IMPACT FINANCE BAROMETER

2024

Social impact finance, a lever for a fair and inclusive transition

Impact investing is a fast-growing sector, driven by players whose ambition is to finance solutions to social and environmental challenges while ensuring a financial return. With over 300[1] players listed worldwide today, and strong growth since the 2010s, it has gradually established itself as a segment of finance in its own right. However, impact is still too often seen as a separate subject, when in fact it should permeate the entire economic world, given the strong interdependence between social and environmental issues.

In 2023, over $1,100 billion was raised in the impact sector[2] – twice as much as in 2019. Yet these amounts are still well short of the $5,400 billion needed each year to achieve the Sustainable Development Goals by 2030[3]. Such stakes call for collective mobilization: that of all players in finance, entrepreneurs, regulators, activists and citizens.

Finance players need to redirect capital towards impact solutions, particularly in emerging markets and among the most vulnerable populations, as well as reporting on their impacts through clear, objectivizable metrics. We need to go where private investment is needed to enable the emergence of solutions tailored to the needs of local economies; also because it is in these markets that our potential for impact is greatest.

At the same time, entrepreneurs, thanks to their capacity for innovation, have a historic responsibility to innovate in order to solve these vital challenges. They also have every interest in integrating a social, inclusion and diversity dimension into their business models, and adopting a holistic vision of their activities and their impact on their ecosystems, in order to make them more resilient. The quest for social impact is a virtuous circle, as beneficial for companies as it is for society, in that it not only reduces costs but also creates sustainable value.

Decision-makers need to support this movement, by clarifying the existing regulatory framework (introduction of a clear definition of impact in the SFDR regulation), and even strengthening it, particularly on the social side (introduction of a social taxonomy) and on governance issues (alignment of executive remuneration with financial and extra-financial objectives, creation of a European status for companies with a mission). Finally, it is essential that all civil society players continue, without respite, to call on the aforementioned players to assume their responsibilities in this just transition.

The Impact Finance Barometer contributes fully to highlighting these issues and objectives, thus facilitating a real transition to scale.

Nicolas Célier
Founder & CEO
Ring Capital

1. Global Impact Investing Network (GIIN), 2023 GIINsight: Impact Investor Demographics.
2. Global Impact Investing Network (GIIN), 2023 GIINsight: Impact Investing Allocations, Activity & Performance.
3. Conférence des Nations unies pour le commerce et le développement (CNUCED), The costs of achieving the Sustainable Development Goals, 2023.

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IMPACT FINANCE

THE INVESTOR: A LEVER FOR TRANSFORMING THE ECONOMY

Impact finance means playing a part in the fair and sustainable transformation of the economy.

Impact finance is an investment or financing strategy that aims to accelerate the fair and sustainable transformation of the real economy, by providing proof of its beneficial effects.

Unlike alignment, i.e. investing in companies that are already virtuous, impact finance adds the notion of transformation resulting from the investor's action.

The 3 pillars of impact finance

Intentionality

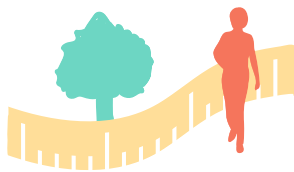
Intentionality (willingness to act) corresponds to the investor's stated desire to generate social and/or environmental benefits.

This intentionality can also be demonstrated by the company being financed, which makes achieving sustainable development objectives central to its business model.

Additionality

Additionality (acting) corresponds to the investor's contribution to generating the desired impact.

The aim is to ensure the added value of the investor or financer, by providing capital at a more favorable rate for certain companies, or by supporting the companies invested in on sustainable development issues by the investor or financer.

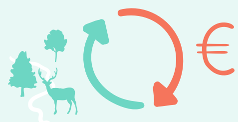


Measurement

Measurement ensures that the social and/or environmental impact announced in the intention has been achieved.

The results of this impact measurement must be communicated and used by investors in their investment decisions. Transparency is a fundamental principle of this pillar.

What's the difference with traditional finance?



The pursuit of **ecological and social performance combined with financial profitability.**

The use of a **clear and transparent methodology** describing how the investor has made an impact.

The achievement of objectives in line with reference frameworks, such as the Sustainable Development Goals.

The Institut de la Finance Durable has developed robust tools to support the ambitious vision of impact finance promoted by the Paris financial center.

The Investor Impact Charter enables investors to demonstrate their intention to have an impact.

The Grid for assessing a fund's impact potential identifies additionality actions and enables this impact potential to be

A series of deliverables to advance the understanding and appropriation of impact finance

Camille BUEWAERT
Head of Impact, Fintech and ESG talents programs

Léo TOMASSO
Sustainable finance project manager

ADDRESSING THE SDG FINANCING GAP IN DEVELOPING MARKETS: THE ROLE OF PRIVATE ASSET IMPACT FUNDS

Nearly a decade since the adoption of the Sustainable Development Goals (SDGs), progress on key goals like eradicating extreme poverty and advancing climate action has stalled. With approximately 50% of the SDG targets at risk of not being met, the gap between current progress and the 2030 targets is widening. This shortfall is largely driven by a growing investment gap in developing countries, estimated to range between USD 2.5 and 4 trillion annually.[1] One of the critical calls to action to bridge this gap is the mobilization of private sector investments.

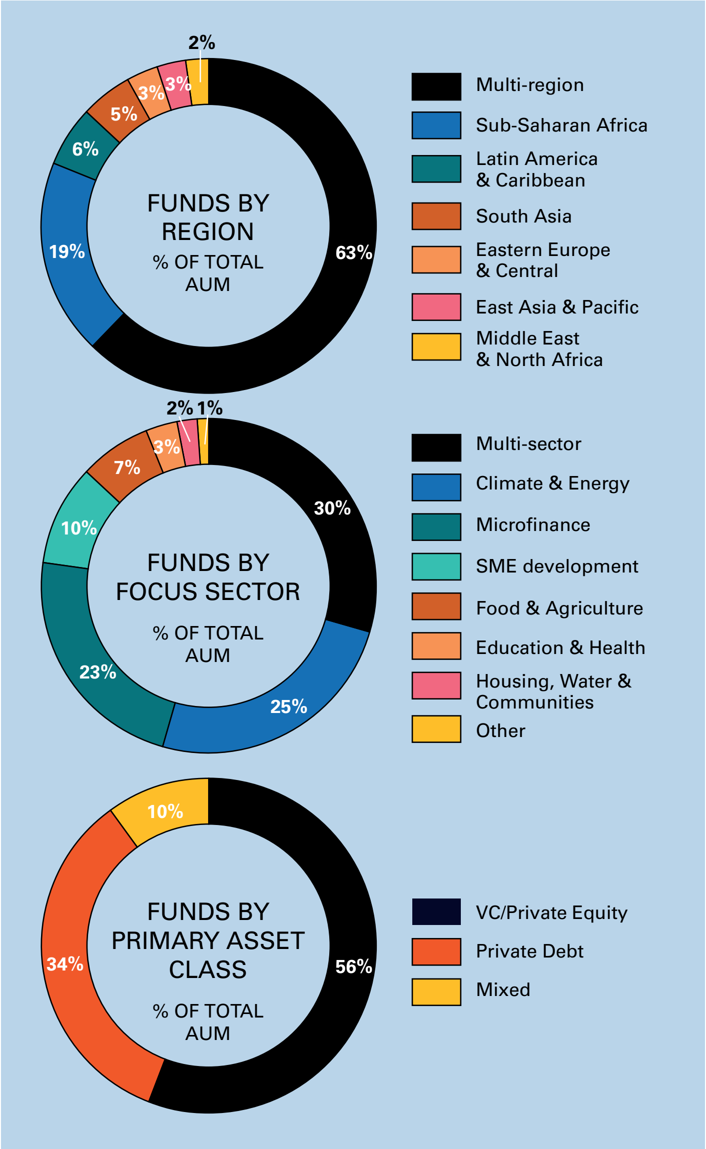
Impact investing through dedicated fund structures forms part of the solution to capital mobilization. Broadly defined, impact investments are made with the intention to generate positive, measurable social and environmental impact alongside a financial return.[2] These investments vary widely, encompassing different instruments, target markets, risk-return profiles, and impact goals.

In 2021, the impact investing market reached USD 1.2 trillion in assets under management,[3] a significant milestone, albeit still far from meeting SDG financing needs. Impact investing is central within sustainable finance, particularly in private market investments within developing countries. These investments often deliver greater impact compared to listed investment strategies, as they address capital market inefficiencies by financing underserved SMEs and low-income populations, fostering entrepreneurship, supporting value chains, driving innovation, and helping sustain high economic growth in these regions. **As such, portfolios of private asset impact funds (PAIFs)** and specialized impact fund managers have seen **steady growth over the last two decades**. These funds are increasingly important channels between capital markets and access to impactful investment opportunities in developing countries.

However, impact investing through funds remains **underutilized by many institutional investors**, primarily due to perception of high risk, a lack of standardization in reporting frameworks, and limited access to data. To address these issues, Tameo provides detailed insights into this burgeoning market. Our aim is to **educate both private and public investors on the practicalities of allocating money to PAIFs**, and the importance and viability of such strategies in advancing the global development agenda.

In 2023, PAIFs focused on developing countries reached USD 95.3 billion in assets, with over 800 impact funds and 400 specialized fund managers active in the market today.[4] This market is increasingly diverse, spanning various asset classes, impact themes, and geographical targets, as illustrated in the infographics below. Tameo's annual **Private Asset Impact Fund Reports**[5] explore the economics, financials, and impact indicators of these funds, providing vital knowledge to promote impact investments and SDG financing.

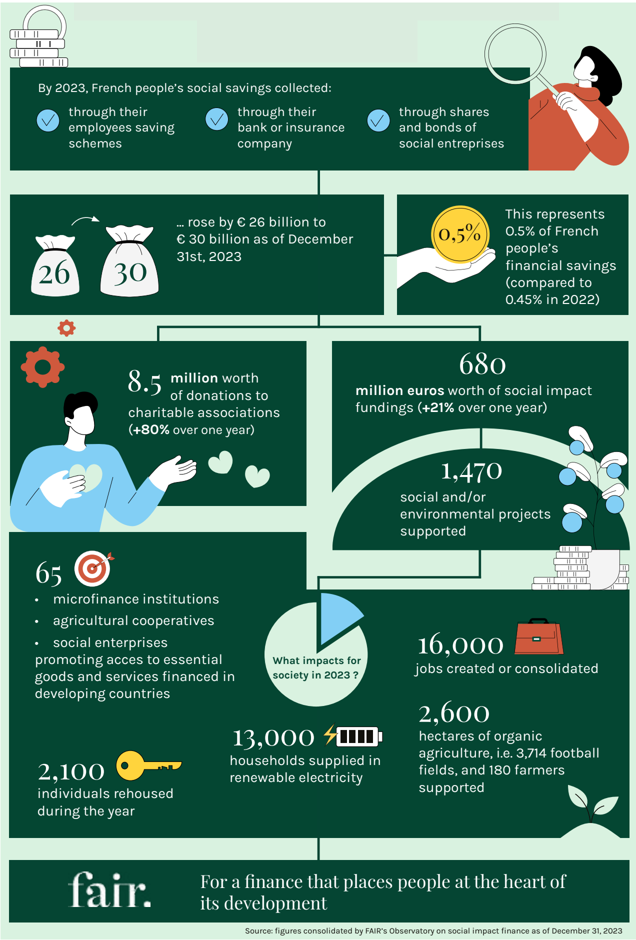
With the international community set to gather in 2025 for the 4th Financing for Development conference, the first since the adoption of the SDGs in 2015, **Tameo's own call to action** is for continued and new commitments from impact fund managers to share data that remains key in affirming the value of PAIFs to bridge the SDG financing gap – a call to action for **greater transparency, harmonization, and comparability**.



Ramkumar Narayanan
Head of Products & Services
Tameo Impact Fund Solutions

1. *United Nations, Inter-agency Task Force on Financing for Development, Financing for Sustainable Development Report 2024: Financing for Development at a Crossroads. (New York: United Nations, 2024), available from: https://developmentfinance.un.org/fsdr2024.*
2. *Global Impact Investing Network (GIIN).*
3. *GIIN (2022), Sizing the Impact Investing Market 2022.*
4. *Tameo database, 2024.*
5. *https://tameo.solutions/private-asset-impact-fund-report#report-download*

FRENCH SOCIAL FINANCE IN 2023



In 2023, solidarity-based finance continued to expand at an impressive rate, recording notable 15% growth on the previous year. The data collected by FAIR's Social Impact Finance Observatory covers Finansol-labelled products, plus data on non-labelled products. Savings invested in solidarity savings accounts will reach €30 billion, compared with €26.3 billion in 2022, an increase of €4 billion. By way of comparison, between 2021 and 2022, the total amount invested in these accounts had increased by €1.8 billion (or +7.3%). The previous three years also saw increases in amounts invested. 2023 was the third best year in terms of inflows in solidarity savings accounts (preceded by 2020 and 2021). In 2023, solidarity savings accounted for 0.50% of French household savings, compared with 0.45% in 2022 and 0.41% in 2021. This increase reflects the growing interest of French savers in investments with a strong social impact.

All available channels that funnel savings into solidarity accounts, including banking channels, employee channels and socially responsible company channels, showed steady growth throughout the year. Savings collected by solidarity-based companies totalled €1 billion, up 10.8% compared with the 9% registered the previous year. Solidarity bank savings accounts reached €11.1 billion (+11%, compared with +5% the previous year), while solidarity employee savings accounts reached €18 billion, recording an impressive increase of 17.6% (compared with +8.5% the previous year). The momentum of solidarity-based employee savings accelerated in 2023, with funds growing by €565m (+10%). In 2022, Finansol-approved solidarity FCPEs (Fonds Communs de Placement d'Entreprise) experienced losses due to market effects of €800m, counterbalanced slightly by positive net inflows of €130m. Solidarity-based employee savings funds now account for €18bn, compared with €9.7bn in 2019 before the PACTE Act came into force, and assets invested in these funds have almost doubled in five years. Solidarity-based employee savings represent 9.5% of total employee savings (€188bn).

The market effect played a crucial role in this growth, particularly for socially responsible undertakings for collective investment (UCIs) and unit-linked products, which benefited from a positive effect of €396m. Net subscriptions were also largely positive, reaching €552m for solidarity UCIs and UCs.

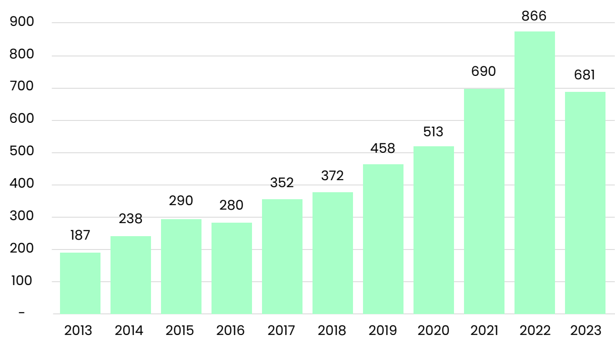
	2023	Evolution compared to 2022
Solidarity bank savings	€11bn	+11%
Solidarity-based employee savings	€18bn	+17,6%
Savings collected by solidarity-based companies	€1bn	+10,8%
Total solidarity savings	€30bn	+15%

Source : FAIR, baromètres de la finance solidaire 2013 - 2023

Donations from Finansol-labelled charity products have risen considerably, by almost 80%, from €4.8m in 2022 to €8.5m in 2023. This increase is mainly due to the rise in interest rates on charity deposit accounts, which has led to an increase in donations paid to charities.

The money raised has made it possible to finance investments with a high social remained, reaching €680m in 2023 compared with €865m in 2022. Although lower than in 2022, this figure remains stable compared with previous years. The most significant year for solidarity investment flows remains 2022. Solidarity investments reached €866 million. This can be explained by the end of the health crisis and the high rate of savings among French investors. The investments made in 2023 made it possible to finance 1,470 projects with a high social impact.

Solidarity investment flows between 2013 and 2023, in € millions



Source : Observatoire de la finance à impact social - FAIR, 2024

Amongst some of the initiatives funded, these select initiatives have created 16,000 jobs, rehoused 2,100 people, converted 2,600 hectares for organic agricultural use and approximately 13,000 people have been supplied with renewable electricity. Among the investments made in 2023, a collection of 65 microfinance institutions, agricultural cooperatives and social enterprises received funds that will promote access to essential goods and services in developing countries.

Finally, solidarity finance demonstrated its resilience and attractiveness in 2023, despite fluctuating economic conditions. The year was marked by strong growth in solidarity savings. The positive signs for the future, such as the growing commitment of savers and the diversification of solidarity savings products, continue to point in the right direction. This trend is set to continue, consolidating the position of solidarity finance as an essential pillar of a fair and just economy that meets the aspirations of savers in search of meaning and positive impact.

Astride ASHALE
Research and Data Manager
FAIR

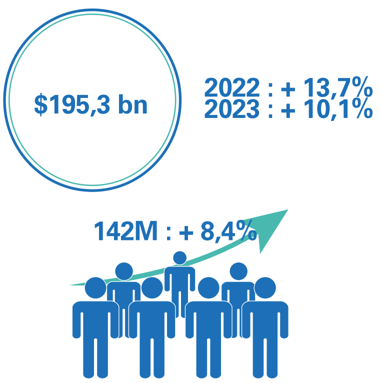
FINANCIAL INCLUSION WORLDWIDE

The Impact Finance Barometer offers a comprehensive analysis of global financial inclusion, drawing on data from ATLAS (www.atlasdata.org). ATLAS is a trusted data platform that hosts validated financial and social impact performance data from the global microfinance market. In this context, let's delve into an insightful review of the sector's main trends observed throughout 2023.

GLOBAL TRENDS

In 2023, the global microfinance sector reached an estimated total market size of $195.3 billion by gross loan portfolio (GLP), aligning with trends from the previous year. Notably, the median growth in GLP by Microfinance Institutions (MFIs) decelerated to 10.1% in 2023, compared to 13.7% in 2022. The total number of borrowers reached 142 million in 2023, marking an average growth of 8.4% at the MFI level, down from 10.5% in 2022. This indicates a broader trend of cautious lending and selective borrower acquisition among MFIs.

Growth in gross loan portfolio and borrowers in 2023 (worldwide)



Regarding portfolio composition, 59.7% of MFI borrowers in 2023 were female clients, up from 56.9% in 2022, indicating a 2.8% year-on-year increase. The average loan balance as a proportion of gross national income (GNI) per capita remained relatively stable, with a median of 44.6% in 2023 compared to 43.7% in 2022.

Portfolio quality trends showed a slight increase in 2023, with the median portfolio at risk >30 days (PAR 30) reaching 5.8%. This reflects an increase of 1.3% from 4.5% in 2022. Overall, restructuring remained stable at 0.7% in 2023 compared to 1.0% in 2022. Additionally, the median write-off ratio for MFIs rose to 1.3% in 2023 from 0.6% in 2022.

Year-on-year trends in portfolio quality were also evident in profitability and the cost of risk. For instance, the portfolio yield, as measured by GLP, remained relatively stable at approximately 20.7% in 2023, compared to 21.5% in 2022. Furthermore, the cost of risk (measured by the provision expense ratio on GLP) remained stable at 1.6% in 2023, compared to 1.4% in 2022.

Globally, solvency levels remained relatively stable in 2023. The median MFI equity-to-assets ratio was in line with 2022 levels, ranging between 20.7% and 18.3%. Despite overall stability, certain market segments continue to face challenges related to low portfolio quality, profitability, and solvency. The sector demonstrated resilience and adaptability amid evolving economic conditions in 2023. While growth rates have moderated, the sector continues to expand, driven by a commitment to financial inclusion, technological innovation, and social impact.

REGIONAL FOCUS

Regionally, South and Southeast Asia (SSEA) continue to account for a significant proportion of the global market. Approximately 71.8% of all borrowers at the end of 2023 were in the SSEA region, compared to 38.3% of GLP. This reflects the proportionately smaller average loan size in the region, which remains below the global average. The average loan size, measured as a percentage of GNI per capita, stood at 32.1%. While this indicates a year-on-year increase, it remains significantly lower than the global median of 43.0%. Portfolio quality, measured by PAR 30, showed a marginal increase, reaching 6.9% compared to 4.6% the previous year. The median restructured portfolio ratio remained stable at 1.0% in 2023.

Latin America and the Caribbean (LAC) maintained their position as the second-largest market in terms of GLP market share at 33.7%, encompassing an aggregate number of borrowers at 13.8%. Portfolio quality in the LAC region returned to its 2021 level, with a PAR 30 of 4.5% in 2023. However, the restructured portfolio ratio decreased to 0.3% in 2023 from 0.5% in 2022. Portfolio yield experienced a slight increase, rising to 19.7% in 2023 from 18.1% in 2022, though it remained slightly lower than the global average.

In Sub-Saharan Africa (SSA), the total GLP accounted for 9.3% of the global market and 7.1% of total borrowers in 2023. Notably, MFIs in the SSA region saw a significant improvement in size of FIs and portfolio quality, with PAR 30 reducing to 5.9% in 2023, a 0.6% decline from 6.5% in 2022. Solvency levels in the region were comparable to global levels, with a median equity-to-assets ratio of 23.0%.

Europe and Central Asia (ECA) held a market share of 16.9% in terms of GLP, while the number of borrowers in the region improved, representing 4.4% of the global market share. As in recent years, the ECA region displayed the lowest median PAR 30 (2.3%) compared to other regions, remaining relatively stable at 2.3% in 2023 and 2.1% in 2022.

Conversely, MFIs in the Middle East and North Africa (MENA) region accounted for the smallest market share, comprising 1.9% of global GLP and 1.8% of total borrowers. The MENA region displayed a higher level of profitability with 32% than the global average which is 28.4%. With an increase in PAR 30 to 6.0% in 2023, portfolio quality in this region was affected by internal and external factors.

Faisal AKHTAR
Data Analyst
MFR - MicroFinanza Rating

All indicators presented in this analysis are computed based on the data sourced from reporting Microfinance Institutions (MFIs) available in the ATLAS database (www.atlasdata.org). For the purpose of calculations in 2023, data from up to 658 MFIs were included. In the case of metrics such as gross loan portfolio and number of borrowers, a larger dataset comprising of up to 1732 MFIs was utilized. All results are based on the MFIs available in ATLAS.

Aggregate calculations, including medians, are derived from the most recent available MFI data as of 2023, with priority given to the latest month's data. To ensure comprehensive and accurate data coverage, the analysis incorporates information from the previous four years (2019-2023) for metrics like gross loan portfolio and number of borrowers to provide an estimation. The most recent year, for which data is available, is selected to enhance data accuracy. For instance, if an MFI reported data for 2023, that specific value is utilized. However, in cases where data for 2023 or 2022 is not reported, the corresponding values from 2021 or 2020 are employed. Year-on-year growth statistics are reported using a consistent composition of MFIs across the years, ensuring comparability, and maintaining data integrity throughout the analysis. Please be aware that data reported previously may differ due to increased data availability for previous years.

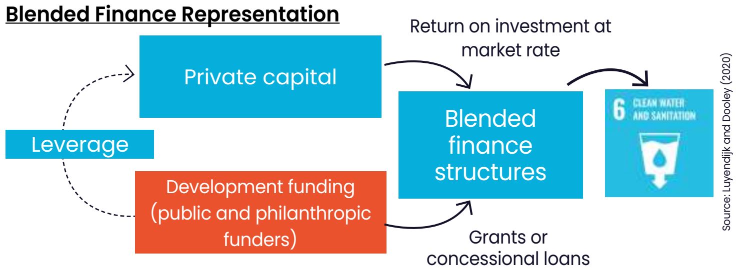
ENGAGING IMPACT INVESTORS IN WASH AND ACHIEVING SDG 6 GOALS

The need for investments in the Water, Sanitation, and Hygiene (WASH) sector is unquestionable and imperative to meet the 2030 goals of Sustainable Development Goal (SDG) 6 – ensure availability and sustainable management of water and sanitation for all. To support this effort, e-MFP and Aqua for All with a group of e-MFP members created the e-MFP WASH Action Group aiming to raise awareness and increase knowledge about the sector among investors working in developing countries and with vulnerable populations.

Despite substantial progress, by 2022, 2.2 billion people (27% of the world population) did not have access to safely managed drinking water and 3.5 billion people (43% of the world population) lacked safely managed sanitation. Currently, the three major sources of WASH financing (taxes, tariffs, and transfers) are not enough to meet the needs for safe drinking water and sanitation services in developing countries. There is a financing gap in the sector reaching 140 billion USD annually **if SDG 6 goals are to be achieved**[2]

Governments and public finance cannot meet these funding requirements on their own, there is a need to attract private investments to the sector. Blended finance can allow for leveraging the impact of both public and private investments. For these public-private partnerships to materialize and be both impactful and sustainable in the long-term, some factors need to be guaranteed. These factors are highlighted below.

Blended Finance Representation



Engaging Impact Investors In WASH

Sector knowledge

Most investors have limited knowledge on WASH service provision, its value chains and successful business models, as well as the short-term and long-term impacts of financing WASH projects and operations. The e-MFP WASH AG has developed a **Handbook on WASH for Impact Investors**[3] (part I, part II, Brief) and has been organizing different events to provide this information.

Safe Drinking Value Chain

NATURAL STORAGE	PRODUCTION	CONSUMPTION	END OF LIFE
Source	Extraction -> Treatment-> Transmission	Market -> Consumers	Drainage

Sanitation Value Chain

CAPTURING	TRANSPORT, STORE & RECYCLE	END OF LIFE
Point of use -> Containment	Emptying -> Transportation -> Treatment -> waste-to-value	Disposal

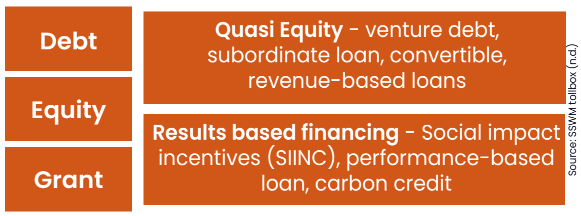
Source: Afonso, Kumar and Ma (2022)

Real and perceived risks

Risk allocation is a crucial issue for guaranteeing private sector participation in the WASH sector. Commercial and impact investors are required to understand the nature of the investments. Without this understanding, the gap between real and perceived risks will continue to exist, thus, sharing challenges and solutions is fundamental to showcase the potential of the sector and this is one of the objectives of the WASH AG in its "investor sharing sessions".

Appropriate financing

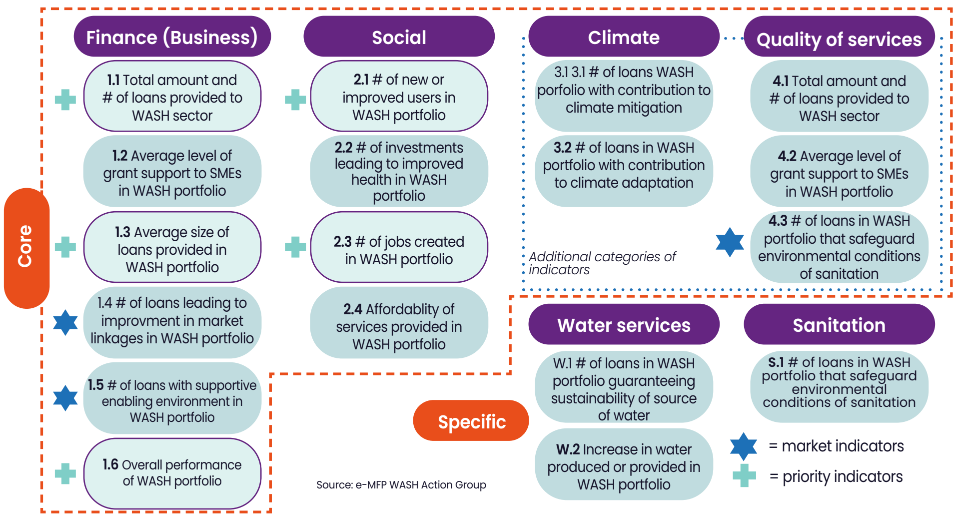
The water and sanitation sector is diverse in its actors and business models. Impact investors through their investments and co-investments can offer a range of instruments necessary for specific business models to thrive and to ensure the financial and impact potential is met.



Measure and manage WASH indicators

Impact measurement has been identified as a key barrier to growth when investing for impact; measuring is necessary to assess investment readiness, monitor progress, and evaluate the impact of the investments made. To address the need to map and define water and sanitation indicators, the WASH AG developed and tested an impact measurement and management framework (represented in the figure) aligned to broader industrial standards and practical on-ground experiences with the support of the Rebel Group and Microsave Consulting.

WASH Indicators Framework at FI level



1. WASH AG: https://www.e-mfp.eu/ags/wash-action-group
2. Source : https://www.worldbank.org/en/topic/water/publication/funding-a-water-secure-future#Infographic (World Bank Group and Global Water Security & Sanitation Partnership, 2024).
3. Part 1 : https://www.e-mfp.eu/resources/handbook-wash-impact-investors-part-1
   Part 2 : https://www.e-mfp.eu/resources/handbook-wash-impact-investors-part-2
   Brief : https://www.e-mfp.eu/resources/brief-introduction-wash-impact-investors

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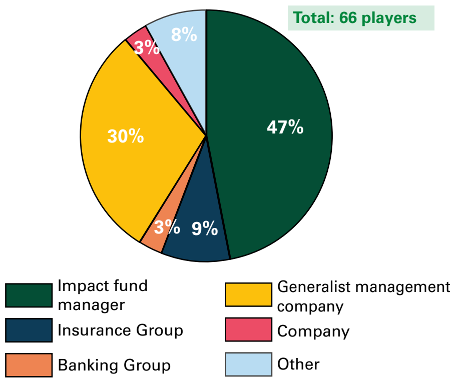
Senior Impact Finance Officer
Aqua for All

IMPACT INVESTORS AND ENTREPRENEURS: BETWEEN TROUBLED WATERS AND FAVORABLE WINDS

Impact finance represents a total of €14.8 billion (assets under management, unlisted, end 2022) according to the *Panorama de la finance à impact - 2023*[1] by FAIR, FIR and France Invest. This amount is growing, and the same Panorama estimated a projection for the end of 2023 of almost €18 billion. In their 2024[2] mapping, Mouvement Impact France and Finetic count twice as many impact funds as in 2021, demonstrating institutional investors' interest in this

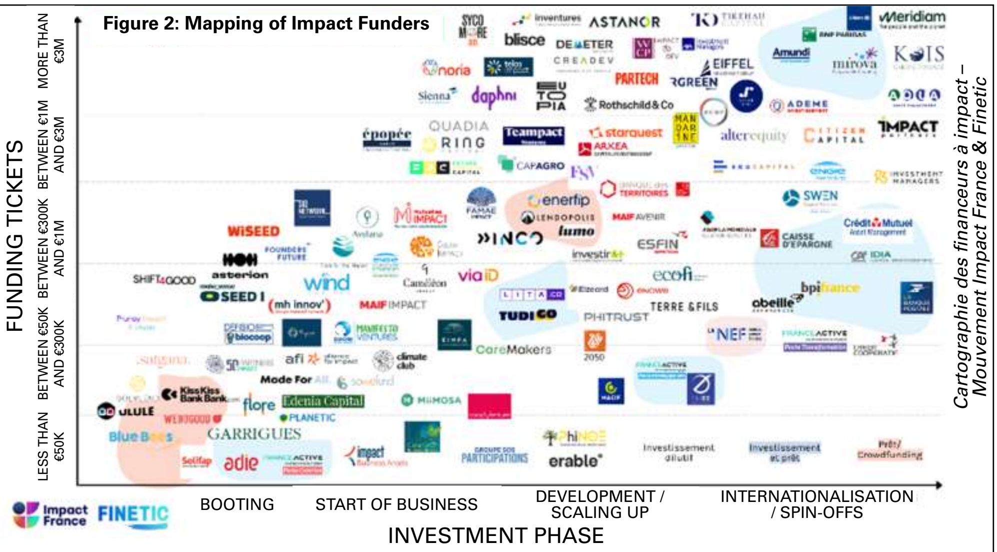
This remains a small investment segment in France, compared to the €810 billion in listed assets of ISR funds (at the end of July 2024). Solidarity savings represent €30 billion under management in 2023, with inflows up 15% over the past year. The impact finance sector comprises between 66 and 128 professional financial players, depending on the categories considered, who invest in debt, equity or quasi-equity in companies generating an intentional, additional and measurable social and/or environmental impact.

Figure 1: Breakdown of impact finance players by category



Panorama de la finance à impact 2023 – FAIR, FIR, & France Invest

Figure 2: Mapping of Impact Funders



Cartographie des financeurs à impact – Mouvement Impact France & Finetic

Despite these favorable trends, financing conditions have become more difficult for many impact project initiators since 2021. This is certainly the case for entrepreneurs and investors whose activities have been impacted by rising interest rates worldwide and in Europe, as well as by an unstable government context.

Six professionals in the field were asked to shed light on our understanding of the current situation, and to share their analysis with us:

- *Antoine Baudrit* et *Benoît Léger* – Banque des Territoires
- *Marie Dauvergne* – BNPP Asset Management
- *Pauline Heuzé* – sb factory
- *Charlotte Lafont* – Ring Capital
- *Isabel Yus-Sanchez* – Région Île-de-France, pôle Entreprises et Emploi

Some projects are more affected than others: With the real estate sector in crisis, it is becoming difficult to ensure the profitability of projects that are struggling to obtain financing, according to Marie Dauvergne and Antoine Baudrit. Socially responsible real estate companies are particularly affected. Charlotte Lafont notes that impact projects aimed at end consumers ("B2C") are also more fragile due to inflation.

Investors are more attentive to certain dimensions. At Ring Capital, the development of portfolio companies is currently analyzed with a "new fund-raising" scenario and a "search for profitability" scenario to adapt to financing conditions in the coming months. At Banque des Territoires, the teams are particularly attentive to the level of entrepreneurial experience of project leaders, and to the territorial relevance and scale of impact of projects. They are also asking entrepreneurs to review budgets more regularly, to identify possible trajectories in a tense context.

As there are more **investment funds** dedicated to structures in the development phase than those for younger, seed-stage structures, public authorities have the opportunity to attract investors to this thesis, which is perceived as riskier. This is the case for the Île-de-France region, which has launched InvESS Île-de-France Amorçage, a fund dedicated to seed capital for SSE structures and impact businesses.

The current legal environment also generates uncertainties: Certain regulatory changes (energy renovation or tax exemption for certain savings vehicles, for example) have not yet been enacted, leading to a wait-and-see attitude on the part of all players, which is unfavorable for entrepreneurs. Similarly, new social impact contract projects, closely linked to government action, have come to a standstill. Pauline Heuzé notes, however, that the ecosystem is nonetheless active, notably around more local projects, with local authorities seeing a strong interest in this tool.

Project developers are adapting : Several investors have noted that projects will sometimes opt for financing with more capital and less debt, given the level of bank rates.

While new regulations (CSRD and the "loi PACTE") are directly or indirectly increasing the volumes available to finance the impact economy, the number of mature projects is growing less rapidly, and the market conditions to support them have tightened. This reality has rekindled the proposal made by certain economists to apply differentiated interest rates according to the social utility and contribution to the ecological transition of projects. To be continued!

Emma France
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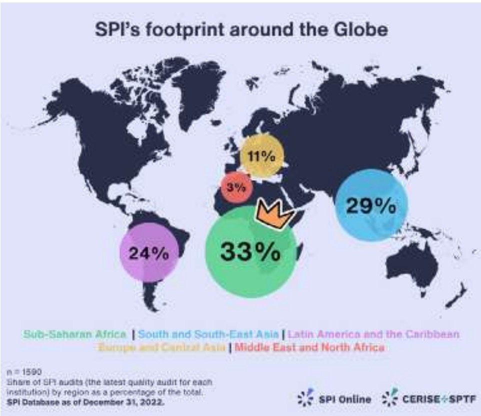
1. Source: https://www.finance-fair.org/fr/actualites/le-panorama-2023-de-la-finance-impact-vient-de-sortir
2. Source: https://www.impactfrance.eco/nos-actus/mapping-des-financeurs-de-limpact

SOCIAL AND ENVIRONMENTAL PERFORMANCE: TREND ANALYSIS WITH SPI ONLINE TOOLS

In the Impact Finance Barometer 2023, an article was devoted to Universal Standards and the suite of auditing tools developed by Cerise+SPTF. SPI Online audit tools capture social and environmental data for informed management and decision-making at financial institutions. These audits, supervised to guarantee data quality, cover a wide range of institutions, from traditional providers to digital suppliers.

This year, we present an analysis of trends in social and environmental performance management, based on 1,590 audits carried out between 2016 and 2022 by more than 700 institutions across 100 countries.



SPI Online audits assess **six dimensions of the Universal Standards**, including a seventh dimension (optional before 2022) for environmental performance.

The dimensions relating to the balance of financial and social performance (dimension 6), as well as responsible treatment of employees (dim. 5) and customers (dim. 4), achieve the highest scores. This corresponds to a responsible approach, where customers and employees are protected, and where financial results are not the exclusive objective.

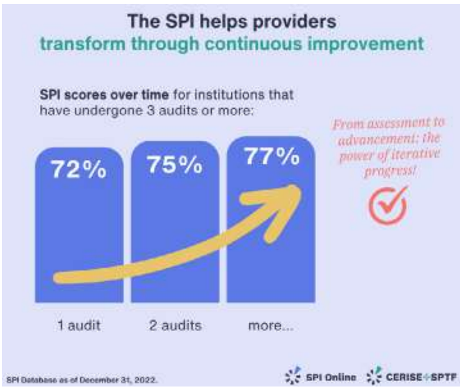
The dimensions focusing on management's commitment to social and environmental objectives (dim. 2) and the definition and monitoring of these objectives (dim. 1) are more demanding, and underline their crucial importance for the strategic success of institutions.

Environmental assessments were included in 60% of audits, showing a growing interest in these topics. However, scores remain low (29% for SPI4 - a comprehensive audit tool - and 39% for ALINUS, an investor due diligence tool), indicating significant room for improvement in environmental performance.

Of course, scores vary according to context, region and legal status. The key is to start the process at your own pace: measure your performance, compare it with that of your peers, identify areas for improvement, define an action plan and implement it.

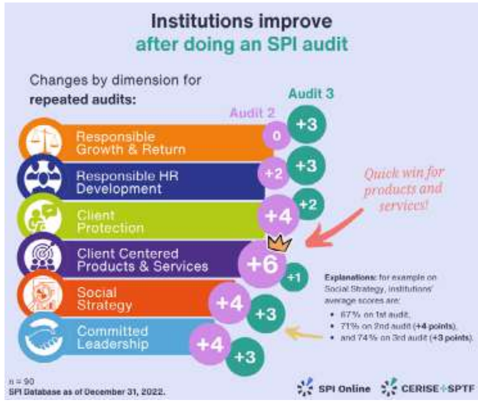
PERSEVERANCE PAYS OFF

Institutions that carry out repeated audits show significant progress. An analysis of institutions that have carried out three or more audits reveals a steady improvement in scores, from 72% at the first audit to 77% at the third. This progress reflects the institutions' efforts to implement the recommendations of previous audits.



AUDITS HELP IDENTIFY AND IMPLEMENT QUICK WINS

The fastest progress was made in product design (dim. 3) between the first and second audits: work on improving products and services led to rapid gains. Balancing financial and social performance (dim. 6) requires a more sustained commitment, with no marked difference between the first and second audits.



EFFECTIVE MANAGEMENT OF SOCIAL AND ENVIRONMENTAL PERFORMANCE ENHANCES THE QUALITY OF YOUR PORTFOLIO

One positive and pragmatic result in favor of social performance management: institutions with higher SPI scores tend to have better portfolio quality, with a lower portfolio at risk rate (PAR 30). This correlation is particularly strong in dimensions linked to customer protection, responsible treatment of employees and management commitment to social objectives. Financial performance and social performance go hand in hand!

COMMITTED TO SUSTAINABILITY

SPI Online audit scores provide crucial insights for building institutions' social and environmental strategies. Using the Universal Standards and audit results, institutions can measure their performance, refine their strategies, improve their practices and better align their social and environmental objectives with their financial performance.

More than a set of best practices, social and environmental performance management is a commitment to sustainability and positive impact on the communities served. Even in the face of complex challenges, a methodical, customer-focused approach can lead to tangible, beneficial results.

Fanny Le Maguet
Chief Operating Officer
Cerise+SPTF

MEASURING THE IMPACT OF FUNDED PROJECTS IN ALL THEIR DIVERSITY?

As a cooperative banking player dedicated to the financing of impact projects, La Nef publishes a **list of its financing every year**. In recent years, this approach has been complemented by new approaches.

In 2021, a study was carried out with *Carbone 4 finance* to **measure the carbon impact of the activities financed.** As measuring carbon emissions alone does not reflect the wealth of projects financed, Nef has undertaken to **broaden its indicators by implementing an internal methodology.**

Based on the list of **529 loans disbursed in 2023**, its new impact report highlights the **efforts made by the projects financed** to promote clean energy, develop agro-ecology, encourage soft mobility, access to healthcare, inclusion or local development.

1 Enabling the development of organic farming

120 ha
of organic livestock

925 T
of organic bread produced

4 682 T
of processed organic products

1 589 128
organic meals served

607 ha
of organic production

28 056 T
of organic fruit and vegetables

27 860 hL
of organic beer produced

150 hL
of organic fruit juices produced

2 255 hL
of organic wine produced

276 T
of organic products sold

120 ha
of organic retail space

2 Helping to build a low-carbon society

46 337 T
CO_2 equivalent avoided

28 200 m^2
of planted area

39 500 m^2
of renovated buildings

891
electric vehicles sold

184,6 gWh
of renewable energy produced

307 T
of eco-responsible products

4 374 m^2
of low-energy buildings

3 Improving care and quality of life

23 059
hospital beds

32 788
people cared for

424
crèche places

385
people with disabilities

4 Promoting social and professional inclusion

1 724
families supported

609 579
people trained

455 m^2
of fair trade retail space

5 Facilitating access to housing

39 108
social housing

6 Promoting a rich cultural offering and access to sport for all

353
children attending school

6 300 m^2
sports equipment

3 157
cultural events held

39 133
eco-tourism participants

16 743 m^2
of cultural spaces

7 A commitment to sobriety

46
car-sharing stations

11 450 T
of waste collected/ recovered

88 862
clothing and ethical fashion products

164 km
of cycle paths

50 000
bikes repaired

5 234
bikes sold

8 Promoting responsible and inclusive entrepreneurship

31
women entrepreneurship projects

21
projects with a responsible purchasing policy

1 067
members

12
integration companies

1
village power plant

5
Esus[1] Label

2
B Corp[2] Label

9
associations

2
cooperatives

3
GAEC[3]

1
GIP[4]

12
SCIC[5]

11
SCOP[6]

9 Promoting business and job creation

160
salaried employees

1 244
employees on integration programmes

803,6
jobs created (full-time equivalent) in committed structures

Several **methodological** choices have been made

- Choosing an indicator representing the **main impact** of each of the activities financed;
- Completing the activity indicator with an indicator highlighting the **company's policy** (place of the disabled, integration, cooperative status, ESUS approval, etc.);
- Concluding with a **job creation indicator**;
- Providing impact data based on the **forecasts** communicated by our borrowers, for the year 2023;
- At the end of the analysis, **80% of the files analyzed** were complete. This figure is considered representative.

2. ESUS: Entreprise solidaire d'Utilité Sociale (Solidarity-Based Enterprise of Social Utility)
3. B Corp: label recognizing companies' good practices in terms of social, societal and environmental impact, and outlining a path of progress and transformation at the heart of the business model.
4. GAEC: Groupement Agricole d'Exploitation en Commun (Joint Farming Group)
5. GIP: Groupement d'intérêt public (Public Interest Grouping)
6. SCIC: Société Coopérative d'Intérêt Collectif (Cooperative Society for Collective Interest)
7. SCOP: Société Coopérative et Participative (Cooperative and Participatory Business)

Stéphanie LACOMBLEZ
Head of partnerships and institutional relations
La Nef

THE ARTICLE 1 IMPACT CONTRACT: SUCCESS, END... AND MORE!

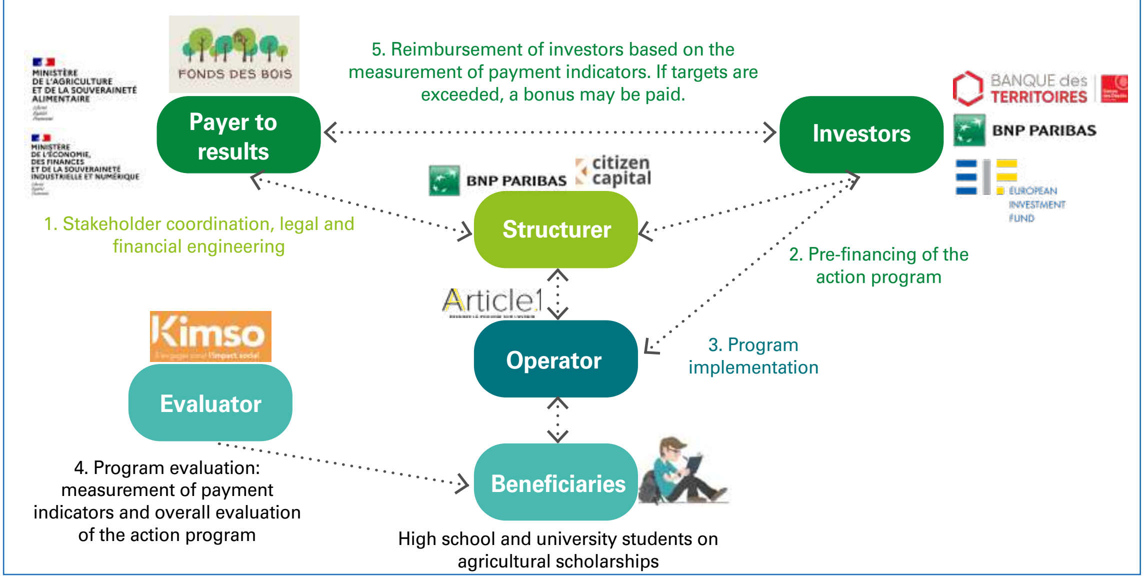
Do you remember France's very first Impact Contract[1] (IC) on education and the fight against dropping out of school? 6 years on.... a new adventure begins!

The experiment deployed by Article 1 stemmed from the observation that young people from modest backgrounds are born with a restricted range of destinies: social bias in orientation, lack of prospects and ambition, absence of networks... And in agricultural education:

- *Only **11%** of students with a Bac Pro Agricole go on to BTS (vs. 43% in the technological stream);*
- ***47%** of young people from rural areas opt for short courses because they are less expensive.*

*The "**Persévérance et ambition scolaire dans les zones rurales**" ("Perseverance and educational ambition in rural areas in agricultural sectors") project is designed to **help young people with scholarships in the agricultural sector** to define their career plans and pursue appropriate studies, with confidence and ambition, without self-censorship or dropping out.*

CI STAKEHOLDERS



PREVENTION RATHER THAN CURE

For four years, Article 1 supported young people in agricultural education from BAC-2 (Years 11) to BAC+2 (second-year university level), where the drop-out rate is highest.

- **In the pre-baccalaureate phase**, through group workshops, an orientation platform, and meetings with employees, the aim was to inform high-school students about the various career paths available and give them confidence in their potential to pursue studies in line with their ambitions;
- **For post-baccalaureate students**, individual mentoring by professionals and group events were used to prevent scholarship students from dropping out.

A WEALTH OF INNOVATIONS

The first IC in education in France, and the only one to combine private and public funding as final payer, this program is being rolled out in rural areas, which are poorly covered by equal opportunity programs. Article 1 also innovates in terms of the public it supports (agricultural or vocational sectors, etc.) and its implementation and development model, more complex in these areas (few companies, mostly SMEs with fewer human and financial resources than large groups in the Paris region).

PROVEN EFFECTIVENESS OF THE IMPACT GENERATED

By the end of the 5-year program, over **800 young people** have been supported in Occitanie and Hauts-de-France, and the impact is significant:

- High school students' academic perseverance and ambition are 18.4% higher than the national average* (+8 percentage points);
- Mentees' exam attendance is 10.5% higher than the national average* (+7.7 percentage points).

The impact study also identified other positive effects:

- At the end of Terminale, 69% of students wished to continue their studies, compared with 46% at the start of Première;
- 41% of mentored young people declare themselves capable of building their career path, compared with 30% before mentoring.

Impact of the "Persévérance et ambition scolaire dans les zones rurales en filières agricoles" CI

> 800 young people supported between BAC-2 and BAC+2 levels

Pre-baccalaureate	**Post-baccalaureate**
+ 18.4% increase in the number of students continuing on to post-baccalaureate	+10.5% attendance at BTS[2] exams

NOW WHAT?

The Ministry of Agriculture has decided to make this program a permanent feature of its public policy to combat school dropout. This 3-year partnership will not only continue to roll out the project for 2,000 young people, but will also extend it to two new regions (Auvergne - Rhône-Alpes and Pays de la Loire). Article 1 joins the club of the happy few whose experimentation via a CI has been extended with the public authorities!

Benjamin BLAVIER
Co-President & Co-founder
Article 1

Thomas HAUDECOEUR
Impact bonds structurer
BNP PARIBAS

1. The Impact Contract, a tool for financing societal experiments, is an original collaboration between the public, private and SSE sectors. Innovative projects that generate savings for the community are pre-financed by investors. These investors are reimbursed by the public authorities (or others) only if the impact objectives are achieved.
2. Advanced technician's certificate (BTS) is a 2-year French national post-secondary diploma
** Calculated on a comparable population*

INNOVATIVE INITIATIVES TO ADDRESS SOCIO-POLITICAL RISKS IN FINANCIAL INCLUSION

The recent increase in socio-political risks around the world is having a growing impact on financial inclusion players and their customers. At a workshop held in Togo during the African Microfinance Week organized by ADA at the end of 2023, the case of West and Central Africa was discussed at length in partnership with MAIN and CIF, and with the participation of speakers from countries in the region. The players involved are implementing innovative initiatives to deal with these risks. ***These risks produce difficult situations in the affected areas, manifested by several issues:***

SECURITY
Attacks (on agencies, property and people), and an increase in organised crime ;

ECONOMIC
Closure of borders, markets, fairs and schools

HUMANITARIAN
Health issues, displacing many people

WHAT IMPACT ON FINANCIAL INSTITUTIONS?

- *Loan portfolios up to between 50-70% in arrears in some regions*
- *Massive withdrawals or difficulties in mobilising savings*
- *Agencies facing liquidity shortages*
- *Branch closures*
- *Displacement of customers and loss of life in the most extreme cases*
- *Failure to comply with prudential standards (due to the deterioration in financial performance)*
- *Failure to maintain many jobs*

And yet, in a tense context, those working in the field have not been short of ideas for finding solutions. The institutions were able to...

- ***Adapt their operating methods*** (new branches and non-financial services, credit restructuring, etc.)
- ***Strengthen their IT infrastructures*** (branch interconnection, bank-to-wallet services)
- ***Modify their HR policy*** (redeploy staff, recruit local people from affected areas)
- ***Develop new partnerships*** with banks, cash-in-transit companies and States, some of which have agreed to relax prudential rules.

But new approaches still need to be developed...

- ***Develop partnerships*** with States to access specific financing or guarantees
- ***Participate in nexus approaches*** involving a multiplicity of partners to revitalise or maintain activity in affected areas.
- ***Prepare to return*** as soon as possible to areas that have been impacted by socio-political turbulence when risk levels become manageable once again.

MFIs remain highly adaptable players in the field. As access to financial services is a right, it is sometimes necessary to fight for its promotion and implementation, including in areas affected by the deteriorating security situation.

CASE STUDY: THE DAMAN GUARANTEE FACILITY

The DAMAN guarantee facility is a support mechanism for MFIs in Palestine that supports sustainable economic and social development by guaranteeing MFI loans issued to customers.

Beginning in the West Bank and then extending to Gaza and East Jerusalem, the mechanism was utilised following the events of 2014 in Gaza and, most recently, following the recent large-scale violence in the Gaza Strip, where microfinance is often the only source of credit for consumers.

Although DAMAN does not guarantee or compensate all losses, this mechanism is the first step towards covering exogenous risks present in Palestine. DAMAN's experience shows that, over time, it is possible for the stakeholders involved to design and implement compensation systems that benefit all.

Grameen Crédit Agricole Foundation

FONDATION GRAMEEN CRÉDIT AGRICOLE
Microfinance & Social Business

A BAROMETER BY

CONVERGENCES

ZERO EXCLUSION CARBON POVERTY

For this 4th edition of the Impact Finance Barometer, we would like to thank all our partners who supported this work and made it possible.

We would also like to thank the contributors to this publication:

Accélérateur ESS HEC & Région Île-de-France
Aqua for All
Article 1
Cerise+SPTF
e-MFP
FAIR
Fondation Grameen Crédit Agricole
Institut de la Finance Durable
La Nef
MFR - ATLAS
Ring Capital
Tameo Impact Fund Solutions

CONVERGENCES

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Lauren Dodde
Lucas Magnani
Fanny Roussey
Loreleï Ursenbach
Nassim Slimani

IMPACT FINANCE BAROMETER 2024

Editorial conception : Lucas Magnani

Design conception : Lucas Magnani

Print : Pixartprinting

ABOUT CONVERGENCES

Launched in 2008, Convergences is the first platform for thought in Europe that aims at building new convergences between public, private, and solidarity-based actors to promote the Sustainable Development Goals and the development of a world "Zero Exclusion, Zero Carbon, Zero Poverty."

Convergences seeks to engage with various stakeholders in order to disseminate good practices and to promote co-construction approaches with the aim of creating high impact and innovative partnerships.

Our scope of interest is wide ranging: sustainable development, international development, solidarity-based and inclusive finance, Corporate Social Responsibility (CSR), social entrepreneurship, social and solidarity economy, and new technologies for change.

For more information : contact@convergences.org or www.convergences.org