging environments where organic growth may be limited. By leveraging the breadth of AfricInvest's network and our deep regional knowledge, we add significant value to our portfolio companies.

Our local teams, with their on-the-ground presence, are crucial in implementing this strategy. Their deep understanding of the nuances in each market—from regulatory environments to business practices—enables us to effectively manage risks and identify opportunities across Africa's diverse markets. This multi-local expertise is not just beneficial but essential for navigating the complexities of regional diversification and for capitalizing on export opportunities, which help companies offset local market constraints and contribute to broader economic development across the continent.

Building financial resilience is not something reserved for times of crisis; it's a core principle that guides us through all phases of the economic cycle. The best managed companies embed resilience into their everyday operations, planning for uncertainties even in prosperous times. At AfricInvest, we recognize that true resilience is not reactive but proactive—baked into our strategies long before challenges arise. A notable example of this resilience was during the COVID-19 pandemic. Sectors like hospitality were among those heavily impacted by the pandemic, leading to partial closures and significant operational challenges. Nonetheless, because we had long operated in regions prone to disruptions—such as the chaotic periods surrounding presidential elections—our financial strategies were designed with contingencies in mind. We had planned for potential disruptions, ensuring that our investments had the cash reserves and financial robustness to weather such periods. In this instance, COVID-19 effectively replaced a typical political disruption, but the financial resilience we had built over years allowed us to navigate the pandemic effectively.

Moreover, the potential for regional coordination and collaboration in Africa presents an opportunity to further catalyze climate investments, complementing the work of initiatives like our blended finance climate and health vehicles. Although African countries are politically and socially diverse, they face similar climate change risks and share comparable investment needs. By leveraging these commonalities, there is an opportunity to create mobilization networks for climate finance that utilize blended finance strategies, much like those employed by our funds. These networks can lower the perception of risk and attract capital at scale from both domestic and international financiers.

By staying attuned to macro trends and sector opportunities, guided by thorough research, we are well-positioned to seize strategic investment opportunities that align with these long-term trends. This proactive approach ensures that we not only navigate current challenges but also capitalize on emerging opportunities that drive sustained growth and resilience across the continent.

While these challenges continue to be relevant, they spotlight the main areas where sustained focus is needed, and where growth and improvement opportunities lie. The path forward remains substantial, yet it is through maintaining momentum and intensifying strategies we can achieve meaningful and lasting impact and unlock new potentials. By embracing these challenges, we not only build on our successes but also fuel our commitment to drive progress and spark positive change. As we forge ahead, our resolve to tackle both current and future hurdles will be the catalyst for achieving our long-term vision and advancing our mission.

AFRICINVEST

Data disclaimer: While we have used our reasonable efforts to ensure the accuracy of the data used in this report, data on employment has not been audited or independently verified. We have received this data from our portfolio companies. Data may be from different points in time but was requested to relate as closely as possible to Sep 2024. Employment data may sometimes include contract workers and other non-permanent workers.
This data should be read as being indicative of magnitude rather than exact figures.