



Tunisian
American
Enterprise
Fund

IMPULSION AU DEVELOPPEMENT

ANNUAL REPORT 2022



USAID
FROM THE AMERICAN PEOPLE



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LETTER FROM W. BOWMAN CUTTER, BOARD CHAIR



TAEF has played a critical role in strengthening Tunisia's SME and private sectors and in driving economic growth since our incorporation in 2012. Ten years later, we are proud of our achievements in supporting and creating economic opportunity for Tunisian entrepreneurs.

TAEF operates in a challenging environment due to the long-term effects of the Covid crisis on Tunisia's economy, a situation compounded by current global economic instability. The reality of Tunisia's faltering economy has had a profound chilling effect on TAEF and other Tunisian businesses.

In this context, TAEF continued supporting Tunisian entrepreneurs in 2022, investing in their strength and resilience. TAEF continues to believe that a country's growth and future depends upon the strength and resilience of its SMEs.

Our role of investing in Tunisia's future has never been more important as the country navigates the most critical political, economic, and social challenges since the revolution.

The report that follows details TAEF's role as an innovative and inclusive investor, generating impact and contributing to sustainable development goals.

We join Tunisian entrepreneurs in our resolute commitment to creating opportunity for Tunisians and investing in the future. In the midst of difficult times, we find renewed hope and inspiration in the creativity, resolve, and grit of Tunisia's entrepreneurs.

Warm regards,

W. Bowman Cutter | Chair

TAEF AT A GLANCE

\$100
MILLION



TAEF HIGHLIGHTS

TAEF MISSION

- Be a **driving** force for economic growth
- **Support** Tunisian economy & private sector
- **Expand** economic and employment opportunities throughout the country
- **Catalyze** investments and promote broad economic growth
- **Empower** small and medium enterprises and entrepreneurs

TAEF VALUES

TAEF commits to conducting itself with transparency and integrity, adhering to the highest standards of ethical behavior and corporate governance, and to acting with high commitment to ESG responsibility

TAEF OBJECTIVES SMART CAPITAL FOR VALUE & IMPACT

- **Innovative** asset classes
- **Inclusive** financing
- Financial **sustainability**
- New & stable **employment**
- **Interior** regions presence
- **Support** of women and young entrepreneurs



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TAEF 2022 IMPACT HIGHLIGHTS



TAEF HAS SUPPORTED ECONOMIC GROWTH AND EMPOWERED TUNISIANS SINCE INCEPTION

Portfolio



\$91 M
Invested



\$100 M
USAID funding



116 COMPANIES
Direct & indirect
investees



TND 157 M
Additional funding
mobilized

Employment

9100
**JOBS CREATED &
SUPPORTED**
Direct and indirect
investees

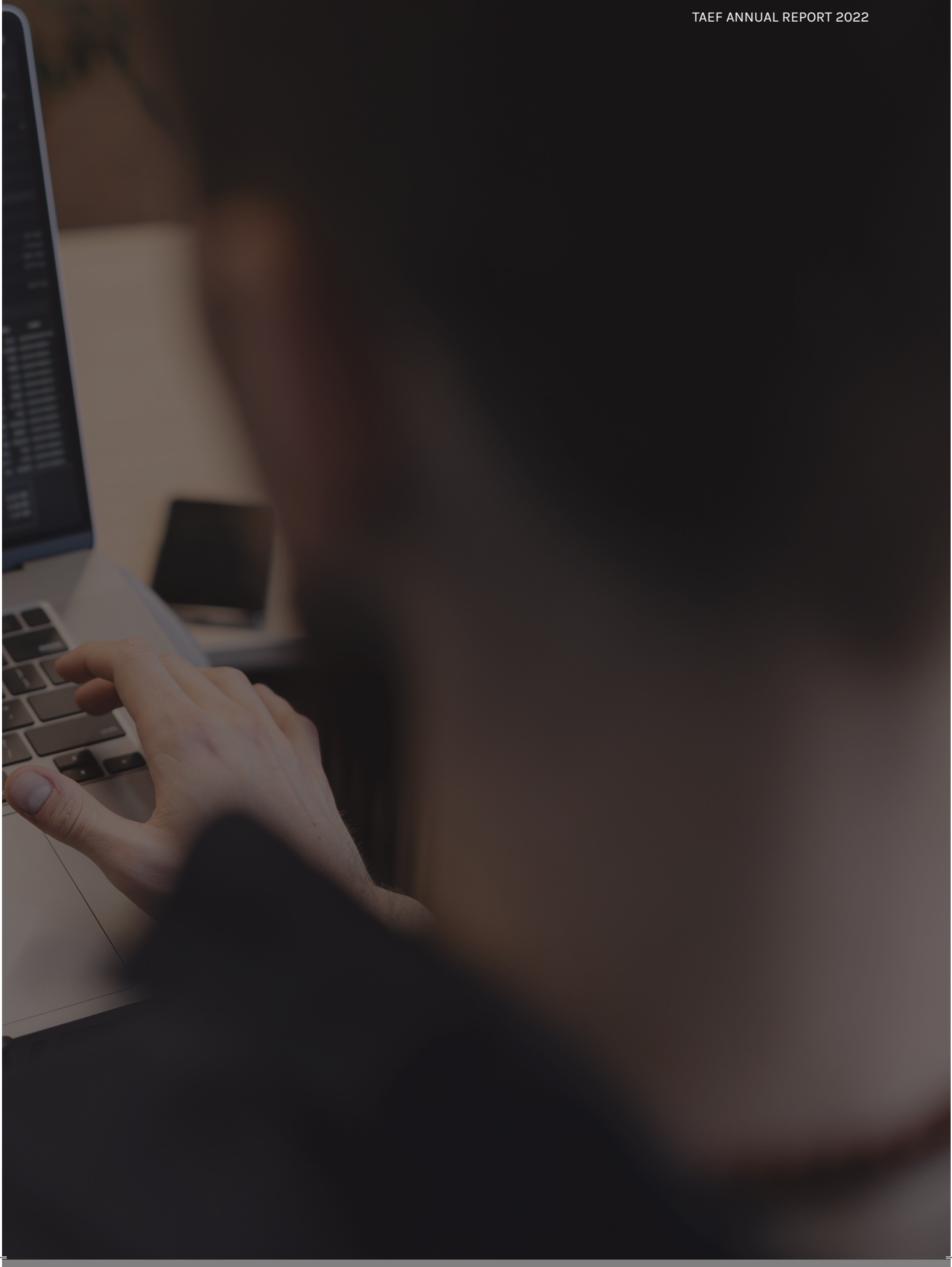
413,000
ENTREPRENEURS
Financed through
MFIs

57%
WOMEN
Collectively: employees,
managers, and
microentrepreneurs

36%
YOUTH
Collectively: employees,
managers, and
microentrepreneurs

TAEF SMART CAPITAL

INNOVATIVE &
INCLUSIVE INVESTING



TAEF believes that a country's growth and future depends upon the strength and resilience of its SMEs. In 2013, when established, we identified gaps in Tunisian SME access to finance. We sought innovative financial instruments and inclusive asset classes that could play a critical role in catalyzing investments and bridging a critical SME financing gap.

TAEF Smart Capital is deployed through an innovative & inclusive investment strategy that builds and supports specific investment platforms and asset classes customized for entrepreneurs at various growth stages across high impact sectors.

In its first 10 years, TAEF:

- **Founded TASME**, Tunisia's first mezzanine & royalty-based fund
- Was an anchor investor in **Flat6Labs and Anava Seed Fund**, the first integrated accelerator & VC fund in Tunisia to support digital entrepreneurs in their startups
- Co-created **INMA FINANCE**, the first private debt vehicle in Tunisia
- Introduced **TASF**, the country's first search fund.



TAEF also

- **Invested** in Tunisia's microfinance sector to promote inclusive finance for **individuals and micro enterprises**, and
- Invested in first time fund managers to enhance **Tunisia's investment ecosystem**





TASME

Mezzanine & Royalty Based Financing for Tunisian SMEs

TASME offers unique financing to Tunisian SMEs with a combination of debt and equity tailored to their needs. TASME seeks companies in value-adding sectors expected to have a strong development impact at the level of the company, its employees, and at a wider level of local and regional communities.

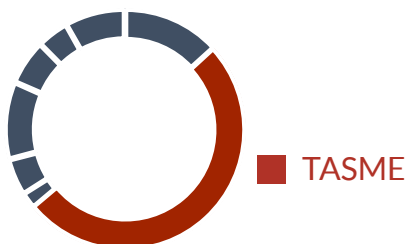
Through TASME, TAEF has created a unique financing platform, built a talented team, and expanded Tunisia's domestic SME financing.

At the end of 2022, TASME had invested in 21 companies in a large variety of sectors with investment tickets averaging TND 2.8 M.

In 2022, the TASME team continued to seek new investment opportunities and to work closely with our existing portfolio companies to support their growth as they navigate a challenging economy.

TAEF INVESTMENT IN TASME

\$50.2 M COMMITTED



54%
Women



65%
Youth



1,577
Employees



21
Investees

TND 38 M
External funding
leveraged

In 2023 we will continue to invest in stable and growing companies run by strong entrepreneurs who share our values. We will also continue to work closely with existing investees to successfully manage in the current challenging environment.



Flat6Labs & Anava Seed Fund

Integrated VC Platform Dedicated to Startups

TAEF was an anchor investor in bringing this innovative and proven start-up accelerator and early-stage investor model to Tunisia.

TAEF's commitment to **Flat6Labs** Tunisia and Anava Seed Fund, positioned the fund for growth and additional outside investment: the initial fund grew from TND 8 M in 2017 to TND 30 M in 2022, reflecting a significant leverage of TAEF's initial investment.

Flat6Labs creates opportunities for digital entrepreneurs to receive technical support, learn key business skills, and hone their business case by presenting their company to investors. As of the end of 2022, ten cycles of companies, a total of 75 startups, had completed the accelerator program and presented their companies at a Demo Day.

At the end of 2022, 41% of the start-ups had raised additional follow-on funding, thus leveraging the Anava Seed Capital's investment of TND 17.6 M by TND 43 M. The mobilization of investments is a key indicator of the success of the start-up accelerator.

TAEF INVESTMENT IN FLAT6LABS & ANAVA SEED FUND \$4.2 M COMMITTED



■ Flat6labs & Anava
Seed Fund

In 2023, Flat6Labs Tunisia comes to the end of its initial fund. Now it will focus its attention on supporting and growing its portfolio of start-ups and raising the follow-on fund of Anava.



54%
Women



65%
Youth



75
Investees



580+
Employees

TND 43 M
External funding
leveraged



INMA Finance

Tunisia's First Private Debt Fund

TAEF co-created **INMA Finance**, the first private debt vehicle in Tunisia. **This fund was created in direct response to the stated needs of SMEs** in the market and as an alternative to the traditional banking system.

INMA Finance started investing in 2022 with loans to two companies: a microfinance company and a real estate development company.

TAEF INVESTMENT IN INMA FINANCE

\$10.3 M COMMITTED



2

Investees



1961

Employees

TND 7.2 M

External funding
leveraged

In 2023, INMA Finance will continue to seek investments in stable and growing companies that are creating value and opportunity in Tunisia.



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TASF

Tunisia's First Search Fund

TAEF saw an opportunity to adapt the US search fund model to Tunisia: **to match the needs of mature business owners looking for succession plans for their companies with seasoned managers who have the necessary skills to grow the businesses.**

Our first searcher completed the acquisition of **Propann**, a company that produces manufactured board for furniture and interior finishing in 2019. In the time since the acquisition, he has upgraded and optimized operations, refined the company's strategy with attention to product mix, developed new sources for raw materials, and worked on creating new markets.

Through 2021 and 2022, TAEF supported two additional search entrepreneurs. Both searchers repeated the process of the first by actively sourcing possible companies, examining many prospects, identifying target companies, completing initial due diligence, and entering into negotiations. Unfortunately, the process did not result in acquisition in either case.

TND 9 M

External funding
leveraged



12%
Women



16%
Youth

TAEF INVESTMENT IN TASF

\$6 M COMMITTED



■ TASF



50
Employees

In 2023, TAEF expects Propann and its strong management to continue to perform despite prolonged economic challenges. TAEF also continues to be open to supporting search entrepreneurs.



Microfinance

Expanding Access to Finance for Micro-entrepreneurs

In 2013, when TAEF was founded, Tunisia had just enacted a new regulatory framework enabling the creation of microfinance institutions. TAEF seized the opportunity to support these new institutions as a way to fill a critical gap in access to finance for micro enterprises.

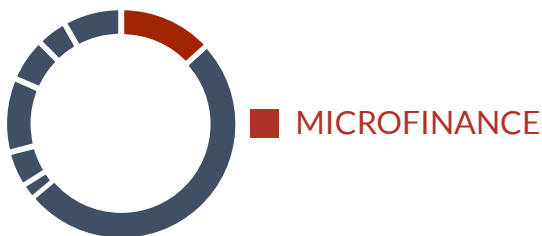
TAEF's commitment to inclusive financing means making financing available to a wide range of Tunisian entrepreneurs. Microfinance is at the core of this commitment.

We invested in strong teams and technical assistance and actively participated in the governance early in the lives of these institutions. **Our goal is to support strong and resilient financing institutions that provide nation-wide access to finance.** TAEF deliberately chose to invest in MFIs serving different parts of the microenterprise ecosystem with average loans ranging from TND 3,000 (ENDA) to TND 12,000 (CFE). One of the great strengths of the MFIs is their ability to reach all parts of the country with their local branches and provide essential access to finance for Tunisia's microenterprises.

At the end of 2022, all of TAEF's loans to MFIs had been repaid and our remaining active MFI investment was an 13.66% equity share in **CFE**.

TAEF INVESTMENT IN MICROFINANCE INSTITUTIONS

\$13 M



57%
Women

Microentrepreneurs

413,000+
Microenterprises

In 2023, TAEF expects to continue its active involvement with CFE through an increased equity commitment and participation in governance.

Strengthening Tunisia's Investment Ecosystem

In addition to our innovative and inclusive investment platforms described above, **TAEF believes that a strong ecosystem made up of diversified investment vehicles with talented management teams is essential to drive economic growth and generate impact.**

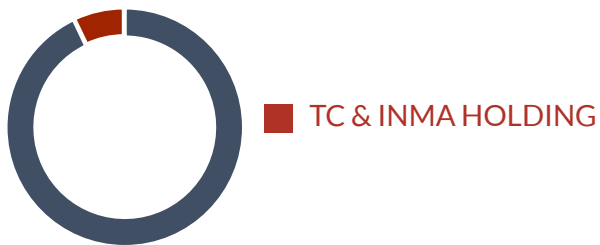
Based on this rationale, TAEF contributed to first time managers and newly launched investment initiatives alongside other investors, leveraging our funds to achieve greater impact and expanding the financing options available to entrepreneurs. All of TAEF's investments collectively strive to build a robust and resilient market of private equity and debt, attract additional funds and multiply the capital available for SME growth and resilience. TunInvest Croissance (TC) was created by AfricInvest in 2013 as a single country fund providing growth capital to Tunisian SME. TAEF financed the whole third closing round, allowing a 15% additional pool for investment. By 2016, TC was 100% deployed with no follow-on funds planned.



INMA Holding, a first-time fund manager, was seeded by TAEF in 2017 to expand SME investment options in Tunisia. TAEF contributed 30% capital to this new fund that addressed the investment gap previously filled by TunInvest Croissance with its offerings of equity and quasi equity financing.

TAEF INVESTMENT IN PRIVATE EQUITY FUNDS

\$7 M COMMITTED



TND 60 M
EXTERNAL FUNDING LEVERAGED

In 2023, TAEF expects to continue to support these fund investments as they exit initial investments, manage ongoing active investments, and develop managerial talent.



2
Funds



45%
Women



18%
Youth



11
Investees



2,516
Employees

10
YEARS

Impact Highlights

TAEF SMART CAPITAL

GENERATING IMPACT
& CONTRIBUTING
TO SUSTAINABLE
DEVELOPMENT GOALS





TAEF's mandate is to integrate development and impact into our investment philosophy. In addition to delivering financial returns, TAEF is committed to creating positive impact through our multiple investments and to contribute to the United Nation's Sustainable Development Goals (SDGs).

While building our investment platforms and long-term partnerships with our entrepreneurs and SMEs, we deployed TAEF smart capital to generate value and impact through a focus on the following areas.

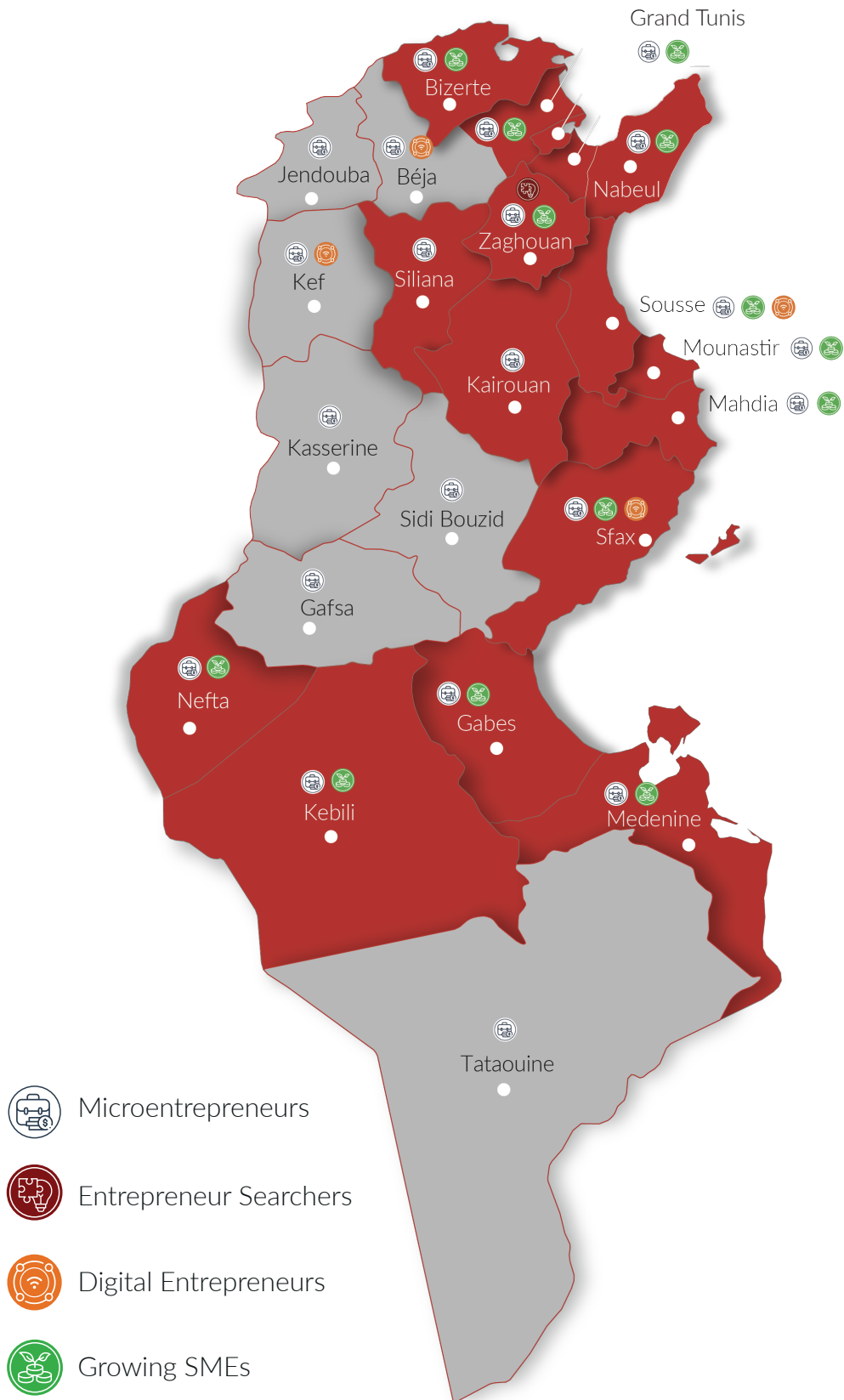
The United Nation's Sustainable Development Goals (SDGs) provide a way to measure the impact of our work of investing in Tunisian entrepreneurs and SMEs as they strive to build opportunity for themselves, their employees, and their community.

These SDGs highlight the impact of our investments in addressing the need for economic growth and jobs, environmental risks, and opportunities for women.



TAEF SMART CAPITAL

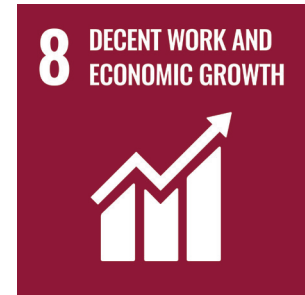






SDG 8

Decent Work and Economic Growth



TAEF's core mission is to support the growth of Tunisia's SME businesses. Every investment we make promotes job stability and creation, and, in many cases, supports entrepreneurship.

At the end of 2022, TAEF had directly and indirectly supported the employment of 419,063 people by SMEs. The vast majority of the indirect employment reflected in the table result from our investment in MFIs. TAEF conservatively calculates employment of one person for each MFI loan.

The map below shows that these employment opportunities are located throughout the country. The majority of the decent work supported by TAEF lies in the country's major economic centers where businesses flourish, yet opportunity is present in every region due to the activity of TAEF-supported MFIs.

3,942

Total Direct
Employment

5,164

Total Indirect
Employment

413,899

Total MFI
Employment

423,005

Total
Employment



TAEF's Fellows Program

TAEF's Fellows Program also supports SDG 8 by preparing future generations of entrepreneurs and managers. The Fellows Program introduces students to careers in management and entrepreneurship at our portfolio companies and provides high quality internstoourinvestees. Thisprogram links our investee companies with talented students – and potential employees.

As of the end of 2022, 98 students had been placed in internships in companies, with 14 participating in 2022 (6 women / 8 men). The program is open to students from any Tunisian university with the majority attending business and engineering universities.

2022 placements saw the vast majority of Fellows working at Flat6Labs and its digital startups. Prior years saw more Fellows working at CFE and TASME investee companies. In 2022, Fellows filled positions in data analysis, business development, mobile content developer, and finance.

In 2023, TAEF Fellows program will continue to provide meaningful work opportunities for students and access to talent for our investee companies.



57%
Women



98
Fellows



31
Investees



20
Universities





SDG 5

Gender Equality



TAEF is committed to gender equality and equal opportunities for both our own team and our investees. Tunisia's commitment to women and their education is long standing. The result is a large pool of talented, skilled, entrepreneurial women

- TAEF itself reflects this reality in our leadership and team: we are **67% women**.
- Women make up **50% of the employees** – including women in management and operations- of TAEF supported enterprises.
- Microfinance institutions reach many women with their loans: 57% of the borrowers are women.

Very few of TAEF's investments address only one SDG. The case studies below illustrate the impact of two investees.

Rose de Sable

Case Study

SDGs 1 - 2 - 8



Rose de Sable, a TASME investee, is a Tunisian family-owned business specialized in date production and processing. Rose de Sable's work directly contributes to SDGs 8, 2, and 1.

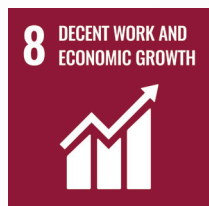
Founded in 2007 by a family who have been farmers and producers of dates for over two centuries in the region of Nefta in South of Tunisia, Rose de Sable now exports its dates to the U.S. and Europe. Its access to these sophisticated markets is due to its top-quality dates, its production and quality control rigor, and its certifications.

Rose de Sable's Fair Trade & Organic certification speaks to its commitment to the local farmers and workers – to implementing sustainable farming practices that support families and the environment. Rose de Sable's approach was to certify the entire village of Matrouha as Fair Trade – a certification that increased the value of the land and of the dates produced on it for all local farmers. This increase in value accrues to the entire community of small farmers.

Rose de Sable's commitment to creating opportunities for the region is further evident in their investments in upgrading the area schools and hospitals – improving education, access to health care, and jobs.

Wattnow Case Study

SDGs 8 - 7 - 11- 13



In an era of increased energy costs and climate challenge, Wattnow offers an agile energy management solution to help businesses optimize energy consumption and production, contributing to SDGs 8, 7, 11 and 13. A digital start-up and Flat6 Lab Cycle 1 company, Wattnow's flexible and customizable tool enables businesses to monitor their energy consumption in real time, implement more efficient processes and equipment, achieve cost savings, and comply with increasingly stringent regulations and standards on CO2 emissions.

Wattnow provides tools for clients to manage energy usage as they strive to limit carbon emissions and manage increasing energy costs. Wattnow is responsive to customer desires: it designed its user dashboard with input from our customers to ensure that it meets their specific needs and displays the KPIs that are most important to them. The Wattnow solution is designed to support maintenance teams and become an essential and daily tool for companies of all sizes. It is a tool that benefits individual businesses and the climate with companies that use Wattnow's energy management systems reducing their energy consumption by a minimum of 5 to 10%, with some achieving reductions of more than 30%.

Since its launch in 2018, Wattnow has mitigated +11 360 ton eq Co2.

WattNow's team is growing with the company, creating stable employment for highly skilled young Tunisians. The company's growth in the region and in Europe is supported by a variety of Tunisian and international investors. WattNow's success and growth reflects international interest in finding real solutions to address energy usage and its associated climate impacts.



LETTER FROM HELA KADDOUR FOURATI , PRESIDENT



This year we celebrate 10 years of innovation and impact. TAEF offers a unique collaboration between Tunisian & American board members, advisors, and team members.

We support Tunisian entrepreneurs to grow their companies and create jobs. We see the results of our work reflected in businesses, and the lives of the entrepreneurs and their employees across Tunisia.

We believe that the companies in which we invested and the financial institutions we have created and supported will carry on and amplify the impact we see today

LOOKING AHEAD

We at TAEF are excited to continue our partnerships with our entrepreneurs and partners.

We believe that Tunisia's private sector is the main driver of the country's economic growth and social development. TAEF is working to promote stability and to create opportunities for youth, women, and men. By investing in our entrepreneurs and start-ups, TAEF is investing in Tunisia's driving force, and its present and future.

Warm regards,

Hela Kaddour Fourati | President

TAEF BOARD OF DIRECTORS

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Roosevelt Institute



Gil **Crawford**
DAI-MicroVest Capital Management



Ferid **Abbas**, Vice Chair
SETCAR



Donia Hedda **Ellouze**
Cabinet Ellouze



Mohamed **Malouche**, Treasurer
Deloitte Afrique,
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Lauren **Hendricks**
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Ahmed **Benghazi**
ABG



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Pine Brook Partners



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AfricInvest



 US member

 Tunisian member

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This annual report is made possible by the generous support of the American people through the United States Agency for International Development (USAID). The contents are the responsibility of the Tunisian American Enterprise Fund and do not necessarily reflect the views of USAID or the United States Government.



TAEF STAFF

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Hajer Khamassi, Mohamed Mazouni.



NOTES



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