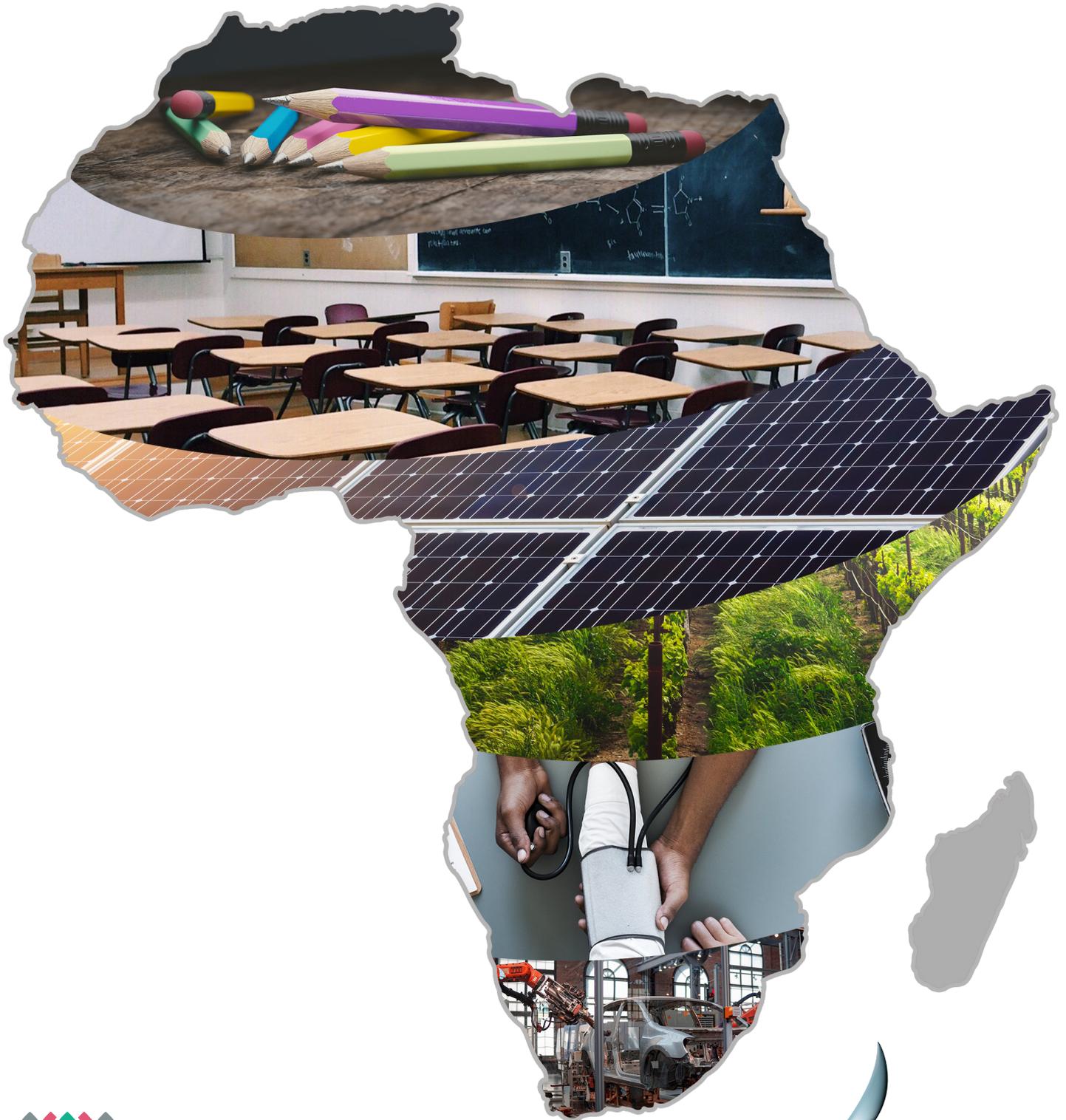


AFRICA IMPACT

REPORT

Impact Investing Opportunities and Gap Analysis



IMPACT
INVESTING
SOUTH AFRICA



PUBLIC INVESTMENT
CORPORATION®

Est. 1911

TABLE OF CONTENTS

Table of Figures	3
Table of Tables	3
Acronyms	4
Foreword	7
Executive Summary	8
1. Contextualizing Impact Investing in Africa	16
1.1. What is Impact Investing	16
1.2. Africa's need for Impact Investing	19
1.3. Africa's Developmental Progress	21
1.4. Macroeconomics of Africa	26
Drivers of Africa's Growth	27
Pressure on Growth	28
Macro Investor concerns	30
Foreign Direct Investment patterns	32
Investment Attractiveness Rankings	33
2. Africa's Impact Investing Landscape	34
2.1. Market Sizing, Capital Stack and Activity	48
2.2. West Africa	52
2.3. Southern Africa	54
2.4. East Africa	55
2.5. Private Equity in Africa	57
3. Identifying Impact Sectors & Opportunities	62
3.1. Economic Infrastructure	63
3.2. Energy	68
3.3. Social Infrastructure	72
3.4. Manufacturing	76
3.5. Agriculture	78
3.6. Financial Services	80
3.7. Mining & Other Extractive Sectors	82
3.8. Impact Sector Linkages	83
4. Impact Investing Gaps in Africa	86
4.2. Structural Impact Investing eco-system gaps	86
4.1.1 Awareness Gap	86
4.1.2. Supply Side Gaps	87
4.1.3. Demand Side Gaps	88
4.1.4. Risks restricting impact investors	88
4.1.5. Regulatory Gaps	90
4.1.6. Leadership & Policy Gap	90
4.1.7. Impact Measurement and Management Gap	90
4.1.8. Employment and Skills Gap	90
4.1.9. Regional Investment Gaps	91
4.3. Sectorial Impact Investment Gaps	92
5. Conclusion and Next Steps	96
Annexure A	98
WASH – The Need for Water Focused Investments in Africa	98
The story of BASA	105
List of References	106

TABLE OF FIGURES & TABLE OF TABLES

Figure 1. Poverty Head Count Ratio (%) Below US\$1.90/day	29
Figure 2. Contribution to MPI	20
Figure 3. Years of School Life Expectancy	21
Figure 4. Infant Mortality Rates (per 1 000 births)	20
Figure 5. Real GDP Growth (%) (Africa v others)	26
Figure 6. Africa has some of the youngest and fastest growing urbanized population in the world	27
Figure 7. Economic growth driven by global markets and export patterns	28
Figure 8. Africa's Business friendliness	30
Figure 9. Africa's regional governance indicators	31
Figure 10. Africa' largest recipients of FDI Inflows (US\$ bn)	32
Figure 11. Africa's main trading partners (US\$ bn)	32
Figure 12. Rand Merchant Bank Investment Attractiveness Rankings	33
Figure 13. ABSA Africa Financial Markets Index	33
Figure 14. Blended Finance (% of Transactions)	34
Figure 15. Investment Capital Spectrum	35
Figure 16. Funding stages	46
Figure 17. Split of Global Impact AUM (n = 1 340)	48
Figure 18. Split of Global Impact Investors (n = 1 340)	48
Figure 19. Target Investment Regions of Various Funds (Share of fundraising, 2008-18)	49
Figure 20. Global Impact Investor sector preferences (Share of US\$131bn; n= 259)	49
Figure 21. Capital Flows into Africa (US\$bn)	50
Figure 22. DFI Impact Investment in West Africa (Share of US\$ 6.5bn)	52
Figure 23. Non DFI Impact Investment in West Africa (Share of 221m)	52
Figure 24. Capital Deployed by Non-DFI investors in West Africa	52
Figure 25. Capital Deployed per Sector from DFI's in West Africa	52
Figure 26. DFI Impact Investment in Southern Africa (Share of US\$16bn)	54
Figure 27. Non-DFI Impact Investment in Southern Africa (Share of US\$6bn)	54
Figure 28. Capital Deployed per Sector from Non-DFI in Southern Africa	54
Figure 29. Capital Deployed per Sector from DFI's in Southern Africa	54
Figure 30. Non-DFI disbursements in East Africa (Share of US\$1.4bn)	55
Figure 31. DFI impact disbursements in East Africa (Share of US\$7.9bn)	55
Figure 32. Capital deployed by Non-DFI's in East Africa	55
Figure 33. Capital deployed per sector by DFI's in East Africa	55
Figure 34. PE Fundraising in Africa (US\$bn)	57
Figure 35. PE Deals in Africa (US\$bn)	57
Figure 36. Africa PE deals, by sector (Share of deals and volume) from 2013-2018	57
Figure 37. Number of PE Exits and Routes in Africa	58
Figure 38. African Stock Exchanges, per market capitalization	59
Figure 39. Job creation in Africa through PE	59
Figure 40. Total Africa Impact Capital Deployed (% of US\$37 440m)	62
Figure 41. Access to Electricity (% of population), select African countries	69
Figure 42. Number of PPP Infrastructure projects in developing economies over the last 25 years	88
Figure 43. Impact Investing value and impact growth	89
Figure 44. 3I Sector Gap framework: Infrastructure, Industrialization and Intra-regional trade	92
Figure 45. OECD report on Blended Finance instruments, Investment in sectors by region	92
Table of Tables	
Table 1. Africa's SDG Progress	22
Table 2. AfDB High 5 Priorities with SDG Alignment	36
Table 3. Impact Sector and Theme Linkages	83

Acronyms

&: and	SSA: Sub-Saharan Africa
AAAA: Addis Abba Action Agenda	tn: Trillion
AfDB: African Development Bank	TW: terawatt
AU: African Union	UN: United Nations
AUM: Assets under Management	UNCTAD: United Nations Conference on Trade and Development
bn: Billion	USA: United States of America
BOAD: The Banque Ouest Africaine de Développement	WASH: Water, Sanitation and Hygiene
c.: Circa	WEF: World Economic Forum
Constr.: Construction	
CSI: Corporate Social Investment (Responsibility)	
DBSA: Development Bank of South Africa	
DEG: German Investment Corporation	
DFI's: Development Finance Corporation	
DRC: Democratic Republic of Congo	
e.g.: Example	
EM: Emerging Markets	
ESG: Environmental, Social and Governance	
Etc.: etcetera	
EUR: Euro	
FDI: Foreign Direct Investment	
Fin. Services: Financial Services	
FSCA: Financial Sector Conduct Authority	
GDP: Gross Domestic Product	
GW: gigawatt	
HDI: Human Development Index	
ICT: Information Communication and Technology	
IDC: Industrial Development Corporation of SA	
IFC: International Finance Corporation	
IISA: Impact Investing South Africa	
IMF: International Monetary Fund	
Incl.: Including	
Latam: Latin America & Caribbean	
m: Million	
MENA: Middle East and North Africa	
N: Number	
NPO: Non-Profit Organizations	
ODA: Official Development Assistance	
OMFIF: Official Monetary and Financial Institutions Forum	
PE: Private Equity	
PIC: Public Investment Corporation	
PIDA: Programme for Infrastructure Development in African	
PPP: Private Public Partnership	
RECs: Regional Economic Communities	
RSA: South Africa	
SADC: Southern African Development Community	
SDG's: Sustainable Development Goals	
SDGA: Sustainable Development Goals Center for Africa	
SEZs: Special Economic Zones	
SRI: Sustainable Responsible Investing	



Working Paper

IISA working papers do not express the official views of its members, the GSG National Advisory Board, country representatives or the organizations represented. The opinions expressed are those of the authors.

The purpose of this working paper is to stimulate discussion, present consolidated, summarized and baseline information from a range of sources relevant to Impact Investments.

Comments on this paper are welcomed and may be sent to **innovativefinance@gsb.uct.ac.za or air@pic.gov.za**

The content of this document may be used on the basis of appropriate citation as follows:

Lalu, B., Murulana, T., & Mathys, M. (2019). Africa Impact Report 2019. Cape Town: Impact Investing South Africa.

Abstract

The African Impact Report 2019 is a catalyst for collaborative co-ordination amongst global stakeholders to fast track sustainable and scalable solutions for Africa's prioritized impact needs. This working paper presents a summary of impact investment-related information, research and recommendations from a range of government and private sector sources. It presents a baseline of the progress pertaining to the United Nations (UN) Sustainable Development Goals and the African Union (AU) Agenda 2063, macroeconomic growth prospects, capital availability and sector opportunities. It further outlines gaps which require a collaborative effort to address in order to ensure the much needed outcomes for the African continent is achieved. Further work will be done to identify solutions to these gaps to ensure Impact Investors into Africa can appropriately benchmark their return, risk and impact requirements.

Authors

Brenton Lalu (Author), MBA: Africa Specialist, Research and Projects Development Division, Public Investment Corporation, Doctorate candidate in Development Finance at the Stellenbosch Business School

Thakhani Murulana (Assistant): Research Analyst, Research and Projects Development Division, Public Investment Corporation

Monique Mathys-Graaff (Supervisor/Editor), CFA: Head Investment Projects Development, Research and Projects Development, Public Investment Corporation, Impact Investing South Africa National Advisory Board member, Africa Venture Philanthropy Alliance, Sub-Saharan African region board member

Adrian Lackay (Editor): Investor Relations, Public Investment Corporation

Acknowledgements

Public Investment Corporation

The Public Investment Corporation SOC Limited (PIC) is a state-owned asset management company that invests across various sectors of the economy. The PIC's clients are mostly public sector entities. The Corporation has exposure to asset classes such as listed equities, bonds, real estate, private equity and impact investments. The majority of its investments are in South Africa and the remainder in the rest of the African continent and globally.

Impact Investing South Africa

The Impact Investing South Africa Taskforce is a voluntary, multi-stakeholder partnership comprising of individuals who represent private capital supplies, enterprise support, financial intermediation, public policy and academia. The first African member of the Global Steering Group (GSG) on Impact Investing, the Taskforce is working to identify focus areas and to advocate for a set of strategies to support growth in South Africa's impact investment market and to promote public-private coordination towards Government's National Development Plan objectives and the Sustainable Development Goals. The Taskforce is hosting the GSG Summit 2020 in Johannesburg, South Africa, and partnering its GSG-affiliated counterparts in Kenya, Zambia, Nigeria and Ghana to shape a Pan-African agenda for the Summit.

Other Contributors

We thank the following institutions for their assistance, guidance and input into the report, namely:

- ABSA Capital
- Actis
- African Development Bank
- African Private Equity and Venture Capital Association
- African Venture Philanthropy Alliance
- African Philanthropy Forum
- UCT GSB Bertha Centre for Social Innovation and Entrepreneurship
- Development Bank of South Africa
- Eighteen East Capital
- Independent Impact investing and Infrastructure Partners
- Next Generation
- Official Monetary and Financial Institutions Forum
- Old Mutual
- Osmosis Investment Management
- Public Investment Corporation Communications Team
- Rand Merchant Bank
- Sifiso Learning Group
- Solon Capital Partners
- Venture Capital Trust Fund
- WaterPreneurs
- Others

PIC: <https://www.pic.gov.za/>,

Impact Investing South Africa: <http://impactinvestingsouthafrica.co.za/>,

GSG: <https://gsgii.org/>



A handwritten signature in black ink, appearing to read 'Oleyemi Cardoso', with a long horizontal line extending to the right.

Oleyemi Cardoso

Chairman of Africa Venture
Philanthropy Alliance

Chairman of Citigroup Nigeria

Financial Sector and Development
Policy Expert

Foreward

Over the decades, I have witnessed the power of private and public sector initiatives permanently shift economic trajectories for the good of all Africans. I have also witnessed their failures – in state and private sector – precipitate generational setbacks. In recent years, the African continent has seen an explosion of interest from a wide variety of stakeholders throughout the Impact Investment ecosystem. This report highlights the rapidly-increasing opportunities set alongside the significant challenges, a complex situation that requires the best, most innovative global collaboration efforts to truly move the needle.

This report also presents a chance to see our continent holistically – the 54 countries, the macro-economic construct, the DFI activity, Private Equity trends, the many excellent projects and partnerships already underway. A strong way to start is to concentrate efforts around what is working well and to leverage multiple sources of capital to catalyse greater, more sustainable impact. Africa's needs are as deep as they are broad – and so are the solutions needed.

As the Chair of the African Venture Philanthropy Alliance, we strive to improve lives in Africa by increasing the flow of financial, human and intellectual capital to social investments for greater, and more sustainable social impact. Enabling investors to deploy their capital more effectively and collaboratively, is at the heart of our mission. We aim to bring together multiple social investors, from philanthropists to impact investors, debt and equity providers, to work together in fully leveraging the continuum of capital in social investments. As our work continues to gather momentum, we join hands with the GSG and all like-minded organizations, to get the right impact achieved faster and more sustainably across the continent.

As the African continent prepares to host the GSG Summit in 2020, we are listening to all past and future investors – let us together co-create an Africa for the benefit of its current and future generations.

EXECUTIVE SUMMARY

This working paper aims to provide an initial baseline snapshot of the African Impacting Investing opportunity set, while considering structural gaps that need to be addressed.

Africa's need for Impact Investing is driven by:

- The World Bank indicated that Africa is home to 24 of the 31 classified low income countries, despite having some of the fastest growing economies in the world. Its multi-dimensional Poverty model found that 64% of poverty stricken African citizens suffer from a mix of monetary, education, health or basic infrastructure shortages.
- AfDB (2019) indicates that the growth of Africa is still not sufficient to correct the macroeconomic, employment and infrastructure challenges.
- According to the SDG Centre for Africa (2019), Africa is only partially on course to achieve 3 of the 17 UN Sustainable Development goals.

Appealing investment case as Africa presents a dominant driver of long-term global economic growth:

- The African Development Bank indicated that Africa is in the midst of recovery from the commodity driven slow-down that ensued in 2016, with medium-term GDP growth forecasts of c.4% exceeding the global growth average. However, Global trade tension pose a significant risk to this forecast.
- The continent has the fastest and youngest growing urbanized population globally, expecting to exceed China's urbanized population proportion by 2040.
- Growth is expected to be driven by increased sector diversification away from commodities to consumption and service-led sectors. This will be supported by increased public infrastructure investment, pro-business reforms and regional integration.

The SDG and Agenda 2063, present a great opportunity for all investor types to collaborate and co-ordinate efforts to achieve its objectives along the value chain of funding.

Current landscape for impact investment capital supply:

- According to GIIN, Africa only receives 14% of global impact investment capital.
- Africa is humming with domestic and international Development Finance Institutions activity, arguably the most prominent impact investor, generally government backed, with an economic development lens.
- Institutional Investor activity, is on the increase, through a social responsibility investment mandate from generally private sector clients.
- The Private Equity (PE) market in Africa has had heightened interest over the past two decades. African Impact Funds are on the increase, although still developing.

Impact sector lens demonstrates a massive diversity in demand side opportunities:

- Development and impact, however, has been concentrated to a few sectors (Energy and Financial Services) and countries of Africa (Nigeria, South Africa, Kenya, Ghana).
- The development of Economic Infrastructure-related sectors, has significant ripple effects through stimulating local business, enhancing trade networks between countries and regions, bridge missing links in markets and allow for easier movement of people around Africa. This will enhance independence and self-sustainability that

Africa lags most of the United Nations Sustainable Development Goals...

...while driving long term global economic growth with the largest forecasted population and urbanization growth rates...

...supply side capital to Africa at only 14%, with the majority still sourced from DFI's...

...demand side opportunities require development for broader sector inclusion, such as manufacturing and social infrastructure ...



...gap analysis shows capital concentration in certain countries and certain sectors...

...with a 3 "I" framework suggested to align effort for Impact: Infrastructure bedrock, Industrialization catalyst and Intra-regional trade for economic independence and inclusivity ...

can enable African economies to become more resilient to external shocks.

- The energy sector presents the greatest potential to unlock multiple economic and developmental outcomes despite inherent and wide-ranging complexities. Fortunately, it presents the closest fit for DFI funding which is likely the reason for its continued growth.
- The manufacturing sector is regarded as a positive engine for growth in most developing countries in Africa, which represents the second fastest growing region globally.

The gaps that need to be closed to catalyze the scale of impact Investing needed in Africa:

- Awareness of existing and growing impact investing players, opportunities and funding instruments.
- Sourcing investment projects that meet both financial and social objectives, and meeting risk limits, with liquidity constraints already prevalent.
- Rigid asset class and instrument capital allocator mandates limits innovative blended finance availability, with a need for more patient capital.
- Divergent regional development and impact needs, nascent intra-regional connectivity, with unpredictable political and regulatory stability.
- Absence of capital flowing into sectors which directly address impact outcomes such as education, healthcare, communication.
- Complexity in articulating some degree of standardization for impact measurement and monitoring, given developmental issues.
- Other gaps include, Leadership, Policy and regulatory gaps, measurement gaps and employment and skills gaps amongst others. (See section 4)

Africa is a continent of many extremes and uncertainties, but well-suited for a diversified set of impact outcomes. While Impact Investment in Africa is growing, deliberate sectoral and regional co-ordination strategies will be needed to match the growing demand side opportunities with supply-side evolving capital. We suggest a three "I" Framework to assist in closing the identified gaps: Infrastructure, Industrialization and Intra-Regional trade. There is much need for impact investing in Africa to drive the continent to reach its full potential.



The next steps of this working paper will be for the contents to be workshopped globally, commencing at the GSG summit in Argentina, in November 2019 and further focused working papers around collaborative solutions for the gaps identified.

Key facts and figures – Drivers of Africa Impact needs and opportunities

75%

Africans live in poor conditions

Available data for SDG monitoring

40%

4%

Ave GDP growth 2019

The continents development agenda is large, whilst still battling with economic and political reforms poses further challenges in addressing the goals

Africa Big Picture

Africa Impact Investing

Impact investors are uniquely placed to invest in projects, companies and investment sectors and themes that allow the SDG and Agenda 2063 framework to progress and ultimately be realized.

Reduction in FDI impact capital over 5 years

-9%

SDG alignment with AU Agenda 2063

80%

FDI received as a% of the global spend

4%

75%

Africans has access to safe water

2030 size of Manufacturing sector

>\$600m

32%

Agriculture contribution to economy

Impact investing has been considerably concentrated in a few core sectors. As the ecosystem continues to grow and gain traction, much more capital is needed to achieve the growing demand

Africa Impact Sectors

Africa Impact Investing – considering the gaps

Structural impact ecosystem gaps

- ✓ Awareness of impact opportunities, across the continuum of capital seeker
- ✓ Impact management challenges unique in breadth and depth of outcome targets
- ✓ Sourcing and matching appropriate return, risk and impact investments timeously
- ✓ Regulatory and political uncertainty with divergent stage of democracy
- ✓ Employment needs and skills shortages risk increasing as 4IR changes the Future of Work
- ✓ Leadership & Policy gap to allow impact to thrive.

Supply-side of capital – E.g. DFI's, Foundations

- ✓ Constraints pertaining to risk quantification, management and mitigation
- ✓ Limited liquidity, market price discovery, underdeveloped listed environment
- ✓ Scarce opportunities that meet impact objectives (financial & social)

Demand side of capital – companies, funds, etc

- ✓ Constraints pertaining to business support, access to markets, particularly for SME's
- ✓ Basic enablers absent – ICT, logistics

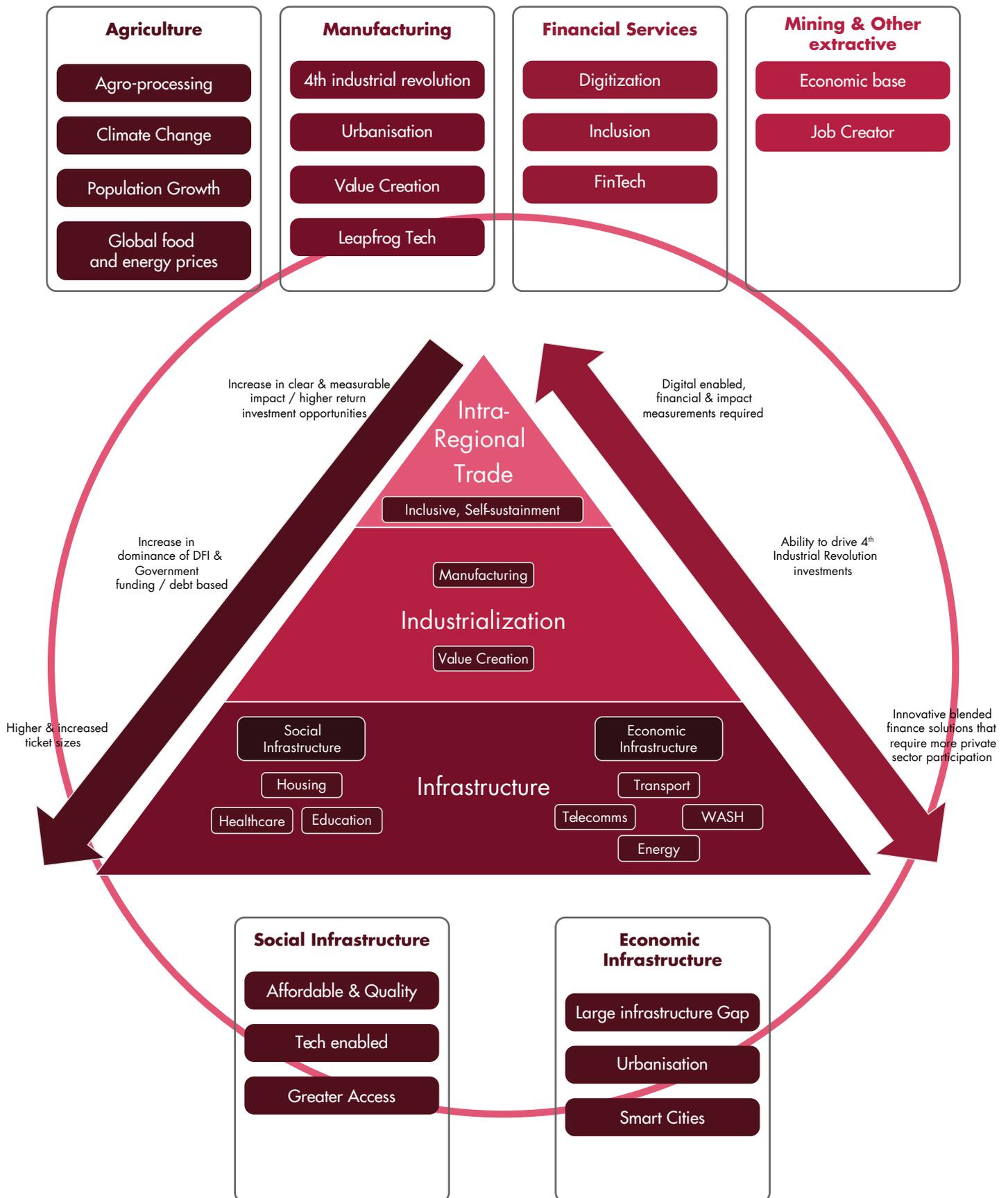
Regional Impact Investment gaps

- ✓ 3 out of 54 countries dominate receipts of inflows
- ✓ Investor client mandates directed to specific regions, countries, asset classes, sectors only
- ✓ Silo structures of DFI's, aid, foundations
- ✓ Within regions and across regions, specific countries need independent consideration
- ✓ Size of continent, with inconsistent, often outdated data, discourage investments

Sectorial Impact Investment gaps

- ✓ Shift needed on sectors with highest SDG target failings – greater diversification
- ✓ Infrastructure as bedrock: Social needs, logistics solutions, communication accessibility
- ✓ Industrialisation as enabler: 4th Industrial revolution value chain unlocks
- ✓ Intra-regional trade: Ensuring relative strengths leveraged for resource security and economic independence

Impact Sectors are aligned to deliver on the Sector Gap Framework: 3I Model



Example of Impact cases delivering on SDG's

Case Name	Company	Summary of the case	SDG link
Emerging Capital Partners (ECP)	Eranove	Eranove is a utilities company that manages over 1 200 megawatts of electricity generation, which produces over 400 million cubic meters of water annually in Cote d'Ivoire and Senegal. Eranove has offered over 60% of renewable sources & a 24% improvement in clean water production.	SDG 6: Clean Water & Sanitation SDG 7: Affordable and Clean Energy SDG 8: Decent Work and Economic Growth SDG 9: Industry, Innovation and Infrastructure SDG 12: Responsible consumption and production SDG 13: Climate Action
Ghana Airports Company	DBSA	An amount of \$55, 6M was provided by DBSA to develop Kotoka International Airport (KIA). The inefficiency in the management of air traffic was stifling the potential economic growth of the country. So far it has gained more than 28%- 59% on labor productivity since 2017.	SDG 8: Decent Work and Economic Growth SDG 9: Industry, Innovation and Infrastructure SDG 11: Sustainable Cities and Communities
Impact water	Safe Drinking Water Solutions	The Impact Water solution is an UltraTab, which is a chlorine tablet specifically designed for schools without electricity or piped water to provide large quantities of water for their students. The 1st installation was in 2013 in Uganda.	SDG 3: Good Health & Well being SDG 6: Clean Water & Sanitation
Inspired Evolution Fund 1	Inspired Evolution Fund 1	This fund has focused on renewable and clean energy investments in SADC since 2007. Since inception, the fund incorporated ESG principles in their investments process, and this formed the foundation by which they operate.	SDG 7: Affordable and Clean Energy SDG 8: Decent Work and Economic Growth
SPEC in Senegal	SPEC	SPEC has localized the production of solar panels while establishing a network that allows distribution and installation to those whom require clean energy.	SDG 7: Affordable and Clean Energy SDG 8: Decent Work and Economic Growth
Umoya Energy Wind Farm	Old Mutual	Umoya comprises of 37 Vestas V100 1.8MW wind turbines and supplies around 176600 MWh of clean renewable energy in South Africa every year.	SDG 7: Affordable and Clean Energy SDG 8: Decent Work and Economic Growth SDG 9: Industry, Innovation and Infrastructure
Actis Energy	Actis	Actis is a leading energy investor in growth markets, our energy businesses have touched 68 million consumers and generated 15GW of energy capacity.	SDG 7: Affordable and Clean Energy SDG 8: Decent Work and Economic Growth
Integrated Diagnostics Holdings (IDH)	Actis	IDH is a medical diagnostic services which operates in Egypt, Sudan & Nigeria. As a private sector health care service, IDH fills the gap where public health systems struggle to meet scale of demand due to limited resources. IDH has provided more than 400 employment and has managed to perform more than 200,000 test on patients every year.	SDG 3: Good Health & Well being SDG 5: Gender Equality SDG 8: Decent Work and Economic Growth SDG 9: Industry, Innovation and Infrastructure

Example of Impact cases delivering on SDG's

Case Name	Company	Summary of the case	SDG link
Nova Pioneer	Nova Pioneer	Nova Pioneer currently has 10 schools in its portfolio, 6 schools in South Africa and 4 schools in Kenya, and seeks to expand to 20 schools in South Africa, Kenya and Nigeria. Its main aim is to provide 21st century quality education at an affordable price across the African continent.	SDG 4: Quality Education
Sifiso Learning Group	Sifiso Learning Group	Sifiso Learning Group is an education holdings company that seeks to deliver a technology-enabled, future-focused and globally competitive learning model which epitomizes excellence in the African continent.	SDG 4: Quality Education SDG 9: Industry, Innovation and Infrastructure
Athi steel	Athi steel	Athi steel is a company from Kenya that deals with sourcing local scrap metals such as bolts, nuts, structural steel and building steel. It has produced over 700 quality products, with a turnover of about US\$18 million in 2014 and it has provided more than 800 million jobs.	SDG 8: Decent Work and Economic Growth SDG 9: Industry, Innovation and Infrastructure
Western Seed	Western Seed company	The Western Seed Company produces a high in quality hybrid maize seed through their innovative technology, which helps suppresses droughts and diseases. Western seed has helped over 300 000 small-scale farmers achieve yield returns on maize seeds.	SDG 1: No Poverty SDG 2: Zero Hunger SDG 8: Decent Work and Economic Growth SDG 9: Industry, Innovation and Infrastructure
Sorghum Value Chain	Sorghum Value Chain	Venture Capital Trust Fund through its Agric Value Chain investing program, invested in smallholder farmers producing sorghum for Guinness Ghana Limited with technical support provided by Technoserve. Resulting in over 10,000 jobs created and 6000 farmers promoted.	SDG 1: No Poverty SDG 2: Zero Hunger SDG 8: Decent Work and Economic Growth
Pagatech	Pagatech	Pagatech is a mobile payment system that enables the unbanked population in Nigeria to transfer money, pay bills and buy airtime at low cost. The Pagatech has initially helped more than 150 communities in Nigeria and has contributed around US\$115.	SDG 8: Decent Work and Economic Growth
Venture Capital Trust Fund Financing	Venture Capital Trust Fund	Venture trust fund was established to promote Venture Capital financing for SMEs in Ghana. The trust is 100% owned by government and is managed as a fund of funds. Total funds under management is USD 110.9 million out of the Trust commitment of USD19 million.	SDG 9: Industry, Innovation and Infrastructure
South Point Management Services (SPMS)	PIC	PIC is partnering with SPMS to significantly increase student accommodation beds in urban and peri-urban areas. The current projects are expected to create more than 20,000 temporary jobs and 1,500 permanent jobs	SDG 4: Quality Education SDG 9: Industry, Innovation and Infrastructure

Example of Impact cases delivering on SDG's

Case Name	Company	Summary of the case	SDG link
Futuregrowth Agri Fund	PIC	The Fund is aimed at providing investors with solid financial returns by investing in farmland and agricultural infrastructure, while at the same time creating jobs, alleviating poverty through rural economic development, Empowerment of farm workers, and contributing to environmentally responsible farmland operations in South Africa.	SDG 3: Good Health & Well being SDG 8: Decent Work and Economic Growth SDG 9: Industry, Innovation and Infrastructure SDG 12: Responsible consumption and production
Kenya Pipeline Company Limited	DBSA	The project entailed the replacement of a 450km corroded multi-product fuel pipeline running between the towns of Mombasa and Nairobi in Kenya.	SDG 9: Industry, Innovation and Infrastructure
Solon Capital Partners	Solon Capital Partners	Solon achieves broad and deep impact, currently touching the lives of over 13,000 people. Solon employs over 450 people providing them with improved livelihoods, e.g. Flash drivers earn 5-12x GDP per capita and receive ongoing training. RAN students receive affordable, high quality education etc.	SDG 8: Decent Work and Economic Growth SDG 9: Industry, Innovation and Infrastructure
Actis Real Estate	Actis	Actis has pioneered the development of internationally certified green buildings in SSA. Green buildings are not only more efficient to operate (in terms of water and energy required) but also less costly.	SDG 13: Climate Action SDG 6: Clean Water & Sanitation SDG 7: Affordable and Clean Energy SDG 9: Industry, Innovation and Infrastructure



1. Contextualizing Impact Investing in Africa

1.1. What is Impact Investing

According to the Global Impact Investing Network (GIIN) (2019), Impact investments refer to investments that are made with the aim of generating both a measurable and positive social and environmental impact, whilst delivering a financial return for investors. The GIIN states that impact investing can offer capital to address some of the greatest challenges across various sectors including microfinance, affordable healthcare and housing, agriculture and energy. Development Finance Institutions (DFI's), Philanthropic and dedicated impact fund managers are pioneering this initiative where they are actively integrating impact considerations and measurements to their investment strategies. **A significant amount of investors are adopting the UN's SDG; and the AU's Agenda 2063 objectives as a reference point to gauge the impact their investments are making.** According to the International Finance Corporation (IFC) (2019), global assets under management have recently amounted to c.US\$ 100 trillion. This creates a huge opportunity to

direct more capitals flows into impact investing in order to achieve these global goals. The IFC states that already "more than a quarter of AUM worldwide already are held in socially responsible investments that take account of Environmental, Social, or Governance (ESG) issues—a first step to financing with positive impact". **JP Morgan and the GIIN anticipate that invested capital could reach US\$1 trillion over the next decade in five impact sectors; namely, education, housing, healthcare, water and financial services.** Furthermore, the institutions estimated that between 5-10% of portfolios could be allocated to impact investments.

Impact investing presents itself as an attractive investment vehicle for the African continent.

Developmental challenges includes poverty, climate change, inclusivity, poor levels of education and health, financial inclusion, hunger, sustainable agriculture and many more. Africa has made considerable progress to alleviate some developmental challenges it faces, including improving access to water and healthcare, improving education levels and increased income equality.



Generally, the rates in absolute poverty are declining; coupled with a period of sustained economic resilience and growth. However, developmental gains have been debatably inefficient to meet the growing demand to foster and establish employment and inclusivity on the continent. **According to the OECD (2016), three out of four people on the continent still live in poor conditions, compared to one in five, in other parts of the world.** Furthermore, Africa's Human Development Index (HDI) level sits at an unfavorable 0.5 in 2017, whilst the OECD enjoys a HDI level of over 0.8 and globally, 0.7. Despite the rapid improvement during 1990 and 2010, the continent had experienced major setbacks slowing down its development. In turn, the majority of African nations are classified as low human development countries. It is due to this fact that the continent requires continuous development investing to keep the impetus moving forward. Globally, impact investments are beginning to be channeled into projects in low income regions in order to be a catalyst for poverty alleviation and economic and social prosperity. This is in order to create and build healthy and lucrative enterprises in these regions. Key players in the investment arena are now developing this initiative, through direct or indirect methods, dedicated to solving the greatest challenges that low income countries face. According to the World Bank (2019), Africa is home to 24 of the 31 classified low income

countries, despite having some of the fastest growing economies in the world. Naturally, debates for investors have continually been premised around the relationship between the financial and social aspects. Traditional investor views have been biased towards financial return over the broader societal and economic development impact. Philanthropic investors, on the other hand, are seen to have bias on the social impact of the investment. In modern day investing, it could be argued that there is significant room for both players to work alongside each other throughout the funding value chain, particularly in the African context. This is particularly the case when there may be opportunities that aren't quite ready for traditional investors in the African market. Monitor (2011) studied over 400 firms in Africa and found that there were only a third that could be viable and scalable. Nevertheless, the market is appreciating that all sets of investors have a part to play, particularly in achieving the UN's SDGs. **The SDGs and Agenda 2063, presents a great opportunity for all investor types to collaborate and co-ordinate efforts to achieve its objectives along the value chain of funding.** What is becoming more apparent is that every player in the investing sphere, whether private or public should be integrally involved to achieve the global development agenda, the SDGs and create impact through their investment patterns. [Marshal Plan]



“Impact investing presents itself as an attractive investment vehicle for the African continent.”

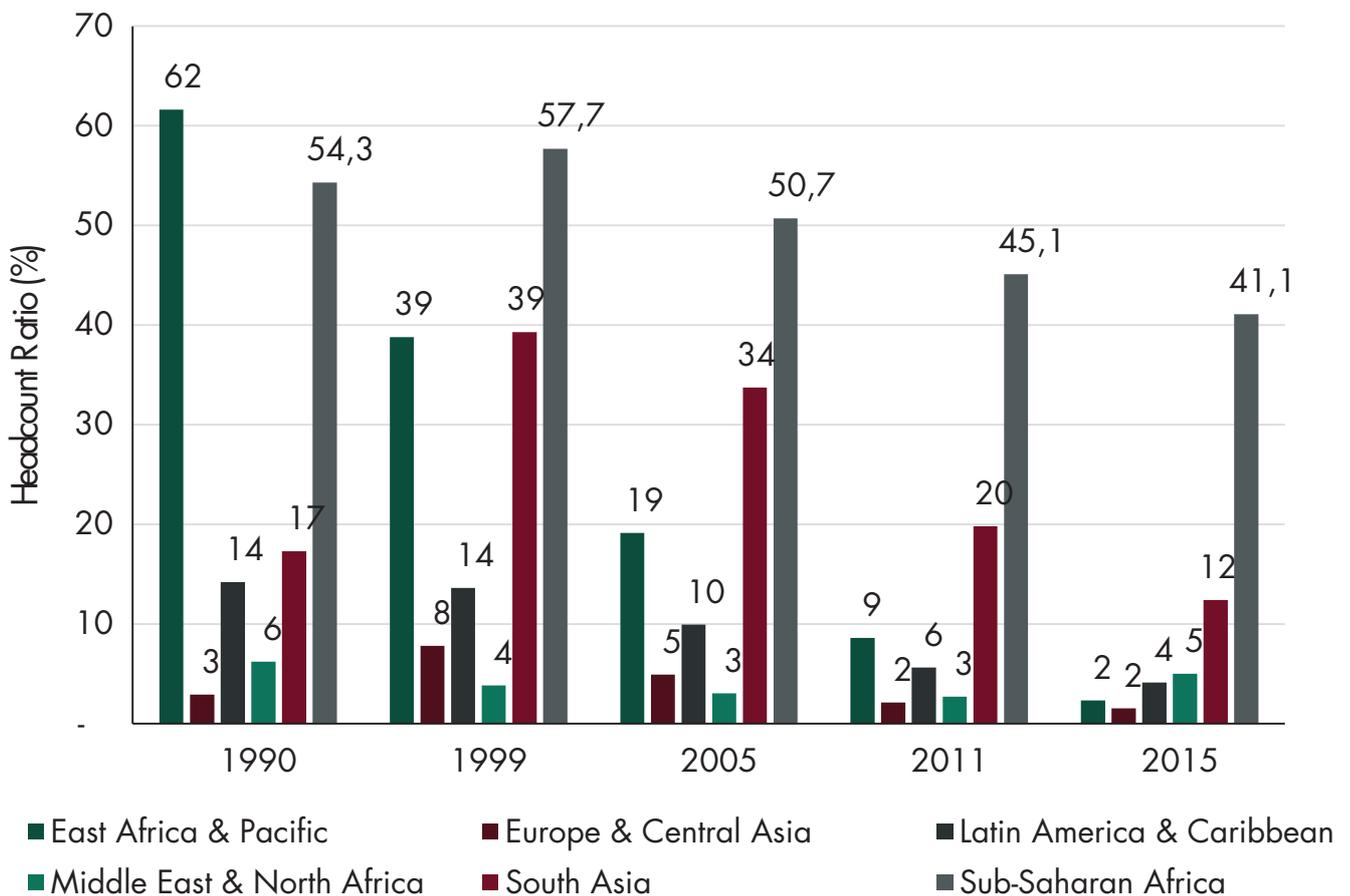


1.2. Africa’s need for Impact Investing

Africa has made considerable progress tackling its vast developmental agenda. The continent has seen better equality, more access to healthcare services and an improved education level that has translated into poverty levels decreasing. However, **many scholars and institutions argue that development efforts thus far have been inadequate to meet the growing need and make a meaningful impact.** AfDB (2019) argue that the growth of Africa is still not sufficient enough to correct the macroeconomic woes that keep the continent back from reaching its full potential and attend to many structural challenges it faces.

Globally poverty rates have declined, however this has been at an irregular pace. The World Bank’s President Jim Yong Kim (2018) stated that “over the last 25 years, more than billion people have lifted themselves out of extreme poverty”, whilst the poverty rate remains the lowest it has ever been, the Kim has urged that more investment is needed to promote inclusive growth and to reach poverty targets by 2030. Currently, the international poverty line sits at US\$1.90 per day, where according to the World Bank (2018), the global headcount ratio (ratio of population living in poverty) is at 10%. In Sub-Saharan Africa (SSA), poverty rates have declined considerably. Whilst the headcount ratio has declined from over 50% in the early nineties to 41% in 2015, SSA still accounts for more than half of the world’s poverty. In actual terms, this is 413.3 million out of 735.9 million (56%) people globally who are classified as living in extreme poverty.

Figure 1. Poverty Head Count Ratio (%) | Below US\$1.90/day

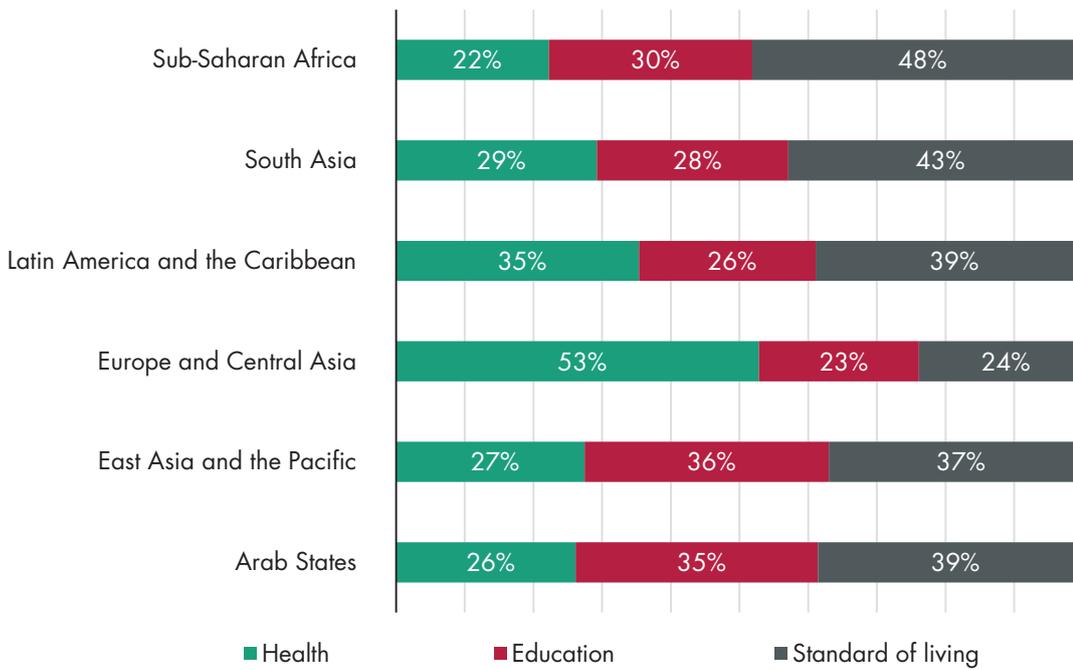


Source: World Bank Piercing Together the Poverty Puzzle, 2018

A deeper look into SSA’s poverty numbers shows a startling revelation. A study by the United Nations Development Programme et al. (2019) on the Global Multidimensional Poverty Index (MPI) shows that across the surveyed 101 countries, 1.3bn people are multidimensional poor. The MPI analyses deprivations across healthcare, education and living standards¹ to display who and how impoverished a person is. The study found that an average of 57.5% of SSA’s are multi-dimensionally poor, whilst the Developing Market average is 23%. The 2019 study also found that comparatively, economies in Europe and Central Asia under 2% of their populations live in multidimensional poverty. The contribution to the deprivations are pictured below.

¹Structure of MPI: **Health:** Nutrition, Child mortality, **Education:** Years of schooling, School Attendance, **Standard of Living:** Cooking Fuel, Sanitation, Drinking Water, Electricity, Housing, Assets

Figure 2. Contribution to MPI

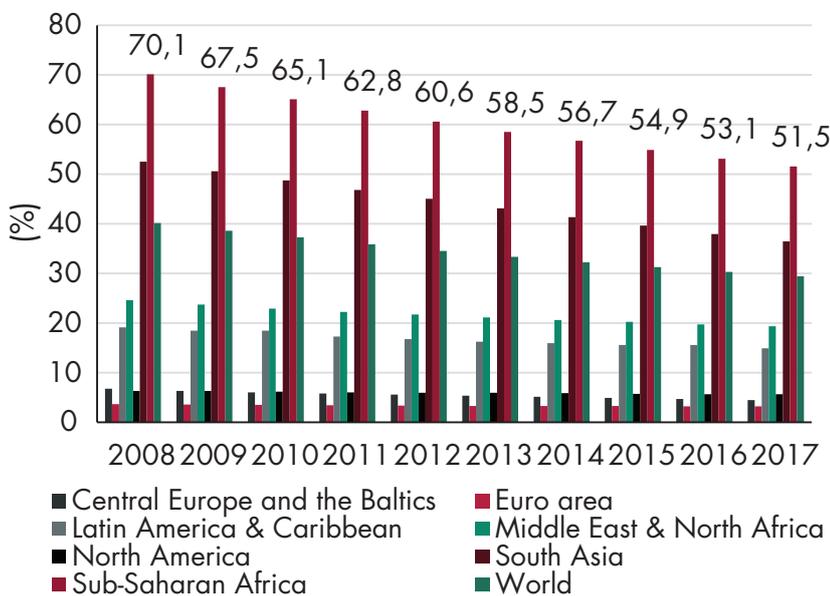


Source: UNDP et al., 2019

The World Bank (2018) also found alarming results in its study. Through a Multi-dimensional Poverty model, they found that 64% of poverty stricken African citizens are multi-dimensionally poor. In essence, these citizens suffer from a mix of monetary, education or basic infrastructure shortcomings. According to the World Bank (2018), more than half of people in SSA classified as multidimensional are impoverished by all these factors at the same time. These deprivations work together and trap the individual or household in spiraling poverty endlessness.

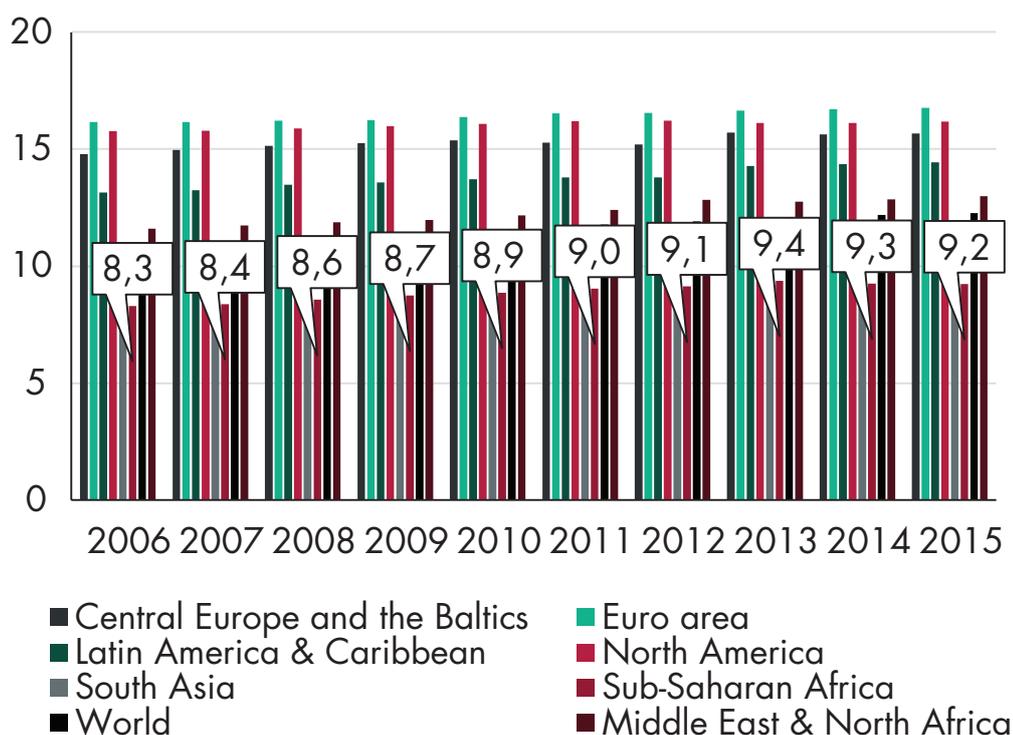
By looking through these multidimensional statistics as singular factors, it becomes disturbingly clear, how far behind SSA is globally, in the fight against poverty reduction. The below figures are two metrics that indicate the development gap between SSA and other regions around the world. Infant mortality rates in SSA are declining, though these still considerably lag the global average. This indicates that the level and access to healthcare is poor in SSA. Similarly, year in school is considerably lower than developed regions, like the Euro Area (c.16 years of schooling on average) and the global average, expediting concerns around access and quality of education in SSA. According to the Sustainable Development Goals Center for Africa (2019), two thirds of African nations are classified as low human development and continue to grapple with healthcare and education challenges.

Figure 4. Infant Mortality Rates (per 1 000 births)



Source: World Bank, World Bank Education Statistics, 2019

Figure 3. Years of School Life Expectancy



Source: World Bank, World Bank Education Statistics, 2019

1.3. Africa's Developmental Progress

Eliminating poverty is core to the global developmental agenda, and a key metric for the African continent to advance. The UN's SDGs² has No Poverty as its Goal 1. Africa has adopted the UN SDG framework and the AU's Agenda 2063 to assist in tackling developmental needs the continent faces. The UN SDG's was adopted in 2015 and serves as a blueprint for "peace and prosperity for people and the planet, now and into the future" (UN, 2019). There are 17 distinct SDG's, each with targets (total = 169) and indicators (232) that are needed to be achieved by 2030.

The African continent has also adopted these goals, however, the continent's starting point is considerably behind other regions in the world. The continent's development agenda is large, whilst still battling with economic and political reforms that pose further challenges. However, the implementation and monitoring of these targets have been incomplete. Data for a SDG metric in Africa has been inconsistent, and many nations do not have data for important metrics. **According to the Sustainable Development Goals Center for Africa (2019), African data only appears in 40% of the global framework. This translates into Africa not adequately being able to track SDG performances or even baselines.** Coupled with large data gaps, the SDG framework lacks implementation and accountability, according to the Sustainable Development Goals Center for Africa (2019). Albeit, the Sustainable Development Goals Center for Africa (2019) has conducted a reality check study to gauge the performance of Africa with regard to each SDG. The table below highlights what was found in each goal over the last three years (2016-18).



²Find more information pertaining to the UN SDG's: <https://sustainabledevelopment.un.org/>

Goal	Objective	Africa's progress	Result
1	No Poverty	Progress has been made, however in absolute terms, poverty has increased.	Only North Africa is on target to meet 2030 goals.
2	Zero Hunger	Malnutrition rates are becoming worse. Similarly, food insecurity levels has escalated	North Africa, once again is the only region to reduce malnutrition to under 7.5% by 2030.
3	Good Health and Well-Being	As seen in the figures above, mortality rates in Africa are amongst the highest in the world.	North Africa has reduced infant mortality rates to under 25%, whilst West Africa has the highest rate and may not achieve 2030 goal.
4	Quality Education	Currently, more than half of the continent has primary enrolment of over 90%.	All regions are on target to meet 100% enrolment targets.
5	Gender Equality	SSA has improved considerably in gender equality. For e.g. Women in parliament in SSA (24%) is on par with the world average (24%), however still far below developed markets like the Euro Area (32%), according to World Bank data (2019).	Ongoing battle to reach better equality, however partially on track.
6	Clean Water and Sanitation	Access to water levels is still below the global average. Sanitation investment is greatly required.	Significant sanitation investment is need is more than half of Africa to reach targets.
7	Affordable and Clean Energy	Over half of Africa has electrification levels that are less than 40%.	Only North and East Africa is on track to achieve 2030 electrification target if there is substantial investment. Other regions are off target.
8	Decent Work and Economic Growth	Unemployment remains a grave concern for Africa. According to SDGA (2019), over 40 countries have unemployment rates over 5%.	A lot of work and investment need to take place to develop a stable workforce. Far from targets.
9	Industry, Innovation and Infrastructure	Large infrastructure gap (According to AfDB (2019) this amounts to US\$130-170bn a year. Further internet usage is improving, albeit at a lower base.	A lot of more work needs to done to achieve target by 2030.
10	Reduced Inequalities	This indicator lacks data, however there is a growing belief that Africa is one of most unequal continents in the world.	Cannot track results thus far.

Goal	Objective	Africa's progress	Result
11	Sustainable Cities & Communities	Infrastructure deficits, despite a growing urbanization rate halts progress on this indicator.	Several national urban policies are being implemented to drive increase urbanization.
12	Responsible Consumption and Production	No data available to evaluate indicator.	Cannot track results thus far.
13	Climate Action	The continent is one of the best performers in this indicator. Only South Africa ranks in the worst 20 performers with regard to Co2 emissions.	On track to reach targets by 2030.
14	Life Below Water	No data available, however many countries in Africa do not have protective marine regions.	Cannot track results thus far.
15	Life on Land	According to SDGA (2019), Africa is performing well with regard to the protection of land and biodiversity.	Africa needs to make a concerted effort to implement policies for life on land to achieve it 2030 targets.
16	Peace, Justice and Strong Institutions	Many countries in Africa are still experiencing high levels of crime, conflict and threat of terrorism. African deaths are still considerably higher than the world average.	According to the SDGA (2019), most regions in Africa are on track to meet this target.
17	Partnership for the Goals	Many African countries have national plans that are currently being implemented, that are aligned to this goal.	Significant efforts are still needed for the 2030 target to be realized.





According to the SDGA (2019), Africa is only fairly on course to achieve three of the seventeen goals. These are Life on Land, Climate Action and Equality. Besides the lack of data, where the SDG's are unable to be tracked accurately, the SDGA finds that there is a considerable SDG financing gap. This gap is considered to be between US\$500bn to US\$1.2tn annually. Furthermore, more evidence has found that SDG 7 (Affordable and Clean Energy) is acting as an enabler to achieve other SDG objectives. There were positive synergies found in SDG 1, SDG 2, SDG 3, SDG 4, SDG 5, SDG 6, SDG 8 and SDG 13 through achieving SDG 7. Furthermore, through a network and linkages analysis the Three Year Reality Check Study by SDGA (2019) found that target 7.3 which considers energy efficiency, enables and drives 18 goals of the SDG's (1, 2, 3, 4, 5, 6, 8, and 13) mentioned before, with the strongest linkage to SDG 13 (Climate Action). The potential benefits of achieving target 7.3 could translate into economic growth, poverty alleviation, job creation, improved health, cleaner water and sanitation and a reduction in emissions.

Akin to the SDG adoption, Africa has also adopted the Addis Ababa Action Agenda (AAAA)³. The agenda provides a framework for the financing of Africa's SDG's, through main sources of financing for it. These include both foreign and local financing mechanisms, for e.g. ODA, taxation, FDI, philanthropic funding, remittance, DFI's and other measures. The agenda appeals for a collective and coordinated effort to finance the UN SDGs. Although, as stated in the previous chapter, on the backdrop of weak global economic frameworks, financing has come under pressure, albeit increasing in recent history. Long-term trends show a shocking downward drift, as global pressures mount. Financing, particularly from external sources, have

become irregular and volatile. The only form of financing that has seen stable increases has been in remittances. The reality that faces Africa, according to SDGA is that there is poor coordination of financing vehicles, a lack of clarity towards mapping out responsibilities with regard to the roles of financing players. The eventuality is that some commitments do not translate into actual financing. The AAAA spell out the need for an integrated financing framework, where domestic revenue efforts will be the core of development finance. National Developmental Banks are expected to be the fundamental vehicle to achieve these, and for international banks and private sector initiatives to be supportive in these financing efforts. Financing for these objectives still falls very short of the demand, as the financing gap remains large. The alignment of financing modalities is imperative to track the development progress of Africa, whilst domestic revenue enhancement is needed.

Further to the UN's SDG framework, the AU has developed Agenda 2063⁴. A framework that enables Africa's long term strategic objectives for inclusive, social and economic transformation and prosperity. The agenda consists of seven Aspirations, 20 core goals and 174 targets, of which over 80% is aligned to the UN SDG's. The Aspirations of AU's Agenda 2063 are:

1. A Prosperous Africa (in terms of inclusive growth and sustainable development)
2. An Integrated Continent
3. An Africa of Good Governance, Democracy, Respect for Human Rights, Justice and the Rule of Law
4. A Peaceful and Secure Africa
5. Africa with a Strong Cultural Identity Common Heritage, Values and Ethics

³Addis Ababa Action Agenda: <https://www.un.org/esa/ffd/publications/aaaa-outcome.html> • ⁴For more information: Agenda 2063: <https://au.int/en/agenda2063/>



6. An Africa Whose Development is people driven, relying on the potential offered by African People, especially its Women and Youth, and caring for Children
7. An Africa as A Strong, United, Resilient and Influential Global Player and Partner

Following the formulation of Agenda 2063, the AU devised the first 10 year implementation plan for Agenda 2063, the period until 2023. Two continental initiatives were recently launched to assist in Agenda 2063 objectives (The Single African Air Transport Market in 2018 and the AfCFTA).

These priority goals were determined through key areas. First, the 12 flagship projects and programs that the AU has approved:

- *Integrated High Speed Train Network*
- *An African Virtual and E-University*
- *Formulation of a commodities strategy*
- *Establishment of an annual African forum*
- *Establishment of the Continental Free Trade Area*
- *The African Passport and free movement of people*
- *Implementation of the Grand Inga Dam Project*
- *The Pan-African E-Network*
- *Silencing the guns by 2020*
- *Africa Outer Space Strategy*
- *Establishment of a single African air transport market*
- *Establishment of the African continental financial institution*

Second, National and Regional Economic Communities (RECs) priorities that were agreed to include sustainable and inclusive growth, human capital development,

social protection, gender/women development, youth empowerment, good governance, infrastructure development, science, manufacturing, peace, and arts and culture.

Thirdly, the AU has developed Continental Frameworks to assist its member states in development. These include the Comprehensive African Agricultural Development Programme, the Programme for Infrastructural Development in Africa, African Mining Vision, and Accelerated Industrial Development for Africa, amongst others.

Lastly, the AU stipulated that all Agenda 2063 targets need to be included in the ten-year plan.

The Priority Areas are grouped by the seven core aspirations of Agenda 2063⁵. The priority areas range from income, jobs and decent work to improving education, social security, healthcare, inclusive growth, manufacturing, agriculture, the blue ocean economies, renewable energy focus, youth and women empowerment and more.

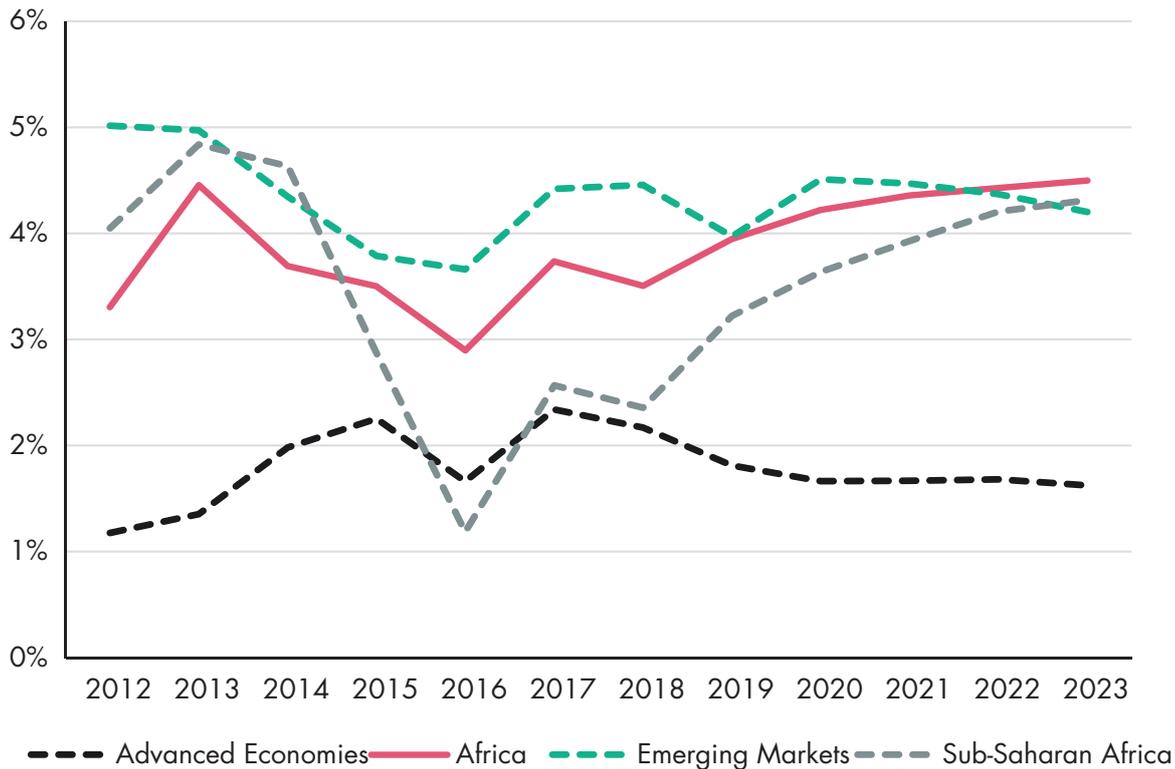
The AU's Agenda 2063 and the UN SDGs have been aligned and are linked for greatest development efforts to take place. However, here again the agenda has not been fully optimized to be implemented. Progress has been made to date, although, measurement, harmonization with country- and REC strategies have all not been fully employed. This enables a growing financing gap in multiple sectors, but also provides opportunities for investors, private and public, to catalyze efforts to develop Africa together.

⁵The AU Agenda 2063 Aspirations, Goals and Priority Area's: <https://au.int/en/agenda2063/goals>

1.4. Macroeconomics of Africa

Over the recent decades, the continent has benefitted considerably from the commodity super cycle. Real GDP growth for the African continent has averaged c.4%, higher than other emerging market and advanced economies, according to the International Monetary Fund (IMF) (2019), Oxford Economics (2019) and the World Bank (2019). These growth patterns persisted despite many obstacles and turbulent events that have darkened growth on the continent. The development of Africa has become extremely volatile, dangerously exposed to external shocks, where the continent became over reliant on its export led revenue to sustain high growth rates. In 2015-16, commodity prices took a major hit, plummeting considerably and leaving many commodity and export reliant nations under immense pressure. This has had a knock-on effect to the overall performance of African economies. However, the continent has shown a deeper level of resilience that was spear-headed by diversified and non-resource intensive economies; coupled with a greater focus on domestic resource mobilization.

Figure 5. Real GDP Growth (%) (Africa v others)



Source: Oxford Economics, 2019

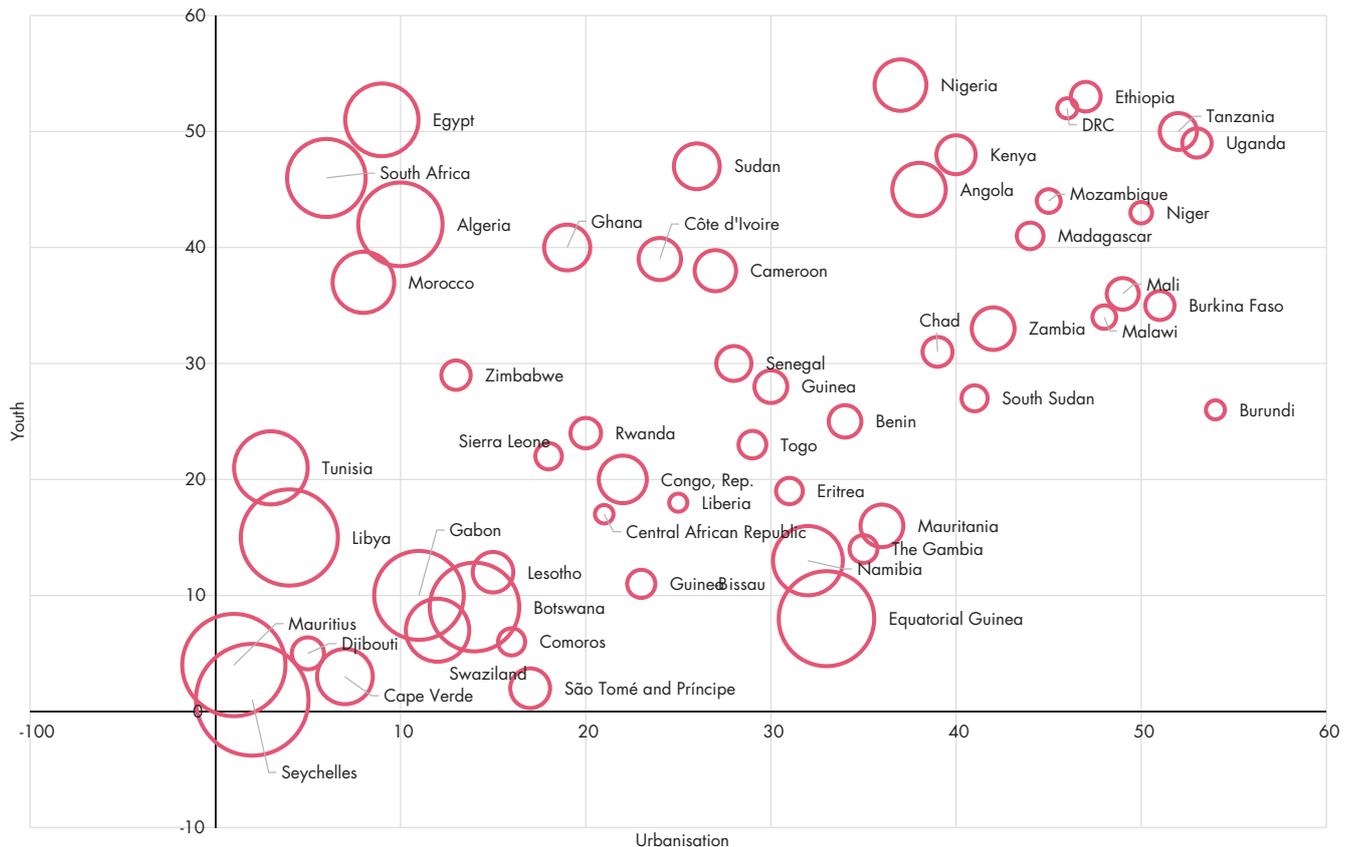


Drivers of Africa's Growth

According to AfDB (2018), Africa is in the midst of recovery from the trough that ensued in 2016. Medium term growth forecasts are estimated to be exceeding the 4% mark.

The recovery in growth will be driven predominately from rebalancing efforts of the continent. As economic growth continues to strengthen, the majority of the uptick is attributed to North and East Africa, the fastest growing region on the continent according to AfDB (2019), and non-resource dependent nations. Growth will come from improvements in exports and from increased commodity production, most notably in oil. **Furthermore, strong performance in consumption-led sectors, regional and country efforts to diversify its GDP base, an improvement in core agriculture and mining sectors, whilst the services sector is expected to continue its growth trajectory and further domestic resource mobilization with an emphasis in public investment, particularly in infrastructure.** Africa is also expected to attain further pro-business reforms, despite several countries implementing fiscal consolidation efforts and experiencing several security challenges in recent history. Africa is also comforted by demographic trends that attracts long-term investment appeal. **The continent has the fastest and youngest growing urbanized population in the world.** According to data from the UN population division (2019), by the year 2040, the urbanized population (57%) will exceed rural (43%) inhabitants, and the continent's urban population will exceed that of China. The below scatter plot analyses the youth (defined as population below 35) relative to urbanization of African countries over the next decade. The scatter peaks into possible future markets, where investors can maximize development for Africa's demographic dividend. Markets that are closer to the top right of the scatter are ripe for future urban development and consumer service appeal.

Figure 6. Africa has some of the youngest and fastest growing urbanized population in the world



Source: Authors Analysis, UN Population Division, 2019 | Size of Bubble = GNI per capita

Pressure on Growth

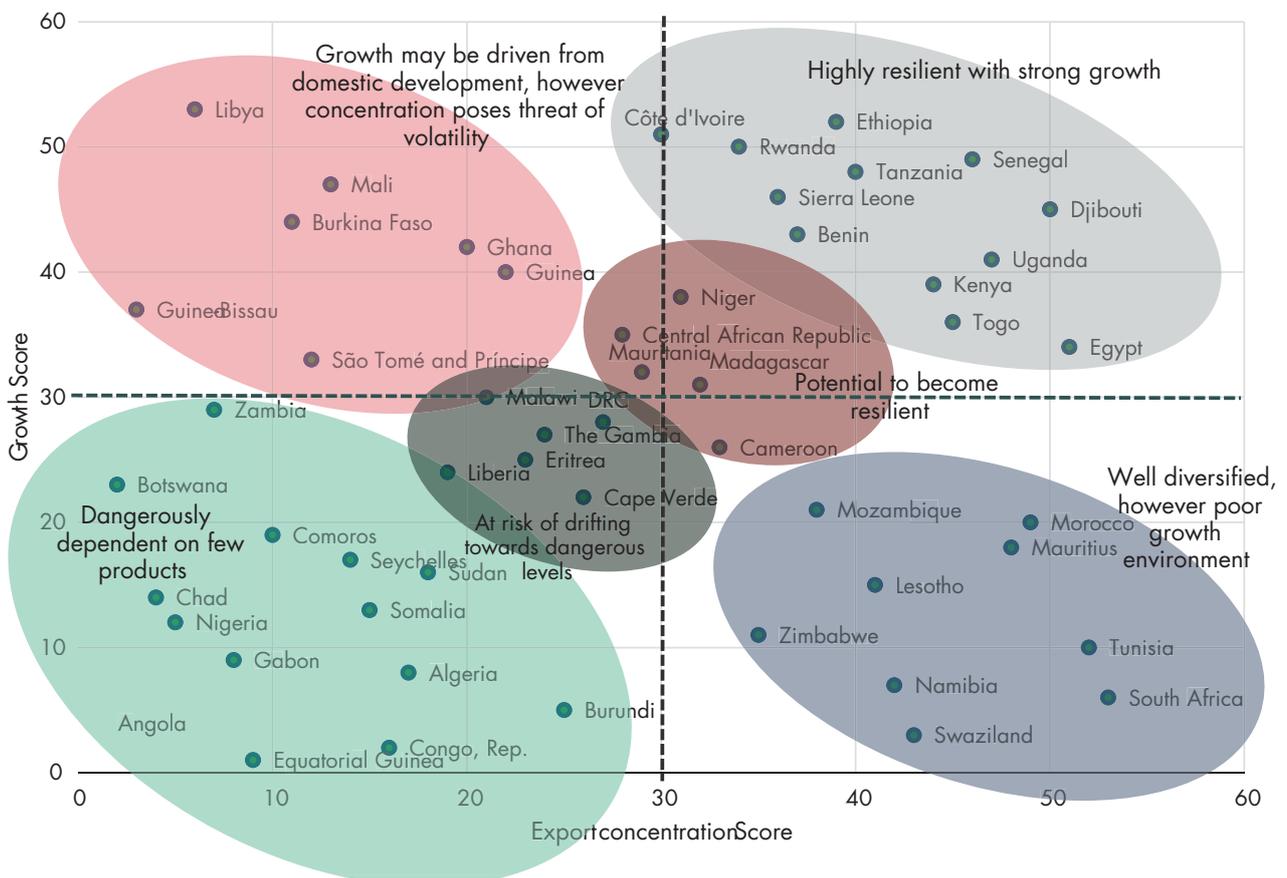
Conversely, there are downward pressures on the forecast. This chiefly stems from the larger economies in Africa that are under severe pressure. In Nigeria and Angola, the oil sector is still key to maintain the performance of these economies. Furthermore, South Africa, according to the World Bank (2019), is experiencing tough economic conditions with low business confidence that has the potential to weigh further on the continent's growth. Despite growth forecasts remaining amiable for the continent with growth outperforming many regions in the world, the World Bank (2019) and AfDB (2019) argue that this will not be sufficient to tackle the effects of poverty and unemployment objectives, mainly in oil dependent countries. Developmental gains on the continent have been not been able to meet the needs, foster inclusivity, self-sustainment and create employment. Africa is still embattled with many of its challenges that halts its progress and clouds the optimistic medium term recovery.

First, in spite of decent growth forecasts and an active intent to diversify away from resource-dependency, the continent is still highly reliant on export revenues from a relatively narrow product base. Africa remains arguably, defenseless to these external shocks, the sways of resource prices and investment flows. This is coupled with the dire

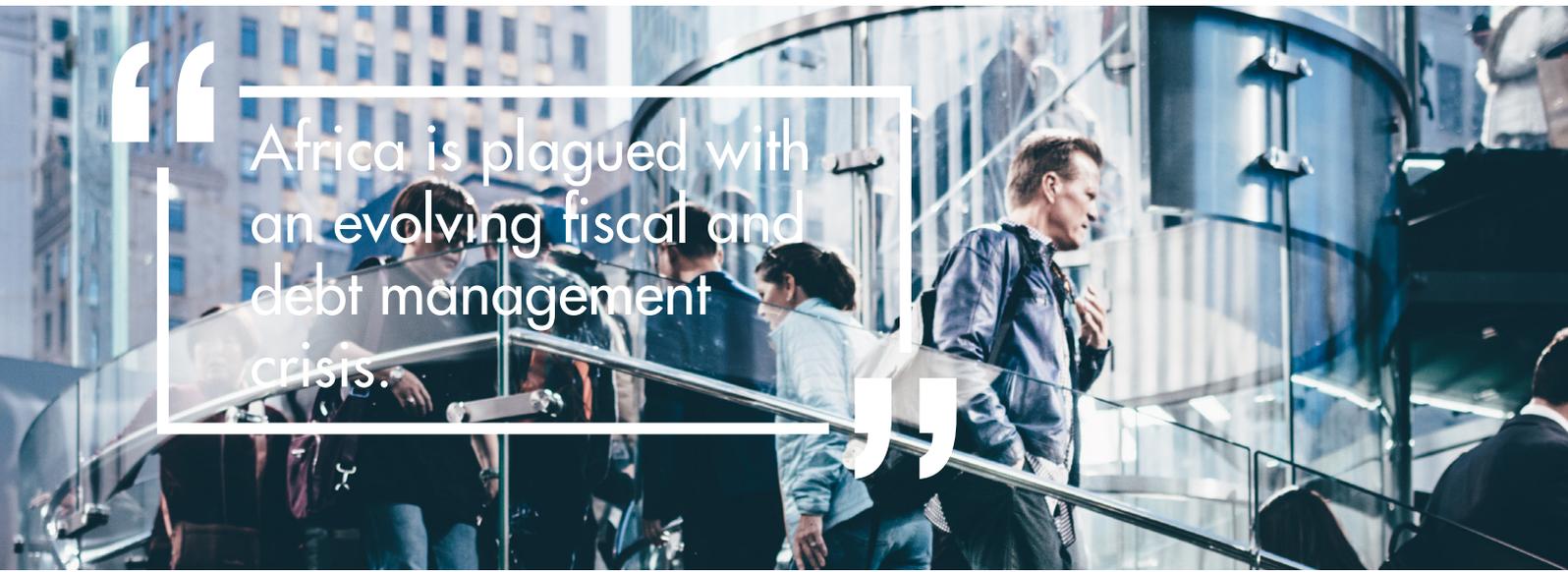
state of global trade, particularly with regard to the United States of America (USA) and key trade partners, like China. **According to AfDB (2019), the embattled trade tension would have severe repercussions on global growth, with spiraling effects on Africa.** This would, in turn, have increased volatility on commodity prices, and could be intensified with US dollar strength and have a knock-on effect to global growth and Africa's trade, particularly the commodity dependent nations. In general, global trade activity has had a marked slowdown with the US' penchant for protective trade policies. This may have reduced global demand and ultimately erode export revenue for Africa. Furthermore, growth in major economies have also slowed considerably and poses a further threat to growth.

The figure below displays growth versus export concentration in African countries and is an indication of resilience to external factors. The scatter plot is divided into four quadrants and six bubble groupings. In the top right quadrant 1 are countries like Kenya, Ethiopia and Senegal that exhibit strong growth whilst remaining diverse its export basket. These countries tend to be more resilient to externalities. On the other, on the bottom left, countries like Angola are currently dangerously dependent on a few export products whilst remaining in a poor growth environment. There is no surprise that c.30% of

Figure 7. Economic growth driven by global markets and export patterns



Source: Authors Analysis, Oxford, World Bank, UNCTAD, WEF, IMF, 2019



“Africa is plagued with an evolving fiscal and debt management crisis.”

African countries are in the danger zone. The figure also depicts countries that are well diverse in natural resources, however they are in a poor growth environment, mostly notably South Africa. Countries that display good growth outlook are still very concentrated and often have a greater focus on domestic development and remain prone to market volatility with respect to commodities. However, in North Africa Libya is a slightly different case where domestic development is erratic and uneven. Whilst oil production has created an environment where growth can be rapid, political and humanitarian efforts are a necessity to maintain an even growth pattern.

The continent also faces several internal challenges that pose a challenge to the outlook. First and arguably most important, are concerns about political instability, corruption and poor governance. These factors have plagued Africa for decades as obstacles to reaching its full potential. The knock-on effect of political situations has negatively affected economic pursuits, reform and development. Coupled with the distressing security situation through terrorism, political instability is compounding the challenges the continent faces.

Further, **Africa is plagued with an evolving fiscal and debt management crisis.** There has been considerable effort to implement fiscal consolidation in many African countries. However, debt levels are rising. The IMF (2019) states that the average debt-to-GDP levels on the continent is nearing 50%. According to the IMF Debt Sustainability Approach, 16 countries in Africa are classified as high risk. There are few countries that are over the 100% debt-to-GDP mark, including Congo, Mozambique, Sudan, Eritrea, Egypt and Cabo Verde). The Debt-to-GDP ratio's in oil-exporting countries have increased from 19% in 2013 to 43% in 2017 whilst oil importers have increased from 52% to 62% in the same

period. Africa is also in the midst of increase domestic resource mobilization, pointedly towards greater public investment. According to AfDB (2019), Africa has a major infrastructure deficit, of which the continent requires US\$130-170 million per year. Increases in infrastructure spend has put pressure on public resource allocation. The increased spending can also be attributed to other aspects, e.g. macroeconomic vulnerabilities and fluctuations, security- and terror-related activity. This has had a stressed effect on fiscal consolidation efforts. Few countries have achieved consolidation by improving its revenue base through better tax collection and moderating public expenditure. However, with rising debt concerns, further consolidation is necessary. Government spending would need to be prioritized towards achieving the development goals of the country, in alignment of the broader UN SDGs and the Agenda 2063 frameworks, whilst still being a catalyst to enhance private sector involvement in key social and developmental sectors.

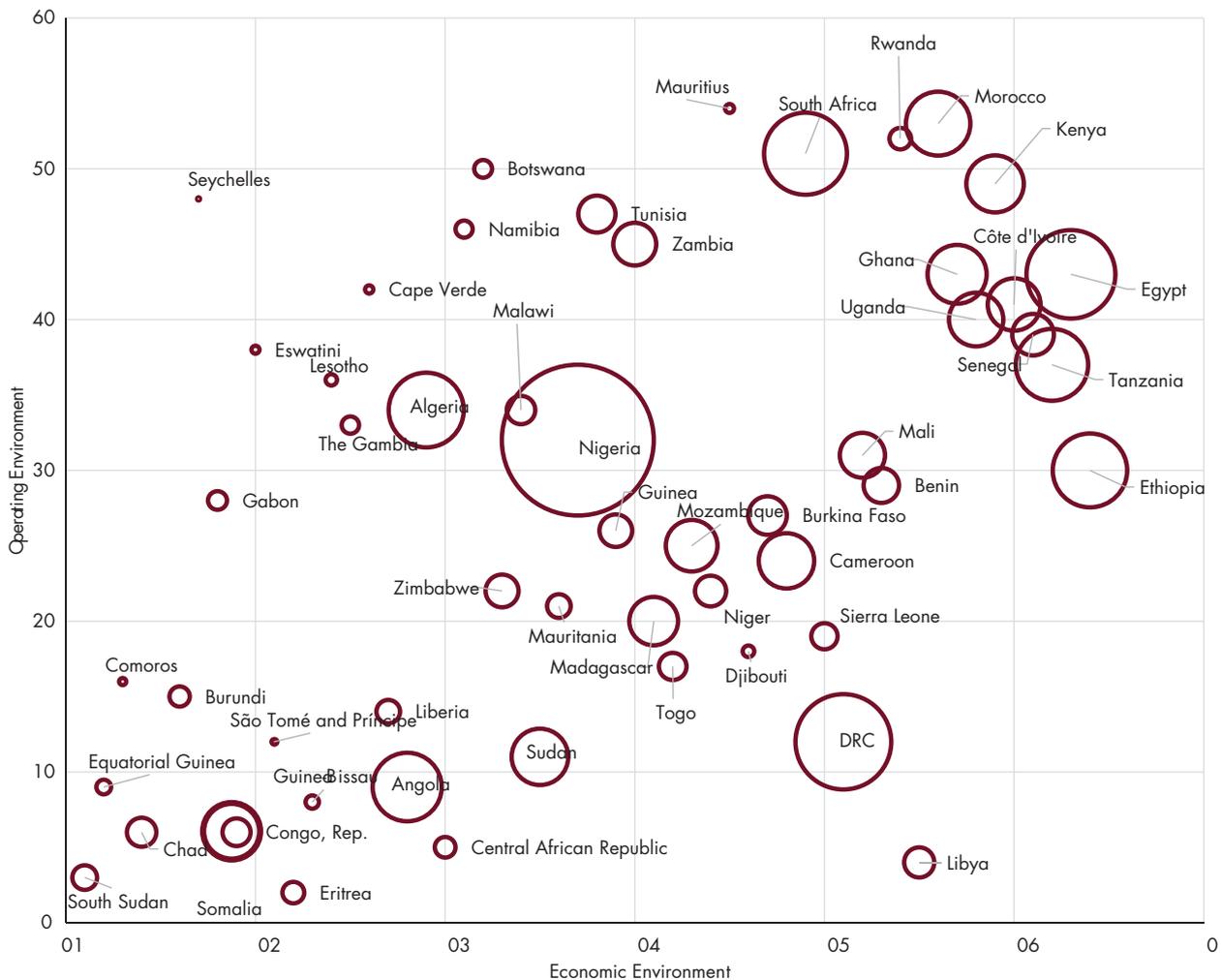
The continent has also has had irregular weather patterns, drought, natural disasters and unreliable rainfall, that has plagued development and progress of key sectors like agriculture. Most notably, this has had a severe effect on agriculture production throughout the affected regions. The agriculture sector is one of the biggest employers in Africa, e.g. the agriculture sector employs over 80% of the workforce in Ethiopia. The effects from droughts, floods, landslides and cyclones poses a noteworthy risk to the outlook. According to the World Bank (2019), Africa has experienced an average of 13 natural disaster events between 2000 to 2018. Recently, we have seen flooding in Malawi, cyclones in Mozambique, drought in parts of East and Southern Africa where an estimated 45 million people felt the compounding effects through food scarcity, a rise in food and transport inflation which left many destitute.

Macro Investor concerns

There are other inherent risks and concerns that potential African investors should be cognizant of. These **may hinder investor appetite to do business on the continent**. Doing business in Africa is complex, where the continent has 54 countries with diverse traditions, economic structures and ways conducting business, depending on which region an investor is looking too. According to the Doing Business Report (2019) of the World Bank, African countries perform poorly on many metrics, in comparison to the other 190 nations surveyed. The SSA regional average is placed at 141 out of 190 countries, where only seven countries feature in the top 100⁶. The greatest challenges investors are face include:

- Investors globally face the risk versus reward trade-off. In Africa, this is no different. The challenge here is pricing the risk versus the reward you attain. Due to a generally challenging investment climate, investors add a premium to their required returns for a project. These premiums can come in the form of a country risk estimation, which may include weak fundamentals, uneven growth pressure, poor credit environments, political and policy uncertainty and many other macroeconomic concerns.
- The generally poor regulatory frameworks and operating environment which may have a dire effect on the investment processes. As the author eluded too previously, the business environment in many countries is challenging. The Doing Business report states that in all ten metrics⁷, SSA nations rank below 100, with access to credit being the best ranked business metric (115). The figure below, analyses the operating environment in relation to the economic environment⁸ and provides insight to assist investors in assessing regional fundamentals relative to its business environment.

Figure 8. Africa's Business friendliness



Source: Authors Analysis, Oxford, World Bank, UNCTAD, WEF, IMF, UN Population Division, 2019 | Size of Bubble = Urbanized population in 2030 | Operating Environment refers to index of Competitiveness and Doing Business scores. | Economic Environment refers to index of Economic Growth, Market Size, FDI, Portfolio Flows, and Concentration Index

⁶These countries are Mauritius (20), Rwanda (29), Kenya (61), South Africa (82), Botswana (86), Zambia (87) and Seychelles (96). ⁷Starting a Business (122), Dealing with construction permits (125), Getting electricity (145), registering a property (131), Getting credit (115), Protecting minority investors (127), Paying taxes (129), Trading across borders (139), Enforcing contracts (128) and Resolving insolvency (126) ⁸Operating Environment: WEF Competitiveness and World Bank Doing Business Report Economic Environment: Market Size, Real GDP growth, Export Concentration, Portfolio Flows, FDI

- The lack of liquidity. This is a constraint that many African investors face. The lack of reserves in many African countries is alarming, where investors struggle to repatriate dividends or earnings. Similarly, it hinders on the business environment, where import payments become challenging. The global average for total reserves (months of imports) which measures the months of import cover from foreign reserves, according to the World Bank (2018) is 11.2 months, whilst in Sub-Saharan Africa, this average hovers around the 6 month mark.
- Embracing the culture: It is essential for investors to adapt to their target market conditions in order to realise long-term profitability and sustaining their businesses. Anthropology scholars like Moulton (2019) believe that there are more than 3 000 ethnic groups in Africa, with over 2 000 languages spoken. This translates into a vast amount of diverse value systems, cultural norms and behaviors that investors need to understand before venturing into a particular market.
- Poor Governance, Political instability and Corruption: This factor has been mentioned before, however this may be the biggest deterrent for potential investors on the continent. The author has investigated Africa's World Bank Group's Governance Indicators, in a regional comparison. Below highlights the average regional rank from a sample of African countries⁹ per region. The graphic highlights the governance challenges that investors may heed entering a particular target market or region.
- Lack of infrastructure: This is of major concern to investors on the continent. Accessing and opening up markets are key to drive the continents growth and development impetus forward. The lack of infrastructure creates bottlenecks in key markets, where investors are further deterred to do business in Africa.
- Funding Constraints: There are not many infrastructure and developmental opportunities that are fully funded. This is particularly the case in early stage investing. There are several high impact projects that never materialize due to lack of investor willingness in early stage funding. Africa is plagued by the lack of project preparation funding. More willing involvement is desperately needed in high impact early stage funding, where all types of investors can assess their risk and reward, whilst crowding in funds to address Africa's developmental agenda.
- Information and trust deficits: African projects generally do not have adequate information for investors to understand. This further hinders private sector willingness and involvement. Furthermore, African countries have experienced a period of trust deficit, making the regional project challenging. This includes, lack of policy and differing priorities, poor legal and financial frameworks for regional investment.
- Counterparty Risks: Building on the trust deficit experienced on the continent, many projects include partnerships between the public and private sector. Trust is required for the progression of the project.

Figure 9. Africa's regional governance indicators



Source: Authors Analysis, World Bank, 2019 | : Higher Score = Good, Lower Score = Poor

⁹East Africa: Ethiopia, Kenya, Malawi, Rwanda, Tanzania, Uganda • North Africa: Algeria, Egypt, Morocco, Tunisia • Southern Africa: Botswana, Mauritius, Mozambique, Namibia, South Africa, Zambia, Zimbabwe • West Africa: Burkina Faso, Cote d'Ivoire, Ghana, Nigeria, Senegal, Sierra Leone • Central Africa: Angola, Cameroon, DRC, Congo

Foreign Direct Investment patterns

However, contrary to these concerns and a mediocre global growth backdrop, according to AfDB (2019), total external financing inflows have increased in recent history, albeit, being very volatile. **Foreign Direct Investment (FDI) flows into Africa have risen.** According to UNCTAD (2019) despite a worldwide decline in FDI (-13%), Africa realized an 11% increase in 2017-18, albeit commanding only ~4% of FDI globally. This was after a poor investment period that ensued after the commodity cycle shock in 2015-2016. Long-term trends, however, show that FDI has been on a downward inclination as a consequence of global pressures.

The rise in FDI was mainly attributed to the rise in demand for commodities, as well as a recovery in prices. More significantly, UNCTAD (2019) saw a rise in non-resource investment. This trend is set to continue in the near to medium term as the much anticipated Africa Continental Free Trade Agreement (AfCFTA) which aims to bolster Africa trade and investment, comes into effect. Accompanying this is the rise in Special Economic Zones (SEZs) in Africa. It is estimated that there are more than 200 SEZ's on the continent that draw further investment whilst shielding investors from some of Africa's policy and regulatory woes. The figures below depict the major African inflows

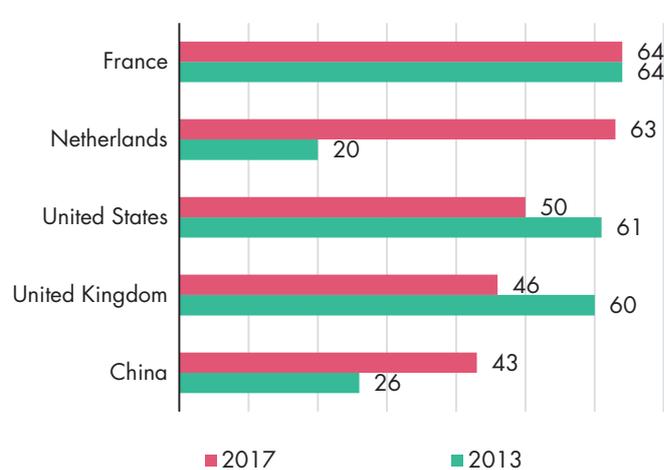
and list the continent's major trading partners. The make-up of Africa's main trading partners further expedites the vulnerability to the externalities the continent may face. On the back of the global financial crisis and further financial pressures in advanced economies, FDI patterns may shift in favour of the continent as investors rebalance their portfolios.

Over the last two decades, Africa has built up a considerable reliance on Official Development Assistance (ODA) to finance its development and growth. AfDB (2019) states that East and West Africa are the main recipients of ODA. Albeit, ODA has declined since 2013, according to AfDB (2019), from US\$52bn to US\$45bn in 2017. This decline has been offset from other flows such as remittance. Remittance grew by 13% to c.US\$70bn in 2017, with Nigeria receiving the largest portion of flows. Portfolio flows on the other hand, have been extremely volatile due to global instability. According to World Bank data (2018), net portfolio equity inflows fell by more than 90% from 2017 to 2018. Weak and volatile investment patterns plague Africa's continuous and sustained development. Despite some periods of strong investment appetite, flows have not been consistent enough to enable inclusivity, the reduction in poverty rates, to create substantial jobs and to impact positively on economic growth and development.

Figure 10. Africa's largest recipients of FDI Inflows (US\$ bn)



Figure 11. Africa's main trading partners (US\$ bn)



Source: UNCTAD, 2019



Investment Attractiveness Rankings

There is much to evaluate whilst investing in Africa. There are several measures to assist investors to measure the attractiveness of each country or region as an investment destination. Most notably, RMB's annual publication, *Where to Invest in Africa*¹⁰, and the *Africa Financial Markets Index* by ABSA, in partnership with the OMFIF,¹¹ are instructive guides. These publications assess capital markets and are targeted to investors, asset managers and policy makers around the world. According to RMB (2019), Egypt (1st), Morocco (2nd) and South Africa (3rd) were the most attractive, whilst ABSA et al. (2019) found that South Africa (1st), Mauritius (2nd) and Kenya (3rd) were the most attractive in 2019.

Figure 12. Rand Merchant Bank Investment Attractiveness Rankings

Country	Rank 2019	Rank 2018
Egypt	1	1
Morocco	2	3
South Africa	3	2
Kenya	4	5
Rwanda	5	6
Ghana	6	9
Côte d'Ivoire	7	10
Nigeria	8	8
Ethiopia	9	4
Tunisia	10	11

Source: RMB Where to Invest in Africa 2020

Figure 13. ABSA Africa Financial Markets Index

Country	Rank 2019	Rank 2018
South Africa	1	1
Mauritius	2	4
Kenya	3	3
Namibia	4	6
Botswana	5	2
Nigeria	6	5
Tanzania	7	15
Zambia	8	8
Rwanda	9	11
Uganda	10	10

Source: Africa Financial Markets Index: <https://www.omfif.org/afmi19/>

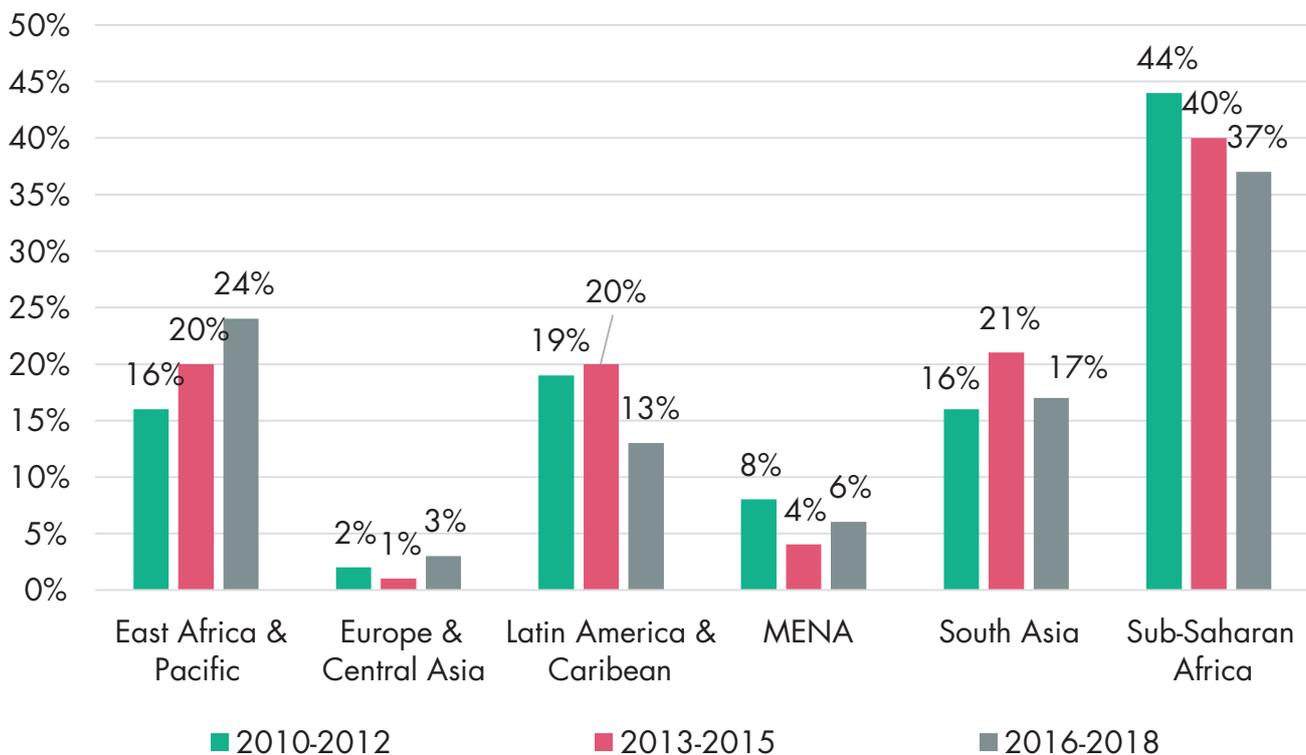


¹⁰RMB Where to Invest in Africa 2020: <https://www.rmb.co.za/landing/where-to-invest-in-africa> ¹¹ABSA Africa Financial Markets Index: <https://www.omfif.org/afmi19/>

2. Africa’s Impact Investing Landscape

Africa’s growing developmental agenda, aligned to the objectives of the UN SDGs and AU Agenda 2063, provides substantial opportunity for investors to establish its role in responsible investing that heeds not only a financial returns, but a social return as well. In light of this, impact investing is becoming a crucial mode to deliver Africa’s developmental agenda. **Impact investors are uniquely placed to invest in projects, companies and investment sectors and themes that allow the SDG and Agenda 2063 framework to progress and ultimately be realized.** Today, there is a growing recognition and need for impact investing. More traditional investors are heeding the call and transforming their mandates and strategies, aligning them to global development goals and allowing for impact to take place. Similarly, there are more institutions, like asset managers, that are partnering with Donors, Philanthropic funders and DFI’s to create long-term environmental and social development. These are coupled with the growing recognition and encouragement of responsible investing practices, predominately through an ESG framework. In essence, the potential to make a difference to global and African challenges, like poverty reduction, climate change, financial inclusion and food security, whilst generating a commercial return speaks to the modern investor. The impact investing market is growing rapidly and attracting more interest from the mainstream commercial financiers. According to GIIN (2019) in their *Annual Impact Investor Survey 2019* of the 266 impact investors, respondents represented US\$239bn in impact assets in which currently a relatively even split between emerging and developing assets ensues. As the landscape globally begins to grow and flourish, impact investors are playing a greater role in Africa. There are multiple types of investors across the spectrum and value chain of funding. The figure below explores the various spectrums of investing. The industry is seeing a convergence between social and financial value, with the core intention to amalgamate both. Impact investing takes place when these two principles merge. The sector is seeing more convergence, partnerships and the adaptation of investment strategies towards impact investing. To take stock of the landscape in Africa through the funding value chain, an analysis of the types of investors follows.

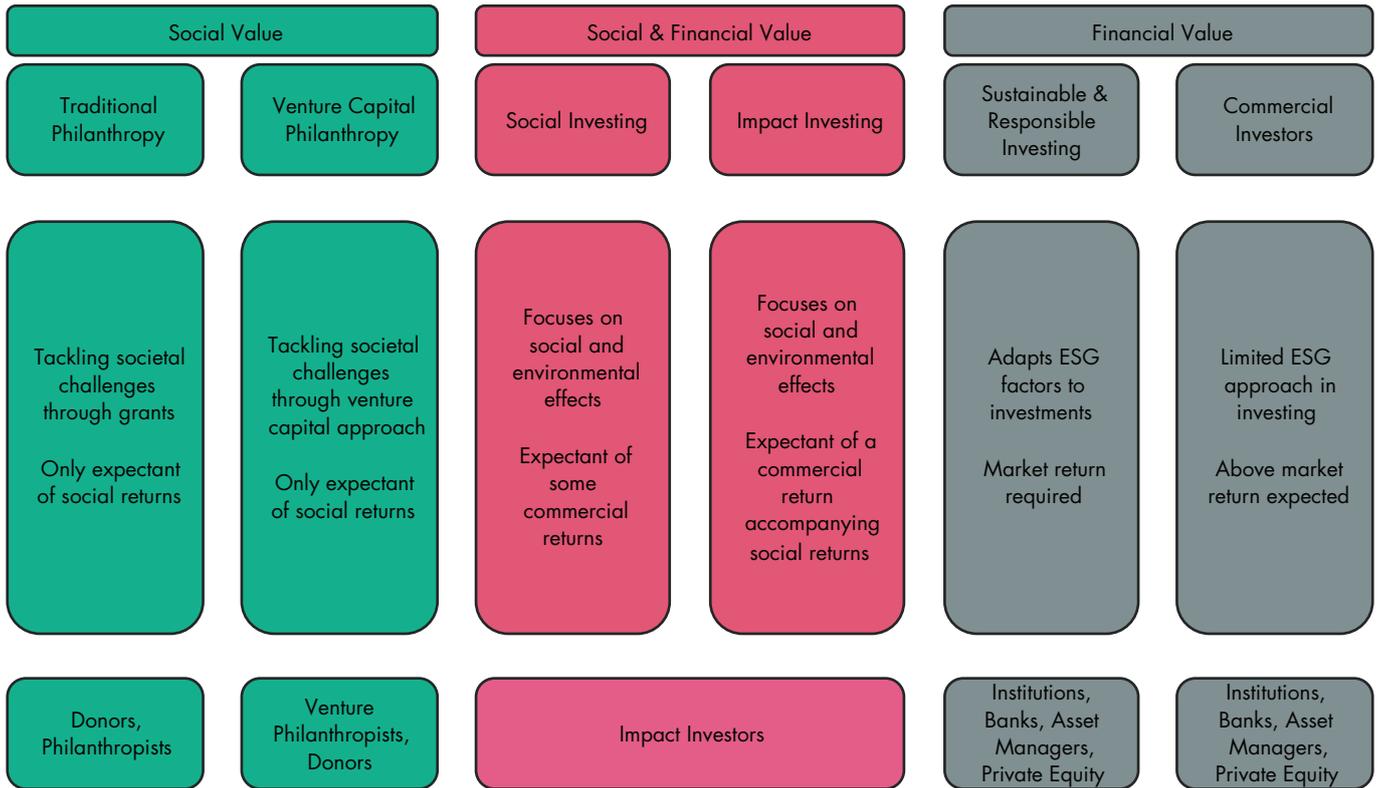
Figure 14. Blended Finance (% of Transactions)



Source: State of Blended Finance, Convergence Blended finance

Blended Finance models have declined in SSA recently, with Asia having a significant uptick.

Figure 15. Investment Capital Spectrum



Source: Authors adaptation of OECD (2019)

Development Finance Institutions (DFIs): DFIs are arguably the most prominent impact investors on the continent. Many of their mandates are directed towards poverty alleviation. DFIs are traditionally government-owned organizations that are instructed to invest in the private sector. According to Bostock (1991), DFI activity on the African continent can be tracked back to 1946, and has evolved since then. Qobo and Soko (2015) state that DFI activity were premised on finding solutions for market failures and evolved into one that now focuses on developmental challenges (Massa, 2011). Today, Africa is humming with domestic and international DFI activity. One of Africa’s largest DFIs, the African Development Bank (AfDB), was formed in 1964, and partners with c.80 countries. It has played a pivotal role in driving and developing African countries, socially and economically. DFIs now have a pivotal role in contributing to Africa achieving the SDGs and Agenda 2063 objectives (Savoy, 2016).



Table 2. AfDB High 5 Priorities with SDG Alignment¹²

AfDB High 5 Priority Areas	SDG Alignment
Light and Power Africa	3. Good Health and Wellbeing 4. Quality Education 5. Gender Equality 7. Affordable and Clean Energy 9. Industry, Innovation and Infrastructure 13. Climate Action
Feed Africa	2. Zero Hunger 5. Gender Equality 13. Climate Action
Industrialize Africa	5. Gender Equality 7. Affordable and Clean Energy 8. Decent Work and Economic Growth 9. Industry, Innovation and Infrastructure 12. Responsible Consumption & Protection
Integrate Africa	6. Clean Water and Sanitation 9. Industry, Innovation and Infrastructure 17. Partnerships for the Goals
Improve the Quality of Life for the people of Africa	3. Good Health and Wellbeing 4. Quality Education 5. Gender Equality 6. Clean Water and Sanitation 8. Decent Work and Economic Growth 10. Reduced Inequalities 11. Sustainable Cities and Communities

Source: AfDB, 2019

AfDB has aligned their objectives to the SDGs through their *High 5 priority areas and their Ten Year Strategy (2013-2022)*. The priority areas are also underlined in the Agenda 20163 agenda. Thus far, the AfDB's project database (2019) indicates that majority of their commitments have been in the transport sector followed by multi-sector and power projects. A fifth of their investments are in agriculture.



¹²More information on AfDB's High 5 Priority Areas: <https://www.afdb.org/en/high5s>

Spotlight: The Lower Usuthu Irrigation Project (Phase I and II)



The agricultural sector is the second largest contributor to the economy of Eswatini after the manufacturing sector. To empower agricultural communities to improve their quality of life, the Government has prioritized projects that promote commercial agriculture by enhancing the participation of smallholder farmer organisations in irrigated commercial agriculture and private sector development. This it does by providing innovative services in infrastructure development and management, finance as well as expertise to public and private entities. In doing this, the Government works with communities, the private sector and development partners such as the African Development Bank (AfDB).

The project:

The overall goal of the lower Usuthu Irrigation Project is to reduce poverty in the project area by transforming subsistence farmers into commercial farmers in the irrigated perimeters that produce both food crops and cash crops (mainly sugar cane). The entire LUSIP is aimed at diverting part of the Usuthu River's peak flow to a storage tank with a capacity of 155 million cubic meters out of the riverbed. The stored water is then used for downstream irrigation. Phase I of the project was initiated in 1999 and supported by a group of donors that included AfDB, European Union, IFAD, DBSA and BADEA and was completed in 2010. Implementation of Phase II of the project began in 2017 and is currently ongoing. Besides deepening efficient water resources management through optimal use of facilities constructed in Phase I, the project is aimed at stimulating the growth of the local economy through higher production, provision of job opportunities and increased income. Besides the AfDB, Phase II has attracted other financiers such as the European Investment Bank, BADEA and the Kuwait Fund.

Results:

The following results, directly linked to the SDGs were realized from Phase I activities of the project:

- Infrastructure with ability to impound, store, and distribute 155 million cubic metres of water per annum.
- Approximately 115 farmer-managed institutions benefitting 4600 households.
- All households in the project area with access to potable water and sanitation facilities.
- 19,397 people (2,711 households) have an improved access to sanitation facilities; 14,646 people (2,186 households) now have access to clean and potable water, which substantially reduced the occurrence of some water borne diseases such as diarrhoea, which were previously a major issue due to the low quality of the water people used for drinking and cooking.

Phase II activities aim to transform about 5217 hectares of land from its present use of semi-subsistence level farming into diversified commercial cash cropping. It will also contribute to raising agricultural productivity and growth in the agriculture sector, and significantly increase the food and nutritional security and incomes of the 2,259 (at least 50% women) additional rural households.

Source: AfDB



Furthermore, DFIs play an important role in the direction of capital flows, where their mandate allows for investment in higher risk areas and where poor credit quality is normally apparent. These are typically destinations that traditional investors find unattractive and risky. However, scholars are only now understanding the effects of DFIs on the continent. The effects on poverty reduction through DFI commitments were generally seen to be indirect and hence, were difficult to measure. Few empirical and *ex-ante* studies have been conducted over the last few years. Through econometric estimation techniques, scholars have found that DFI activity has had a positive effect on the growth patterns of Africa (Massa, 2011, 2016). DFI mandates allow for investments across various sectors, like agriculture, to tackle the food security crisis, social infrastructure sectors (housing, healthcare, education), water and sanitation; and economic infrastructure such as roads and rail. Some projects are regionally diverse, spreading over countries and jurisdictions and multi-sectoral. DFIs have been a catalytic investor for African projects. This has been done through partnering and crowding in other investors. Domestic examples of DFIs are AfDB, Afrieximbank, Trade and Development Bank, Ecowas Bank, the Africa Finance Corporation, the DBSA and the IDC, amongst many others. International DFIs active on the continent are the World Bank, IFC, Praparco and the DEG. International DFI interest in Africa is growing substantially. According to the IFC's project database, since 1994 c.20% of their global projects are invested in SSA. These DFIs will have priority sectors and strategies and deploy their capital through debt financing, mezzanine, concessions, guarantees and equity and quasi equity instruments.

Spotlight: Kenya Pipeline Company Limited



DBSA Provided a USD35 million loan

The project entailed the replacement of a 450km corroded multi-product fuel pipeline running between the towns of Mombasa and Nairobi in Kenya. This pipeline had been in existence for 39 years and was approaching the end of its lifecycle. It had significant mechanical damage and corrosion to the pipeline which led to capacity constraints resulting in the need to develop the replacement pipeline. The new green field multi-product pipeline would be six inches wider than the previous one. Complementary to the construction of the new pipeline was the construction of fibre optic cable along an existing servitude, installation of two new mainline pumps and two booster pumps, and additionally the erection of outdoor 66/33kV switch yard.

- The completed pipeline was commissioned in 2016 and has so far had the following outcomes;
- Increased fuel flow rate from 880m³ per hour to 1,000m³ per hour.
- Increase KPC's throughput from 5.055 million m³/annum to an average of 6.4 million m³ in 2016/17.

The pipeline reduced national traffic by almost 700 oil tankers per day, this resulted in significant emission reduction and increased the life of the roads between Nairobi and Mombasa.

Source: DBSA





Institutional Investors: the second type of impact investor emerging is the institutional investor. These are typically big investors that manage a considerable amount of capital flow. Furthermore, these institutions are highly regulated and governed through their mandates from their clients. Today, more institutional investors are starting to embrace sustainable and responsible investing directed through many forms of ESG frameworks. Social Responsible Investing (SRI) is premised on ethical investments that has both a financial return and social value accompanied. The SRI mandate of these investors are aligned quite closely with the principles of impact investing. However, institutional investors' allocation to SRI and impact investing will be governed by their mandates that are agreed with by its clients and shareholders. The conventional types of institutional investors are banks, insurers and pension funds. Generally, these institutions are risk-averse and tend to minimize risk whilst seeking investment projects. In light of this, these investors generally participate through a fund-of-fund structure, co-investments or alongside DFIs and other institutions. Institutional investors are also seeing regulatory changes to allow an increase in unlisted investments which can pave the way to the impact sphere. Typically, institutional investors will enter the funding value chain near the bankability and financial close stages of projects. These players often invest using a wide range of financial instruments, debt and/or equity in varying impact sectors. Towers Watson (2017) state that emerging market pension funds are seeing rapid growth. However, only South Africa's Government Employee's Pension Fund cracks the top 20 global pension funds, with over c.US\$130bn in assets. More pension fund assets could be utilized to push impact forward.

Public Investment Corporation

The Public Investment Corporation (PIC) is a state-owned asset management that invests in different sectors across Africa. The PIC's notion is reinforced by a firm commitment to apply Environmental, Social and Governance (ESG) elements when investing. The PIC believes in sustainable investing that transforms and contributes to the African economy.

Social Impact 2019

- Employment**
 - 138316 jobs were created of which:
 - 54717 permanent employment was sustained, 16870 of temporary employment was created as well as 66729 undisclosed
- Properties**
 - 11 number of properties indirectly held
 - R1, 085, 636, 982, 68 spent on SME's properties
- Education**
 - A total of R547, 000,000 was disbursed to students in need.
 - A total of 11964 student beds were provided

- Agriculture**
 - 137 number of emerging farmers were supported
 - 1542 number of farmers now have access to education (farm workers & their children)
- Housing**
 - A number of 105 housing projects were funded
 - A number of 64, 935 houses were constructed
- Healthcare**
 - 24 number of hospital projects
 - 2097 number of beds available in hospital projects

Project Development Partnership (PDP)

PDP Fund is to ensure that project development and early stage funding gap is closed to catalyze inclusive economic growth, with a focus on innovation and youth.

It aims to enhance the PIC investment pipeline and support related government initiatives. If successful, it will increase global, domestic, private and public sector investment into early stage companies.

The PDP Fund has potential of creating and supporting between 10,000 – 12,000 jobs

Advanced & Pioneer Ventures (APV)

APV invests in technology companies that make use of platinum group metals, (PGMs), to solve global challenges. Research has shown that PGMs play a role in addressing macro challenges directly linked to the SDGs such as renewable energy.

The focus areas for the APV investments include PGM-powered technologies such as:

- Food preservation,
- Sensors & durable electronics,
- Water treatment,
- Biomedical applications.

The impact focus areas include growth of the local PGMs sector, translating to direct and indirect job creation, emerging manufacturing market localization, transfer of skills, expertise, and growing demand and sustainability of the PGM sector which is currently the largest mining employer in South Africa.

Spotlight: South Point Management Services

In 2015, the PIC acquired South Point Management Services (SPMS) as part of its Impact Investing mandate to invest in projects that address the social needs of South Africa. With 10,000 beds under management (seeking to expand to 50 000 student beds), the company was and still is the most experienced team to manage large-scale student accommodation throughout the country. PIC is partnering with SPMS to significantly increase student accommodation beds in urban and peri-urban areas. The current projects are expected to create more than 20,000 temporary jobs and 1,500 permanent jobs. Further impact will be seen through providing high-quality accommodation to previously disadvantaged students. Supporting a high proportion of first-generation students from rural areas; facilitating support structures and providing an environment conducive to learning and supporting the national agenda of universal access to tertiary education.

Source: PIC



Spotlight: Futuregrowth Agri Fund



The PIC has invested R700 million in agricultural land, together with Old Mutual (R762 million) through a fund managed by Futuregrowth with the United Farmers Fund as fund advisor. The Fund is aimed at providing investors with solid financial returns by investing in farmland and agricultural infrastructure, while at the same time creating jobs, alleviating poverty through rural economic development, empowerment of farm workers, and contributing to environmentally responsible farmland operations in South Africa. The Fund aims to identify underdeveloped farm land with the aim of developing this land by setting up the relevant infrastructure in line with a development plan. Operators are required to provide healthcare and educational programmes through CareCross and Open Learning Group (OLG) to farm workers and their dependants. CareCross provides affordable primary care, which includes an HIV/AIDS disease management programme. Through OLG, the Fund provides adult basic education and training (ABET) (numeracy, financial literacy and basic computer skills), as well as life skills training, and provides extra packages to talented employees who are identified.

Source: PIC

Philanthropic Investors, Donors and Foundations: According to the World Bank (2018), these investor types have played an essential role in the foundation of impact investing. The philanthropic nature of these investors allows them to develop innovative strategies to invest capital. Funding through these channels are generally early stage seed capital to develop the project or idea, for further investors to be crowded in. According to Koh *et al* (2012), few impact investors are prepared to fund early stages of projects. A study from Monitor Africa (2018) found that only 84 impact funds were giving early stage capital. In essence, this bodes for a crucial role for foundations in the funding value chain. The donor and foundations work in Africa is exponentially increasing as they are seeing further opportunity to catalyze funds. For example, The Bill and Melinda Gates Foundation formed a partnership in Africa with the European Union in 2018. A further EUR 100million was committed by the foundation in an effort to assist in health projects on the continent. They have also teamed up with the European Union to finance small-holder farmers. These investors predominately fund through grants but also through debt and equity instruments. Some of the best-known foundations are the Bill and Melinda Gates Foundation, Tony Elumelu Foundation and the Rockefeller Foundation.



Spotlight: The Africa Venture Philanthropy Alliance (AVPA)



The Africa Venture Philanthropy Alliance (AVPA) aims to improve lives in Africa by increasing the flow of Financial, human and intellectual capital into social investments for greater and more sustainable social impact. We aim to enable collaboration along the continuum of capital between the various social investors, from Philanthropists to impact investors, debt and equity providers so as to maximise social impact in Africa. AVPA is part of a global network that includes our sister organisations, EVPA (European Venture Philanthropy Association), AVPN (Asia Venture Philanthropy Network) and a soon to be formed Latin America Association thus bringing together a powerful network of global social investors for greater collaboration and transfer of learnings across common problem areas. AVPA will soon be embarking on an African Social investment landscape Study that will amongst other things, aim to map out the overall social investment landscape in Sub Sahara Africa, the key player segments across the continuum of capital and enablers and barriers to collaborative social investing. This will enable the various social investors to have a better understanding of the continent's opportunities for collaboration amongst themselves to create and maximize sustainable social investments on the continent.

www.avpa.africa

Source: AVPA

Spotlight: Impact Investing South Africa (IISA)



South Africa finds itself at a tipping point where a large-scale, cross-sectoral, coordinated effort is required to achieve the type of inclusive growth that will address the destabilising forces of poverty and inequality. A new compact is necessary to mobilise private capital and increase the efficiency of fiscal spend for public good. Impact Investing South Africa (IISA) is this compact; it was instituted as a voluntary, multi-stakeholder partnership to promote public-private coordination in growing domestic impact investment.

The Taskforce is comprised of 17 individuals representing private capital supplies, enterprise support, financial intermediation, public policy, and academia. It was initiated by the UCT GSB Bertha Centre for Social Innovation and Entrepreneurship in partnership with the Ford Foundation. The Bertha Centre still provides the secretariat for IISA. This powerful group of people is supporting a series of public and private sector strategies to, for instance, launch a wholesale impact investing fund, create a national standard for impact measurement and management, increase the pipeline of investable opportunities, institute a national awareness campaign for impact investing, etc.

Through IISA, South Africa became the first African member of the Global Social Impact Investing Steering Group (GSGII) in 2018 and has received the hosting rights for the GSG Summit 2020 in Johannesburg South Africa. This will be the largest impact investing event on the African continent to date. Locally, the Taskforce has twice been invited to host an impact investing forum in conjunction with the South African Investment Summit, initiated by President Ramaphosa. The forums shine a light on impact investing and contributes to the increasing growth of the market.

Source: Impact Investing South Africa







The National Taskforce for Impact investing South Africa (IISA)

Host GSG SUMMIT 2020 in Johannesburg

Create marketing campaign to spread the impact investing message to wider market

Develop long-term strategy for IISA

Supply of Capital

Demand for Capital

Impact Measurement and Management

Working Group 1: Supply-side

Purpose

To identify and address barriers to impact capital supply and generate actionable recommendations for stakeholders in order to increase the supply of impact capital across asset classes and the risk return spectrum

Flagship projects
feasibility study of Wholesale Fund for the South African market

Working Group 2: Foundations

Purpose

To increase local foundations engagement with impact investing by way of their grant/catalytic capital as well as their endowments.

Flagship Projects
Scoping study of the South African Education Outcomes Fund
Advocacy and knowledge development campaign
Regulatory engagement strategy

Working Group 3: Demand-Side

Purpose

To support the development of a pipeline of businesses seeking to address challenges associated with NDP/SDGs

Flagship Projects
Developing and impact investing opportunity map
Scoping study of an Online Ecosystem
Feasibility study for early stage high impact fund.

Working Group 3: Demand-Side

Purpose

To support the development of a pipeline of businesses seeking to address challenges associated with NDP/SDGs

Flagship Projects
Shared metric system for a set of key sectors aligned
Roadmap for relevant Stakeholder groups for implementation of impact measurement and management recommendations

Source: Impact Investing South Africa

Spotlight: The 17Africa Initiative

The 17Africa Initiative is an exploration into creating a model financial services intermediary that will bring an appropriate set of skills and products to the challenges of funding projects and enterprises that contribute to achieving the SDGs. The Initiative, supported by the Shell Foundation, the Omidyar Network and the UK Department for International Development (DfID), is an effort to help reshape a tired, conventional approach to funding economic growth and prosperity in Africa.



Targeting Change Maker investors around the world, 17Africa is intent on addressing the challenges and impediments that hinder the kind of inclusive growth and development that the SDGs were created to achieve. The Initiative is designed to mobilize a greater quantum of SDG targeted capital in Africa. From structuring innovative investment products into investment portfolios that reach the deeper end of impact to advancing the work of the IMP in managing and measuring impactful outcomes, 17Africa is building open source intellectual property and methodological tools to benefit a wider universe of actors in unlocking greater catalytic capital in Africa and beyond.

Source: Osmosis Investment Management

Spotlight: Mosun Layode



African Philanthropy Forum

Philanthropy on the African continent is evolving, given the emphasis on organized giving, as well as the growth in the number of High Net worth Individuals (HNWI) on the Continent who recognize the need to engage in more systematic and strategic philanthropy. According to the World Wealth Report, the population of HNWI in Africa in 2018 was 167,970 with a combined wealth of \$1.7 trillion USD. The size of the HNWI population increased by 6.9% from 2017, while wealth increased by 10.3% making Africa the fastest growing market of HNWIs in the world, even ahead of Asia. This is a welcome development as aid to Africa is shrinking and inequality increasing; consequently, philanthropic capital can transform Africa through strategic giving, social investing and informed advocacy.

In the past, there was a clear cut delineation between philanthropy and social impact investing as they existed in separate silos. However, with the enormity of the challenges in Africa, which require significant investments to move the needle on development and reach millions, the two are becoming closely related:

1. Philanthropic capital can fund early stage ideas to the point where they become attractive for impact investors to make big bets on some of the most persistent problems in Africa
2. Impact investing has the potential to generate returns that will increase the pool of resources available to fund systems change in a sustainable manner
3. As Africa faces an annual funding gap of \$500 billion required to meet the SDGs, it is clear that philanthropic capital is insufficient to close the gap; consequently, impact investment has the potential to generate returns that will contribute to closing this gap

Philanthropy and impact investment can coexist as shown by the increasing number of philanthropists exploring both options. With the range of investment opportunities in the social sector, philanthropists who would typically have given grants without expectations of financial return now have the opportunity to continue with that, while leveraging impact investments to scale their work and generate funding to increase reach and impact.

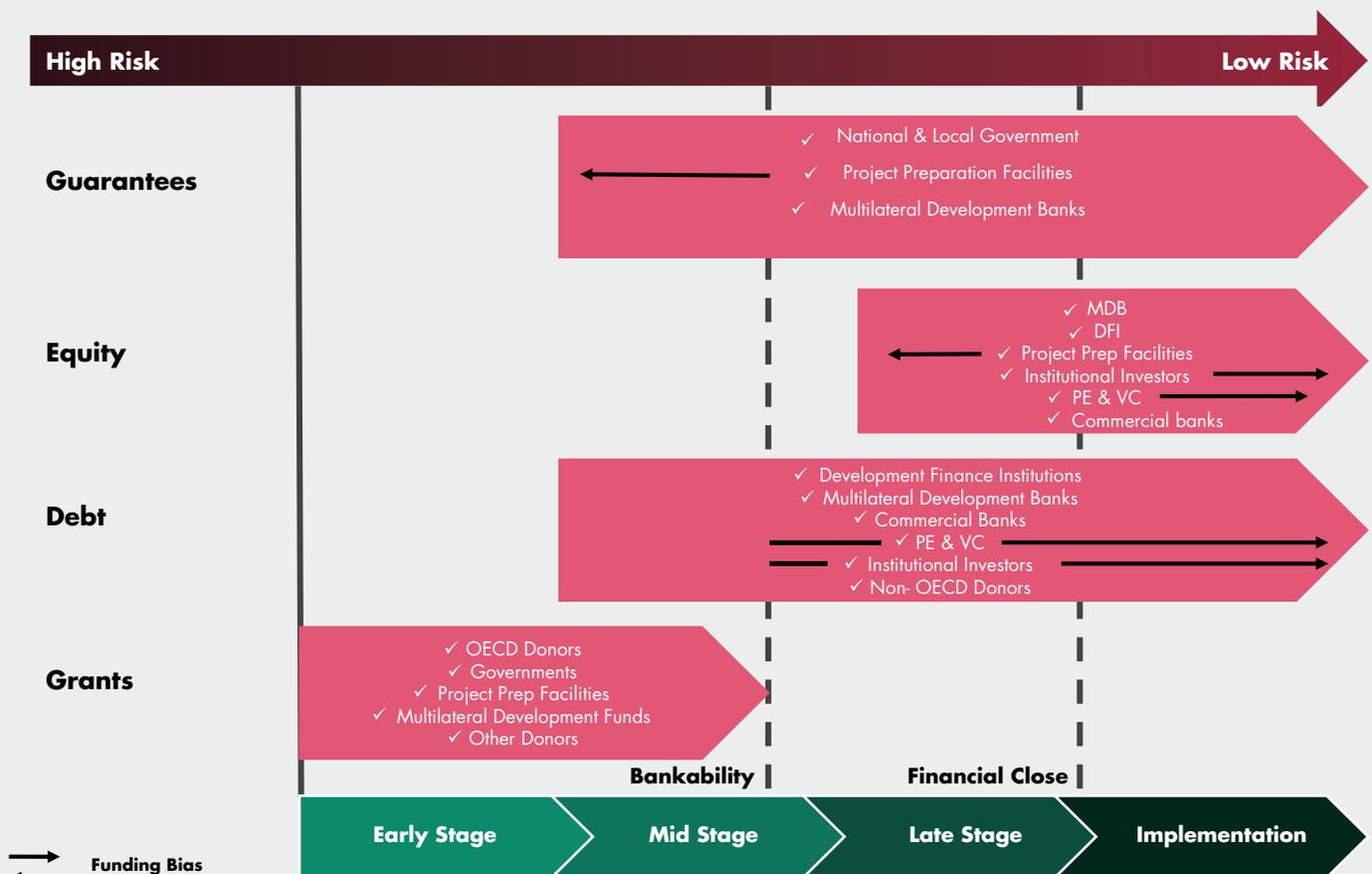
Source: African Philanthropy Forum



Asset Managers (incl. Private Equity): Private Equity players in Africa have traditionally focused on capturing financial returns, whilst enabling the growth of a venture/business. Institutional investors have generally been key investors into PE funds, as their mandates are beginning to attract further unlisted investments as they seek a lower risk environment with a financial return. Of late, they have also garnered interest from DFIs, as PE funders have recently advocated the need for further impact investing in their funds. This is due to the growing demand to pursue the SDGs within Africa. PE fund managers, like pension funds, are arguably well-suited for impact investment in Africa due to the duration. The average holding period for investments according to AVCA (2018) is 6.5 years. The longer nature of cash flows allows for further and measured social enterprise to take place. PE managers generally use both equity and debt instruments in their funding models, whilst being sector agnostic. PE managers have the opportunity to catalyze and contribute meaningfully to Africa’s cross-sector developmental agenda.

Each of the investor type mentioned above enters the funding story at different stages of the project. The figure below highlights the various stages of funding, and where each investor typically partakes.

Figure 16. Funding Stages



Source: Authors Adaption of ICA, 2015





2.1. Market Sizing, Capital Stack and Activity

The global market for impact investing has grown considerably over the last decade. According to the study by the GIIN (2019) into the supply of capital, the Assets under Management (AUM) for impact investing at the end of 2018, is estimated at US\$ 502bn. Further, it showed out of 1 340 investor-types, 64% were asset managers, with only c.20% foundations and 2% DFIs. Furthermore, c.50% of impact capital were from asset managers.

Figure 18. Split of Global Impact Investors (n = 1 340)

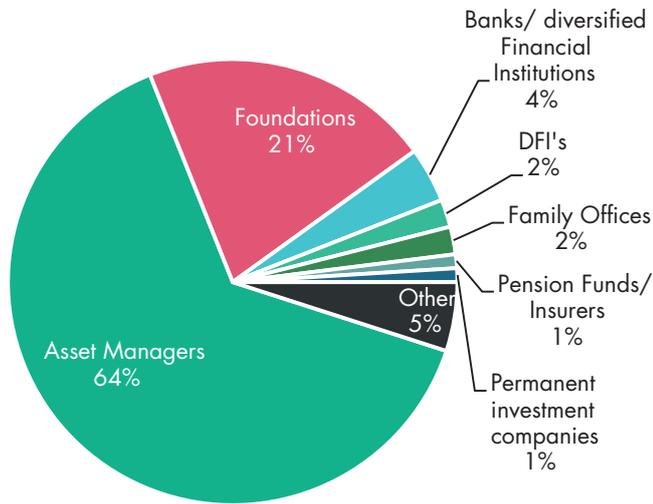
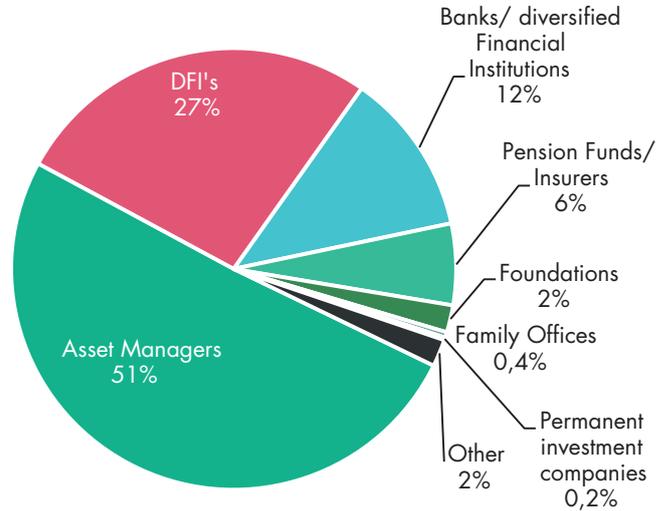


Figure 17. Split of Global Impact AUM (n = 1 340)



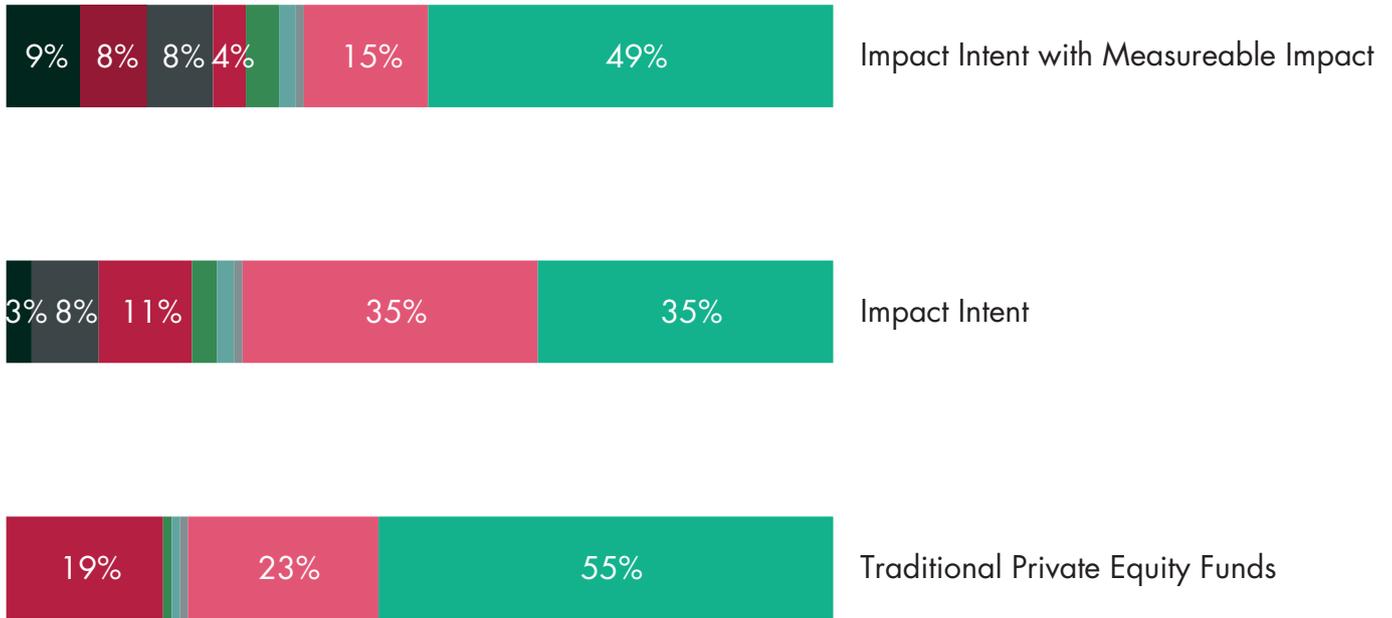
Source: GIIN, 2019

This statistic is significant and proves the measurable shift and growth in impact investing from the traditional donor and DFI foundations, to asset managers who, conventionally were seeking only financial returns. This signals a remarkable change of investment mandates across the globe. It also signifies that the global development agenda is gaining traction amongst all investor types where impact investors are opting for specialized fund managers¹³. A study by the IFC (2019) found that impact investors were focused on the infrastructure sector, particularly in the developed economies, whilst in emerging markets, less than 10% of impact investors had an infrastructure-sector focus. Since Africa has a deep infrastructure deficit (AfDB estimates stands at US\$130-170bn a year), this poses a significant opportunity for impact investors to participate in this sector. An IFC study (2019)¹⁴ found that of the US\$71bn raised capital for impact intent and measurement funds, impact intent funds have raised over US\$130bn between 2008 and 2018. The study also found that impact funds have targeted more investments in emerging markets than traditional PE fund managers. This suggests the willingness of impact funds to invest for development and the fulfillment of the SDGs. Most funds are, however, still **directed towards developed markets, like North America and Europe, with Africa only receiving 8% from impact funds**. According to the IFC, there is an estimated US\$ 269 trillion available for investments to create impact and to be directed at achieving the UN SDGs, and only 10% is being utilized for social and environmental value creation.



¹³Sizing the Impact Investing Market by GIIN (2019): <https://thegiin.org/research/publication/impinv-market-size> • ¹⁴IFC: Creating Impact – The Promise of Impact Investing: https://www.ifc.org/wps/wcm/connect/publications_ext_content/ifc_external_publication_site/publications_listing_page/promise-of-impact-investing

Figure 19. Target Investment Regions of Various Funds (Share of fundraising, 2008-18)

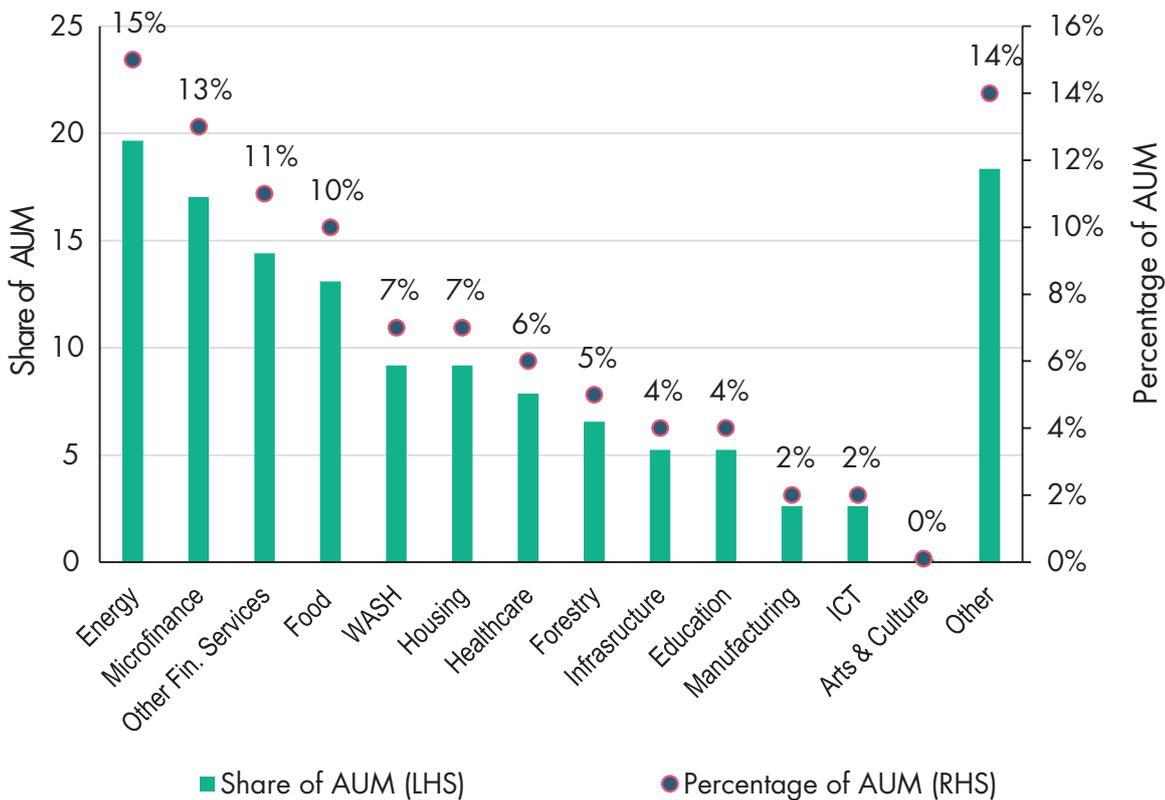


■ Global ■ EM ■ Africa ■ Asia ■ Latam ■ Oceania ■ Middle East ■ Europe ■ North America

Source: IFC, 2019 | Impact Intent with measurement are funds that managed for impact intent and to create measurable impact

Further evidence to support the IFC study, the GIIN (2019) annual survey shows impact investing activity from 266 impact investors, managing c.US\$239bn, where allocation has been evenly split between developed and emerging markets. However, almost a third of respondents are from North America. According to the report, about 13 000 investments were made in 2018, recording a 4 year CAGR of 15%. Further, the study shows that, *excluding outliers and three investors that did not share information*, from the total AUM of US\$131bn, the most active sector was energy (15% of AUM), micro-finance (13%) and other financials (11%).

Figure 20. Global Impact Investor sector preferences (Share of US\$131bn; n= 259)



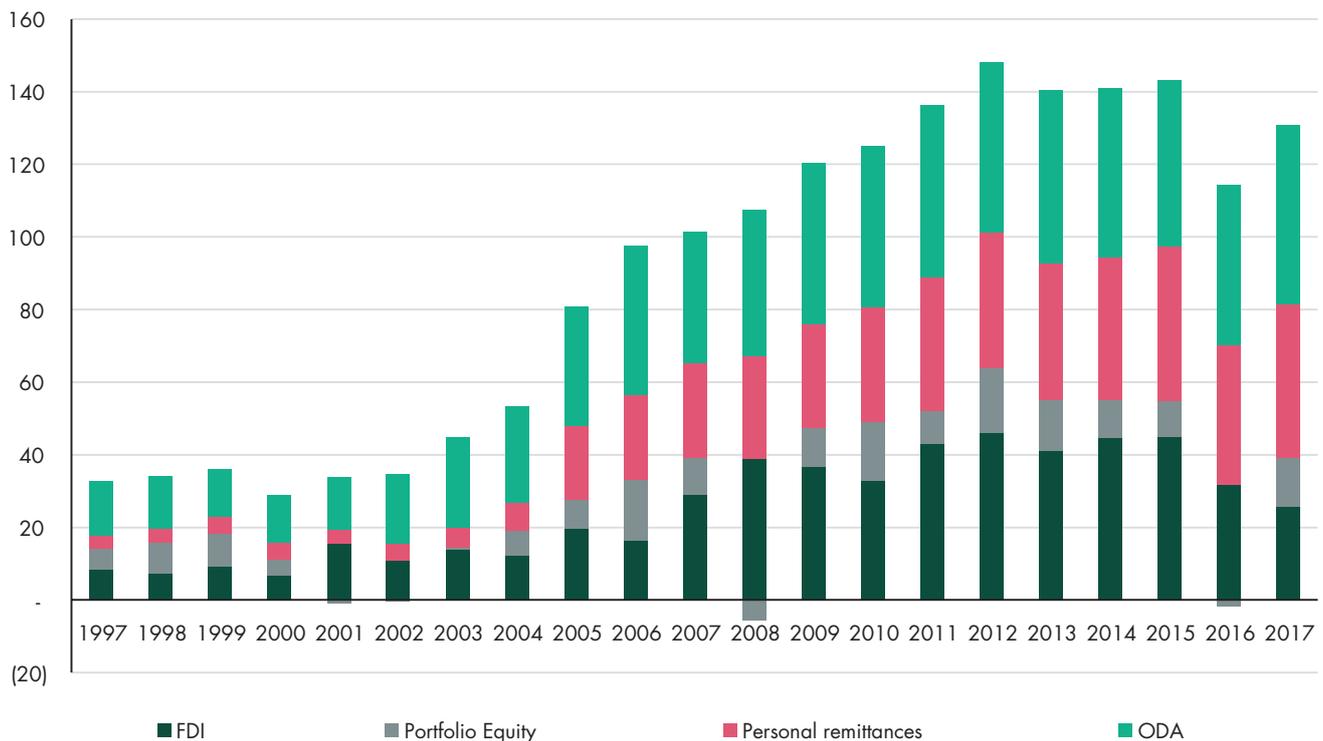
Source: GIIN (2019)

According to the GIIN (2019) survey, private debt is the most used instrument in impact investments in 2018. Further analysis shows that the average deal size is US\$2.6mil. This ranges from real assets, with an average of c.US\$20m, Private Equity at US\$5.5m, Private Debt US\$1.1m; and Deposits and Cash at the low end at 0.3m. Additionally, in support of the above analysis, the survey shows that more fund managers, which are classified for profit, is deploying capital for impact. The survey shows that fund managers have reported the most deployment in 2018. The allocation of capital, however, still has an impact bias, with Africa only attracting 14 % (US\$18bn) of the surveyed AUM. This is set to increase in 2019, where GIIN (2019) predicts that investors have planned to pursue an increase in allocation in emerging markets, with a particular focus on SSA.

The question that arises now is *where in Africa is impact capital flow going?* The previous chapter on Macroeconomics of Africa, has shown that capital flow in Africa has been volatile and on a protracted downward trend. This is particularly the case with ODA and FDI, two key flows for many dependent Africa countries. The figure below displays the long run capital trend in SSA. For context, the 5 year FDI CAGR to 2017 is -9%, whilst Portfolio equity flows have shrunk at a 5 year CAGR of -1%. ODA is growing at a slower pace, relative to pre-2009 levels. The 5 year CAGR currently is at 1%, whereas in the period 2005 - 2009, ODA grew at a healthy CAGR of 6%. Even though there has been much talk around the increase in remittance in Africa, data on remittance received in SSA shows that it is growing at a mere 2%, following previous periods of 6% growth (2009-2013) and growth of 7% (2005-2009), respectively. The World Bank data (2019) illustrates that the long-term capital trend is worrying for Africa, particularly as there is growing demand and need for development.

To dive deeper into analyzing impact investing flows in Africa, GIIN (2015) has conducted a landscape study to analyze regional trends and understand the current status of impact investing. The analysis below will highlight the key findings of the regional studies.

Figure 21. Capital Flows into Africa (US\$bn)



Source: World Bank (2019)



2.2. West Africa

The West African impact investing market is still at its infancy. However, it is growing considerably. The GIIN study (2015)¹⁵ highlights that 13 DFIs are active in the impact space in the region, together with 27 other types of investors. From this, the GIIN study estimates that US\$6.8bn have been deployed to West Africa over the period 2005 - 2015, the majority of which were disbursed by DFI activity. Available data has shown that investment activity has risen considerably over this period, from US\$190m in 2005, to over US\$850m in 2015, at a ten year CAGR of 18% the average deal size in West Africa has been c.US\$16m. The region has also seen an increase in fund manager activity, while there is still a prominence of foundations and DFIs. DFIs have accounted for majority of the disbursements, where AfDB, the IFC and the BOAD account for over 70% of capital flow, totaling US\$4.8bn. Typically, investors in the region have used debt instruments to deploy their capital, with Non-DFIs using a wider variety of instruments, however still debt focused.

Figure 22. DFI Impact Investment in West Africa (Share of US\$ 6.5bn)

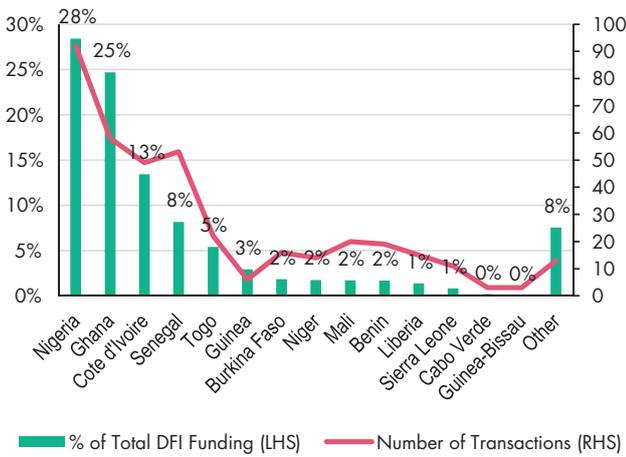
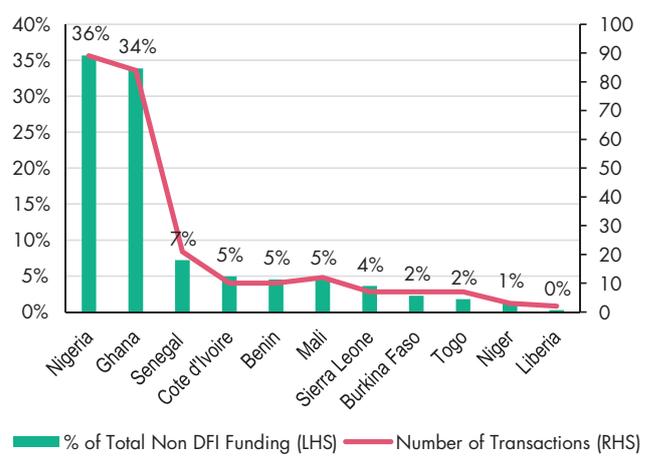


Figure 23. Non DFI Impact Investment in West Africa (Share of 221m)



Source: GIIN (2015)

The figures above show the dominance of DFI impact investing in West Africa, with Nigeria and Ghana accounting for over 50% of total DFI investment in the region. The data shows a similar story with non-DFI investors, albeit at considerable lower deployments of capital (3% of total capital). Ghana and Nigeria dominate interest. The figures below depict the sector allocation of these investments

Figure 25. Capital Deployed per Sector from DFI's in West Africa

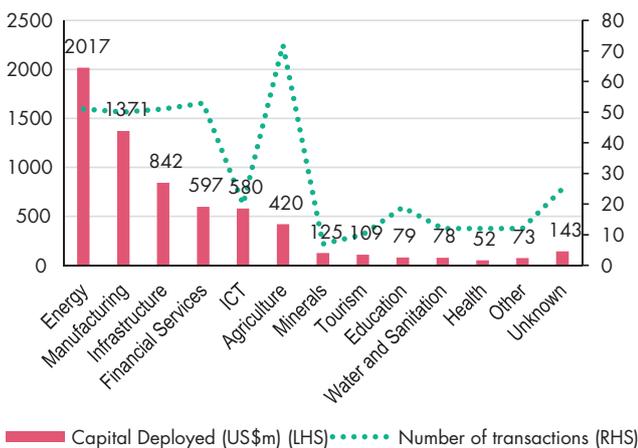
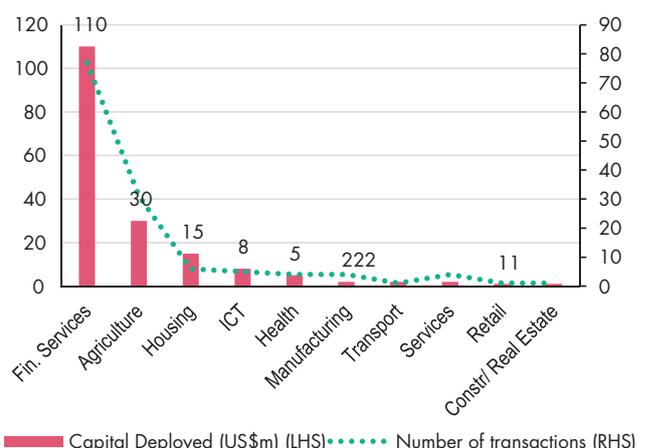


Figure 24. Capital Deployed by Non-DFI investors in West Africa



Source: GIIN (2015)

The DFI sector activity has predominately been in under-served, high capital outlay sectors like energy, infrastructure and manufacturing in West Africa. GIIN (2015) shows that these three sectors contribute to over 60% of deployed capital to the region. On the other hand, non-DFI interest peaks in Financial Services, where investors have recognized the financial inclusion gap in Africa. Furthermore, non-DFIs are seeing further opportunities in the small farming and agriculture space, where emerging enterprises are finding it difficult to scale.

¹⁵The Landscape for Impact Investing in West Africa by GIIN: <https://thegiin.org/research/publication/westafricareport>

Spotlight: Solon Capital Partners



Using a pioneering patient capital vehicle, Solon Capital Partners (SCP) deploys long-term, patient capital to build commercial and impact-driven companies addressing critical market infrastructure shortfalls in Fragile and Conflict-affected States (FCS) within West Africa. SCP is seeking commitments of \$40m in equity capital and \$20m in debt capital into its innovative patient capital vehicle, Solon Capital Holdings (Solon). Commitments will be used to fund the growth of the existing portfolio, as well as enabling Solon to pursue a small number of new high-conviction opportunities –with a preference for sectors adjacent to current investments, such as transportation and housing. SCP is the only investment manager with a presence across the region, providing investors with an opportunity to get exposure to overlooked and highly inaccessible markets of West Africa, whilst contributing towards solutions that advance the SDGs.

Solon's current equity round has been structured in partnership with CDC Group plc, the largest single investor in private equity funds in Africa. In 2017, CDC made a \$20 million commitment to Solon. Solon achieves broad and deep impact, currently touching the lives of over 13,000 people. Solon employs over 450 people providing them with improved livelihoods, e.g. Flash drivers earn 5-12x GDP per capita and receive ongoing training. RAN students receive affordable, high quality education making between 48 –160% more progress than students in comparable private and government schools, validated by RCTs and independent studies.

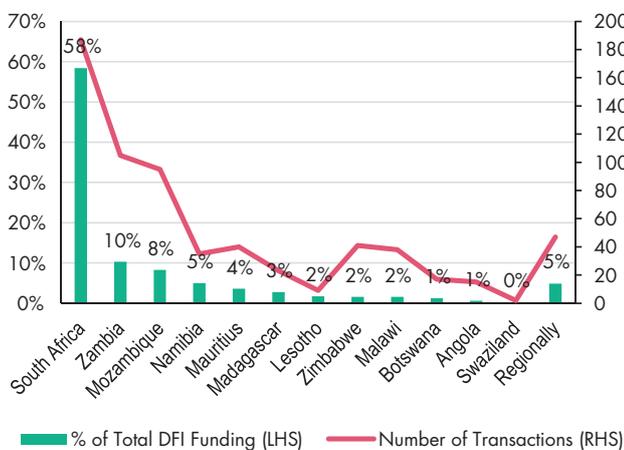
Source: Solon Capital Partners



2.3. Southern Africa

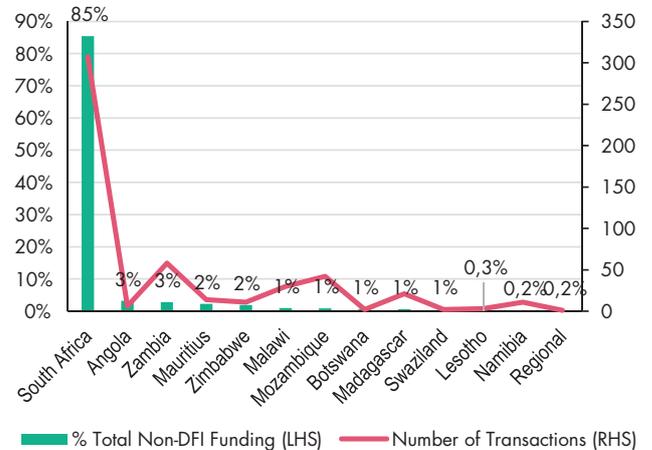
In the 2016 GIIN study of the Southern Africa Impact Landscape¹⁶, 26 DFIs and 81 non-DFIs were surveyed for the period 2005 to mid-2015. The survey found that South Africa is the largest center of impact investing capital by far. According to the GIIN survey and the Open Capital Research (2016), South Africa accounts for over 65% of impact investing activity in the region. The total capital deployed for impact investing in the region amounts to c.US\$22bn (US\$16bn DFI, US\$6bn non-DFI). The majority of South Africa’s flows have been disbursed by strong, local DFIs. According to the GIIN survey, these DFIs have committed over US\$14bn in South Africa, with more than 6 500 transactions. If regional numbers are added to this figure, RSA DFIs have concluded over 7 500 deals to the value of US\$17bn. Regionally, the majority of transactions concluded were from international DFIs and some non-DFI investors. International DFI’s have closed over 600 transactions, and disbursed over US\$16bn, whilst Non DFIs have closed over 500 transactions to the value close to US\$5.7bn. The average transaction size within the region is larger than that of West Africa, at c.US\$26m. GIIN 2016 data shows that DFIs have continued to commit more to the region, however these commitments have a relatively lower transaction sizes (US\$23m) versus non-DFIs where the transaction size is closer to c.US\$30m. DFI investors in the region have typically invested through debt instruments, whilst non-DFI investors have opted for equity investment.

Figure 26. DFI Impact Investment in Southern Africa (Share of US\$16bn)



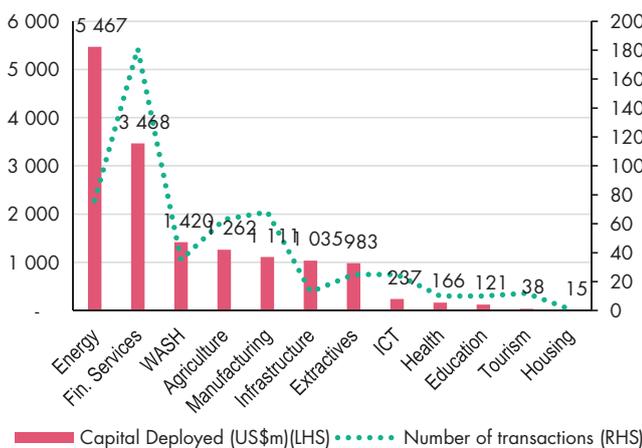
Source: GIIN (2015)

Figure 27. Non-DFI Impact Investment in Southern Africa (Share of US\$6bn)



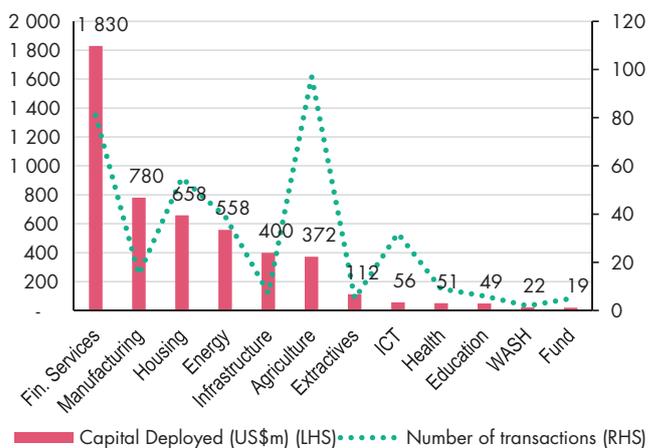
The figures above strikingly show a South African bias, with DFI activity in RSA commanding over half of total activity, whilst this is over 80% with non-DFIs. This is predominately due to the dominance of South African DFIs in the region.

Figure 29. Capital Deployed per Sector from DFI’s in Southern Africa



Source: GIIN (2016)

Figure 28. Capital Deployed per Sector from Non-DFI in Southern Africa



DFIs have concluded a number of financial services and energy deals within the region, whilst surprisingly, data on social infrastructure sectors (Housing, Health and Education) shows minimal investments. On the other hand, non-DFI interest has been directed towards the Agriculture sector, though larger deal commitments have been in financial services. This may be due to South Africa’s relative advanced financial services environment attracting substantial investor interest (ABSA, 2019). Congruent with West Africa, Energy and Agriculture play an important role in the region’s economy and therefore are attracting a lot of interest from investors.

¹⁶The Landscape for Impact Investing in Southern Africa by GIIN: <https://thegiin.org/research/publication/southern-africa-report>

2.3. East Africa

East Africa has also shown heightened activity in impact investing. According to the GIIN (2015), there are 20 DFIs, 107 Fund Managers and 28 other investors (such as foundations, banks, angel investors etc.) operating in East Africa. DFI investors have recorded over US\$7.8bn with over 400 investments, whilst non-DFI investors deployed US\$1.4bn with over 500 investments. According to GIIN (2015), many investors operate in multiple countries in the region, where Kenya has the lion’s share of activity.

For non-DFI Investors, almost half of transactions were in Kenya, whilst a similar story plays out when looking at DFI transactions. According to GIIN (2015), Kenya represents almost half of disbursements in the region. There are similar country trends for each investor type. Kenya, Uganda, Tanzania, Rwanda and Ethiopia remain a focal point for impact investors in the region. However, congruent with the other regions studied, DFIs dominate impact capital in the region.

Figure 31. DFI impact disbursements in East Africa (Share of US\$7.9bn)

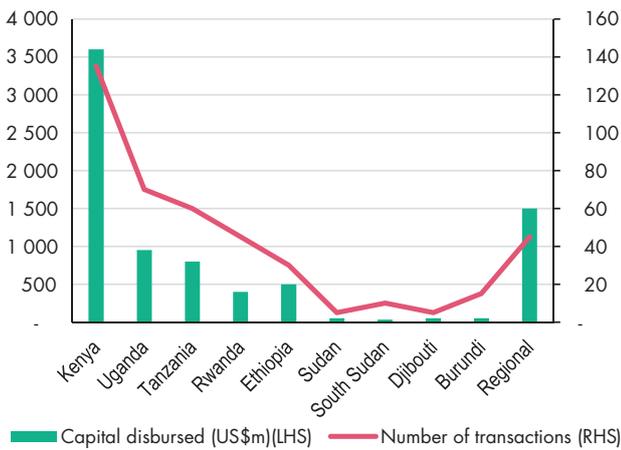
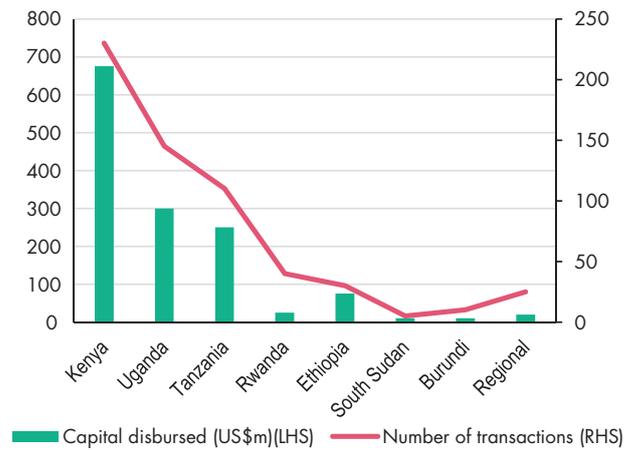


Figure 30 Non-DFI disbursements in East Africa (Share of US\$1.4bn)



Source: GIIN (2015)

Sectorial composition of impact investors in East Africa have been focused on Financial Services. Almost 30% of the deployed capital is in this sector. Like other regions, DFI transactions are favored by large infrastructure related sectors, like energy, whilst non-DFIs have offered much activity in agriculture and housing to accompany their financial services interests.

Figure 33. Capital deployed per sector by DFI's in East Africa

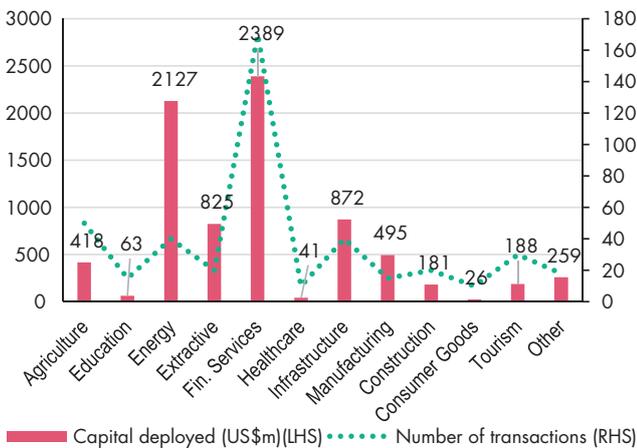
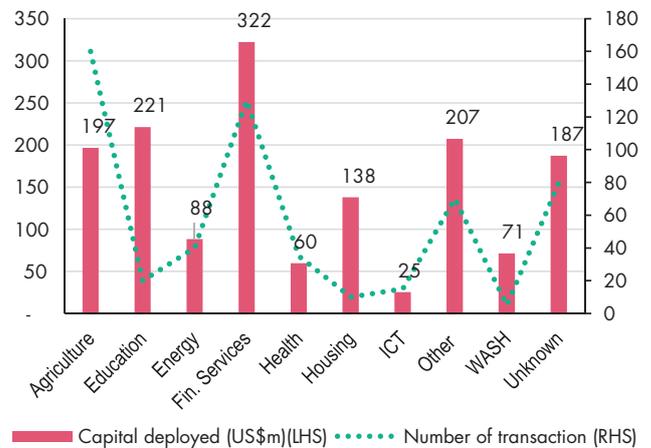


Figure 32. Capital deployed by Non-DFI's in East Africa



Source: GIIN (2015)

Spotlight: Green Bond Issuances



In June 2019, Nigeria has issued its second green bond, which is up to US\$42m. In December 2017, Nigeria became the first African country to issue a green bond to the value of US\$30m. The Nigerian Debt Management Office stated that the bond issuance has clearly indicated its commitment to the reduction in greenhouse gases.

In October 2019, Kenya followed suit, issuing a US\$41m green bond for the development of environmentally friendly student accommodation.

Source: Green Bond Issuances

Spotlight: KENYA – an exciting effort underway to create a NAB



The development of impact investment in Kenya has the potential to not only create disruptive social and environmental improvements to the country, but also to catalyse the development of new innovative and life-changing solutions to scale into other African countries. It also offers the opportunity to chart the way towards the development of an impact economy in Africa.

Time is critical in this journey. Kenya is already demonstrating leadership in social and environmental action. The country is well ahead in its energy transition, with the majority of its electricity production from clean sources. Kenya's ban on plastic bags, initiated in 2017, has proven as an example to other African nations that have revealed their plans to follow suit (e.g. neighboring Tanzania). On a social level, the government announced in 2018 an ambitious five-year development plan to improve food security and nutrition, increase affordable housing, enhance manufacturing and provide universal health coverage to all (Kenya's Big 4 Agenda).

Since February 2019, the Global Steering Group for Impact Investing (GSG) in partnership with the SDG Partnership Platform has been convening key stakeholders from Kenya's Impact Investing ecosystem to pave the way forward in establishing a National Advisory Board for Impact Investing (NAB) in Kenya. Currently there exists an active NAB Taskforce in Kenya which is working in collaboration with leading Kenyan impact investing networks and associations to establish the NAB in Kenya to strengthen and grow the Impact Investment ecosystem. The taskforce has identified two critical thematic areas that it would work upon through NAB – Policy & Advocacy for impact investing, Linkages between Supply and demand of impact capital. The taskforce has representation from all the five pillars of impact investing and aims to unite the leadership group to grow impact investment as a powerful force in Kenya.

Source: KENYA – an exciting effort underway to create a NAB



2.5. Private Equity in Africa

The Private Equity (PE) market in Africa has had heightened interest over the past two decades. This is predominately due to the commodity boom which fueled investor interest in the continent. Recently, however, some African countries has experienced varying degrees of economic and political instability that has caused investors to be cautious with respect to the continent. The effects of global shocks in the demand for commodities and economic instability has led to commodity prices falling, volatile currency and financial behavior, slowing GDP growth and subdued investor interest in the continent. This has led to PE activity being under pressure in recent years. According to EMPEA (2018), PE investors have recognized the pressured African economy and are adjusting to the conditions to create value. Many PE investors still see value in the continent beyond the extractive industries.

Figure 34. PE Fundraising in Africa (US\$bn)

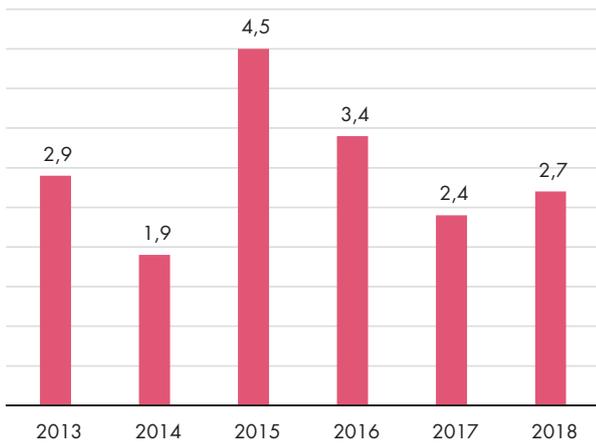
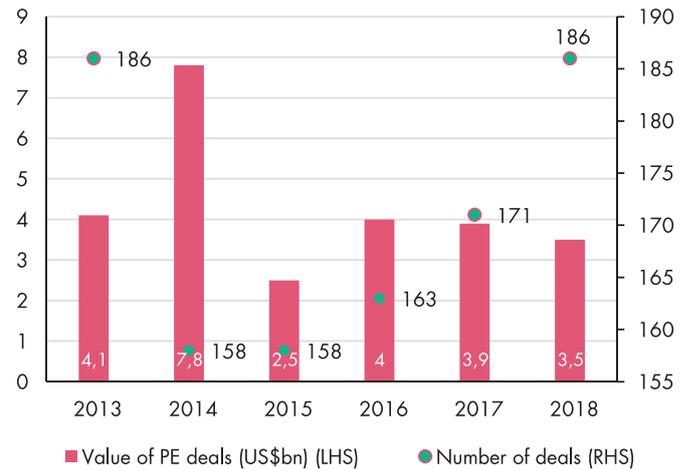


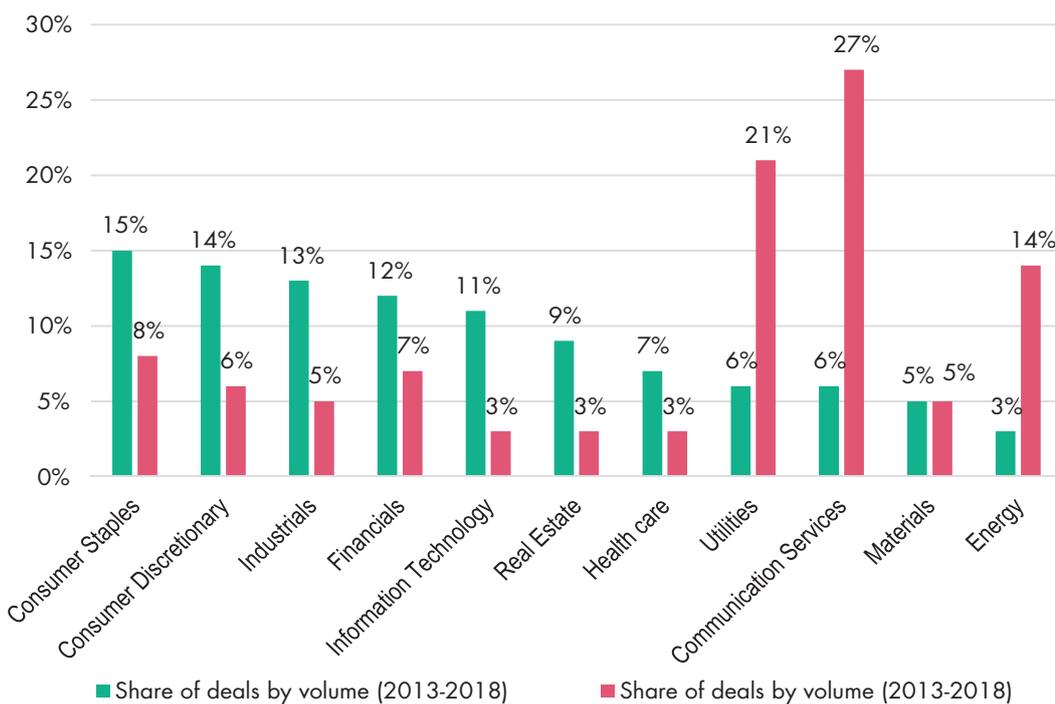
Figure 35. PE Deals in Africa (US\$bn)



Source: AVCA, 2019

According to AVCA (2019), *Annual African PE Data Tracker*, US\$17.8bn was raised over the last six years, albeit, fundraising has fallen in recent years, hinting at a cautious PE industry. However, we have seen an increase in PE activity, by number of deals, as the continent recovers from the commodity shocks of 2015-16. Regionally, AVCA (2019) data show that West Africa accounted for the majority of deal-flow by volume over the last six years (26% of deals), whilst multi-regionally transactions had the greatest share by value (42%).

Figure 36. Africa PE deals, by sector (Share of deals and volume) from 2013-2018



Source: AVCA, 2019

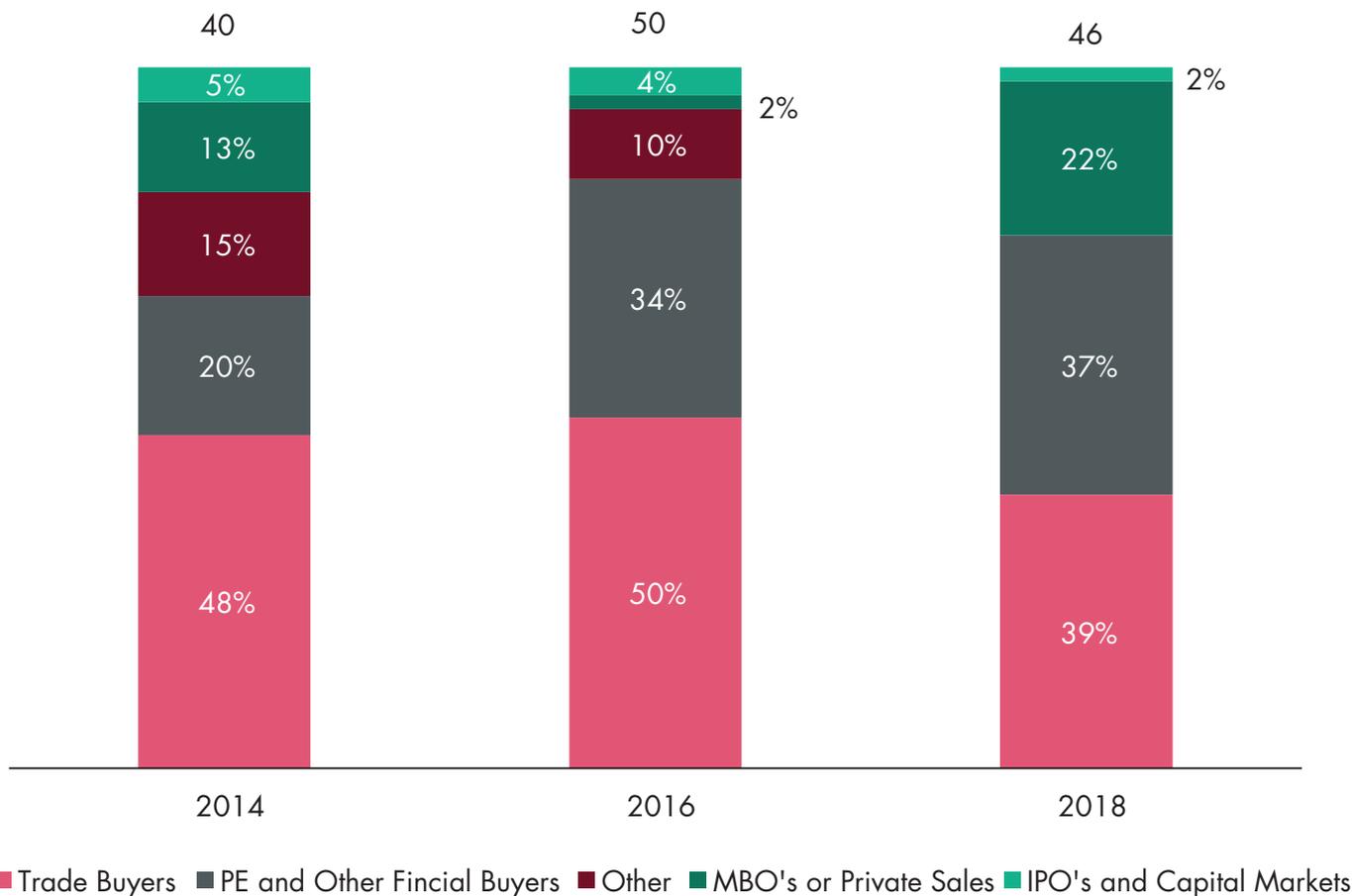
The African continent has seen an interest in consumer-led sectors from PE investors over the last six years. Consumer Staples, Discretionary and Industrials have accounted for over 40% of the PE deal-flow on the continent. Big infrastructure have attracted larger transaction sizes from investors. These are Communication Services, Energy and Utilities. These three sectors account for over 60% of the value of transactions done.

Pooled returns in private equity has been on a downward trend, according to AVCA (2019). This may be due to the uncertain macroeconomic backdrop Africa finds itself in. Though, pricing of African investments have been contested due to the risk. The weighted average risk premium for Africa, in recent history has been above many other developing continents, signifying weak fundamentals, poor credit quality, uncertain political back drop and a weak fiscal framework. A blended finance model may assist in delivering an appropriate risk/reward profile for impact investors.

Despite the unfavourable macroeconomic backdrop in recent years, PE exits have held up pretty well. Since 2013, there has been over 270 exits reported. However, from 2017 to 2018, we saw a slight decline. According to AVCA (2019), this was principally due to the macro instability experienced in RSA, resulting in exits falling in the region.

Albeit, there is growing trend in the exit route of investors in Africa. According to AVCA (2019), from 2016 there has been a shift to exiting through PE and other financial buyers. In 2018, 37% of exits were through PE and other financial buyers, up 17% from 2014, whilst trade buyers still command the lion's share of exits at 39% in 2018.

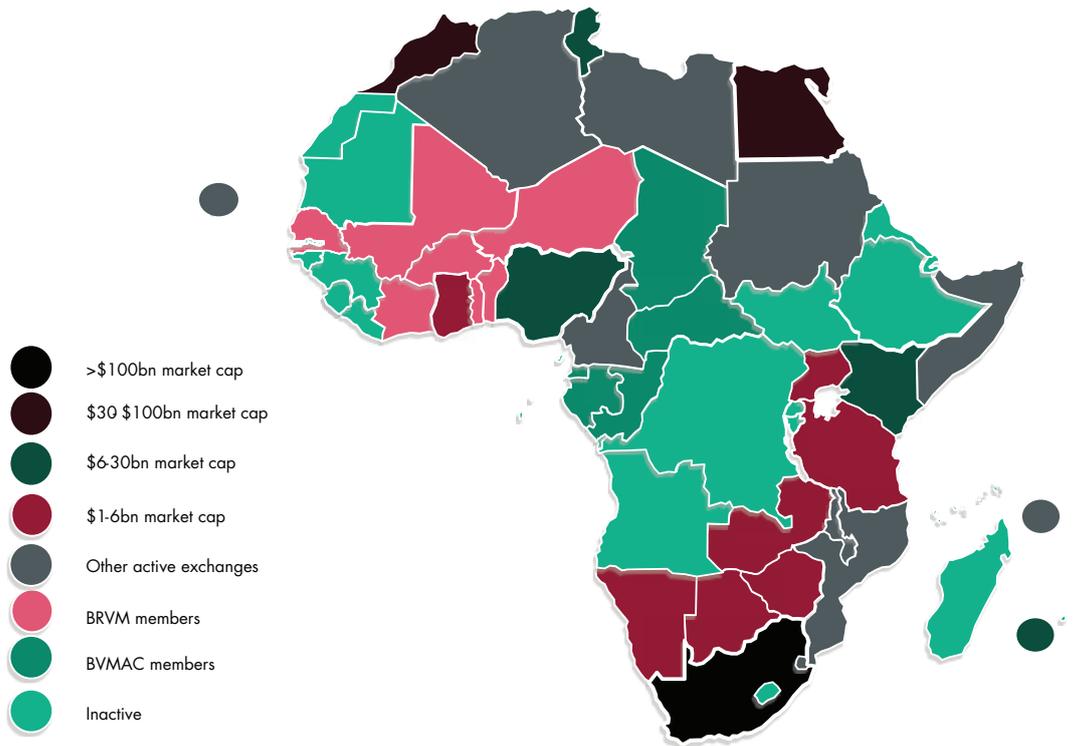
Figure 37. Number of PE Exits and Routes in Africa



Source: AVCA, 2019

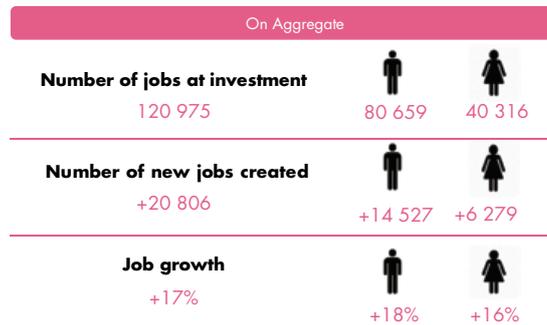
Furthermore, as we can see from the above, African capital markets have not been a generally common way for PE investors to exit. However, there are inherent efforts to deepen liquidity in them, and enable a further investment activity. The below figure displays the current state of African listed markets.

Figure 38. African Stock Exchanges, per market capitalization



Source: AVCA, 2019

Figure 39. Job creation in Africa through PE



Job creation per sector (top 5)				
Sector	# of jobs at investment	New jobs created	Total growth	Female job growth
Financials	7 258	+4 470	+62%	+81%
Energy	1 069	+617	+58%	+70%
Health care	4 479	+2 549	+57%	+62%
Consumer Discretionary	21 559	+4 900	+23%	+16%
Industrials	25 168	+5 523	+22%	+12%

Job creation per country				
Country	# of jobs at investment	New jobs created	Total growth	Female job growth
Ghana	2 220	+2 514	+113%	+154%
Burkina Faso	631	+405	+64%	+50%
Kenya	4 700	+2 511	+53%	+43%
Senegal	423	+195	+46%	+46%
Algeria	5 326	+1 952	+37%	+27%
DRC	1 031	+361	+35%	+48%
Tunisia	7 889	+2 749	+35%	+48%
Cote d'Ivoire	2 969	+812	+27%	+24%
Madagascar	2 916	+568	+19%	<1%
Morocco	3 298	+623	+19%	+14%

Source: AVCA

Private Equity in Africa has not only been about financial gain. A sustainability study by AVCA (2017) has shown that from 231 companies that have been analyzed over the period 2009-2016, there has been over twenty thousand new jobs created. The graphic below highlights the features of job creation through PE in Africa.

It is evident that Private Equity has the potential to deliver and catalyze change in Africa. There is massive opportunity for PE investors to collaborate with other investor types to enhance a common approach to deliver on the SDGs and Agenda 2063.

Spotlight: Actis Impact Score

Actis has developed a framework with which to measure the positive impacts (environmental and social) of its investments. As of January 2019, this framework is being applied to every new Actis deal so the underlying businesses are being scored at the tie of investment, and will be scored at exit, to calculate an impact multiple. The impact score framework enables Actis to compare impacts of businesses across sectors and geographies. Actis has made the framework open source and has committed to 3rd party verification of the process in due course. An 'explainer' video and accompanying white paper are available [here](#).

Source: Actis



Spotlight: Actis Real Estate / Sub-Saharan Africa

Actis has pioneered the development of internationally certified green buildings in SSA. Green buildings are not only more efficient to operate (in terms of water and energy required) but also less costly.

Douala Mall, Cameroon - first green building and only project to be certified with IFC's EDGE green building system in Cameroon (in construction). Predicted savings of EDGE Certification include 29% energy saving and 51% water savings. Energy-saving lighting and skylights that provide daylight to 50% of the top floor area to conserve energy. It is estimated that the green features of the building equate to CO2 savings of 791 tonnes CO2 per year.

Garden City – Residential / Retail Development in Nairobi is the first LEED certified retail mall in E Africa. Green building assessors estimate that the buildings operate with a 50% water saving and 30% energy saving. Garden City Mall has one of Africa's largest solar panel covered car parks (generating 1200 MWh/yr). 70% of construction material sourced locally and the project was awarded Kenya Vision 2030 Status.

Heritage Place, Lagos is the first commercial building in Nigeria to achieve LEED certification in both design and construction. It is estimated that the green features of the building will enable 30-40% reduction in energy use compared to non-green buildings in Lagos

Jabi Lake Mall will become Nigeria's first solar-powered mall with plans to install 600KW rooftop solar panels which will provide ~28% of total power needed in the mall. The system will reduce energy costs and it is expected to be operational by Q1 2020. The shopping centre's CO2 emissions will be reduced by over 13,000 tonnes, while also providing cheaper power alternative.

One Airport Square in Accra, Ghana is the first green-rated building in Ghana and West Africa. It has been awarded 4-Stars (Design Stage) by the Green Building Council of South Africa and it is estimated that the building has a 30-40% reduction in energy usage compared to most buildings in Accra.

Source: Actis





3. Identifying Impact Sectors & Opportunities

The previous chapters have given context to the African impact investing landscape and capital stack. From this context it can be concluded that Africa has remained reliant on external resources, most notably ODA, with a bolt on of private sector activity. However, much of this effort has arguably been inefficient to meet the growing demand for development on the continent. Development and impact investment however, have been concentrated on a few sectors (Energy and Financial Services) and countries of Africa (Nigeria, South Africa, Kenya, Ghana) suggesting that the nature of investment needs to be built further, expanded, diversified and improved. This is to realize a better state of economic liberation and improved social equality that have held the continent back from achieving its potential. Investments in key impact sectors have to be directed better in order to meaningfully advance the continent’s vast developmental agenda. If not better managed, investments will still only benefit the select few and the benefits of investor activity will not be translated into real social and economic gain at the required scale.

Through aggregating impact investing data from the GIIN (2015, 2016) in which they look at East, West and Southern Africa the sectorial bias is very clear. Over 50% of total impact capital deployed is concentrated in two distinct sectors: Financial Services and Energy. Other sectors that have attracted good investment flows are manufacturing, infrastructure and agriculture. Yet, with the range of impact sectors mentioned above, the study argues that capital deployment should be more spread.

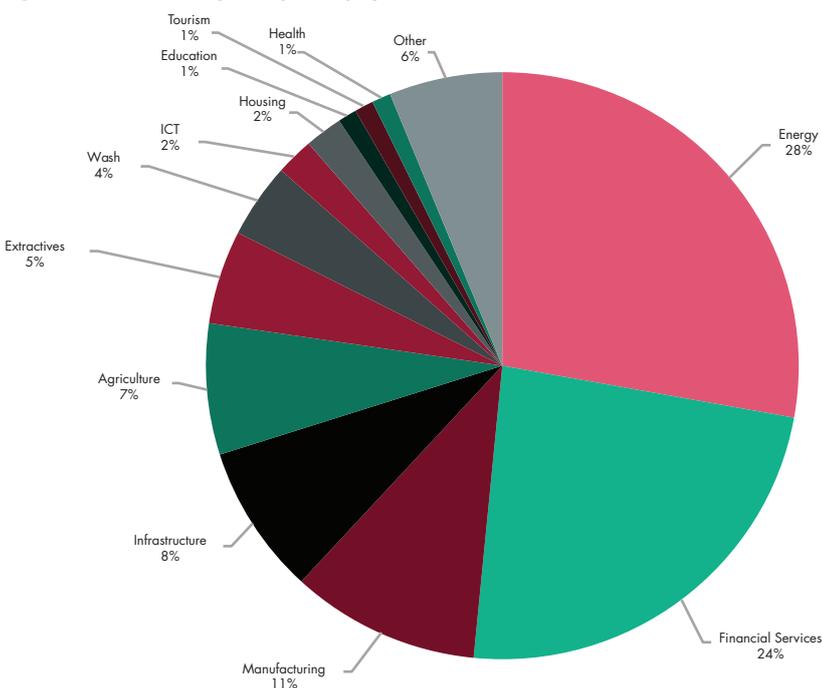
Particularly, in basic services, where possible impact investors are required the most. Housing, Education and Healthcare have attracted only 4% of impact capital Africa. The question impact investors need to ask is if their investment is in the right areas and making the correct impact, where the continent needs it most.

There are several themes and key trends that have emerged beyond the traditional extractive sectors that investors can partake in, whilst offering alignment to achieve the SDGs and Agenda 2063. These trends will allow investors to achieve the commercial and social objectives of their mandates. The themes that will assist are, but not limited to:

- Infrastructure Development
- Industrialization
- The Demographic Dividend
- Financial Inclusion
- Intra-Regional Trade
- Electrifying Africa
- Food Security
- ICT development
- Beneficiation

With these themes in mind, this chapter explores key sectors that may achieve maximum impact, whilst still generating commercial returns for investors in Africa.

Figure 40. Total Africa Impact Capital Deployed (% of US\$37 440m)



Source: Authors calculations, GIIN, 2015, 2016 | Graphic includes West, East and Southern Africa

3.1. Economic Infrastructure

This is arguably the most crucial sector to enhance economic development in Africa. There has been considerable progress in certain sub-sectors¹⁸ to date (e.g. access to safe water and sanitation has expanded from just over 50% of the population in the early nineties to over 75% in 2015), however there is still vast need for further development. According to the World Bank (2017), by almost all measures, SSA infrastructure performance ranks below other developing regions. This is particularly so in the case of energy (*to be discussed in detail later*). Generation capacity has had minimal change over the last two decades, currently at 0.04 megawatts per 1 000 people, it is about a third of South Asia's generating capacity. Similarly, access to road, rail, telecommunication infrastructure and -density are all lower than its developing counterparts. The development need of the sector is crucial as this bottleneck impedes on how the continent can compete internationally. To qualify this statement, Africa has 15 landlocked countries that has immense difficulty facilitating trade. Landlocked countries face a lack of multi-modal infrastructure which in turn delays processing and lead times' all of which ultimately increases costs. The lack of transport nodes impedes access to these markets, whilst developing good quality transportation nodes can assist in businesses servicing these markets quicker. Similarly, better telecommunication across regions can assist with the flow of information. AfDB estimates the continent's infrastructure gap is US\$130-170bn a year, whilst the Bank also estimates that the continent only spends an average of US\$45bn. Financing infrastructure has been difficult and volatile for the continent. According to The Infrastructure Consortium for Africa (ICA) (2018)¹⁹, infrastructure financing tallied US\$81.6bn in 2017, up by 22% from 2016. This was driven predominately by Chinese investors. However, African governments are starting to acknowledge the vast gap that the continent faces, and have contributed over 40% of the total funding. The World Bank (2017) estimated that a sufficient supply of infrastructure on the continent could boost GDP per capita by 1.7% per annum. It is unmistakable that infrastructure is crucial for Africa to reduce bottlenecks, open up its markets and allow quality of life to enhance for locals, businesses and investors. By reducing the bottlenecks, harmonizing infrastructure efforts, Africa can start thinking about properly achieving the SDG and Agenda 2063 goals.

The development of **Economic Infrastructure has ripple effects** in helping local business in many associated sectors. Development in the sector can enhance trade, networks between countries and regions, bridge missing links in markets and allow for easier movement of people around Africa. This will allow for enhancement of a self-sustained Africa that can become more independent and resilient to external shocks. Infrastructure development also is factor dependent on many other variables mentioned above. To enhance intra-regional trade there are many initiatives and agreements aimed at improving infrastructure development, e.g. AfCFTA, Tri-partite Free Trade Area, and the Pan African Investment Code.



¹⁸Economic Infrastructure subsectors include: Transport, Telecommunications, ICT and Water. Energy will be discussed separately.

¹⁹ICA Financing Trends Report: <https://www.icafrica.org/en/topics-programmes/financing-trends-2017/>



Infrastructure investing is possibly the main component to Africa's development goals. Infrastructure development directly solves for three Agenda 2063 goals, while directly aligning itself to four SDG objectives. Arguably these may overlap indirectly with other goals and objectives, however for this purpose, the study identifies direct links as follows:

Agenda 2063

- *Goal 5. Blue/ocean economy for accelerated economic growth*
- *Goal 10. World class infrastructure crisscrosses*
- *Goal 20. Africa takes full responsibility for financing its development*

Sustainable Development Goals

- *SDG 6: Clean Water and Sanitation*
- *SDG 7: Affordable and Clean Energy*
- *SDG 9: Industry, Innovation and Infrastructure*
- *SDG 11: Sustainable Cities and Communities*

Impact investors may face specific infrastructure hurdles and risks that they should take note of, including:

- Infrastructure projects can be multi-regional and hence lead to immense complexities in projects where co-ordination becomes an issue (Regulatory, environmental and legal);
- Regional infrastructure projects can often have varied environmental effects that need to be factored in;
- Often involves multiple funders, where structuring becomes complicated;
- Funding constraints as the market generally lacks project preparation funding. Unwilling investor market to take first loss. Limited projects are at bankable or financial close stage; and

- Infrastructure projects generally attract bond-like yields, which are suited to long term risk-averse investors like pension funds where projects can deliver more predictable cash flows, whilst not able to meet return requirements for pure equity driven investors.

The opportunity set for impact investors in infrastructure is premised on the various initiatives introduced by the various African organisations, and private initiatives. For example, the AU in its Agenda 2063 has 12 flagship projects of which, the Integrated High Speed Train Network and the establishment of a single African air transport market are two prominent examples. These enable Impact Investors to direct their efforts in certain key projects. Arguably, the most significant of these initiatives is the Programme for Infrastructure Development in Africa (PIDA), which is aimed at tackling the bottlenecks that plagues Africa's infrastructure. This initiative is led by New Partnership for Africa's Development (NEPAD). Within the program, there are Priority Action Plan projects²⁰ across all infrastructure subsectors, where they aim to attract investment to meet their US\$360bn program cost by 2040.

The investor market has established innovative ways of delivering economic infrastructure in Africa. Here are a few innovative financing mechanisms, which impact investors could utilize:

- Infrastructure Themed Bonds
- Government Guarantees
- Green Bonds, which are tax exempt
- Infrastructure Debt Funds, where secondary market activity may be key to unlock infrastructure projects.
- Infrastructure Bank and Quasi-Public Permanent Capital Facilities
- Fund with Government taking first loss through a Public Private Partnership (PPP) model.

²⁰PIDA Projects Dashboard: <https://www.au-pida.org/pida-projects/>

Spotlight: ECP Case Study (Private Equity delivering on SDGs)

Since 2008, ECP Private Equity contributes to achieving the SDGs through its investment into Eranove. Eranove is a utilities company which manages over 1 200 megawatts of electricity generation and produces over 400 million cubic meters of water annually in Cote d'Ivoire and Senegal. Aside from the operational expertise that came with the ECP investment, they facilitated further expansion of its service offering with over 60% of Eranove energy generation being from renewable sources and a 24% improvement in clean water production. This contributed to SDG 6 (Clean Water and Sanitation) and 7 (Affordable and Clean Energy). In alignment with ECP's strategy, sustainability has been key to Eranove's growth and success. Since 2017, Eranove and its subsidiaries incorporated the SDGs in its annual reporting. A summary of ECP's contribution to the SDGs through Eranove follows below:

SDG 6 (Clean Water & Sanitation): Number of water customers in 2016 equated to 1.6 million

SDG 7 (Affordable and Clean Energy): Grid connections 2016 is over 140 000.

SDG 8 (Decent Work and Economic Growth): Workforce is over 8 500 strong.

SDG 9 (Industry, Innovation and Infrastructure): Electrical generation efficiency in Abidjan in 2016 was 99%.

SDG 12 (Responsible consumption and production): Savings delivered from optimization efforts in 2015 is just under US\$2mil.

SDG 13 (Climate Action): 60% Renewable Energy capacity.

Source: EMPEA

Spotlight: Ghana Airports Company

DBSA Provided \$55.6-million development of Terminal 3 at the Kotoka International Airport.

Kotoka International Airport (KIA) is Ghana's largest and most important airport by a significant margin. In recent years, the airport achieved a substantial increase in passenger traffic from 1.3 million in 2008 to 2.4 million in 2014. These passengers comprised of 1.7 million international passengers and 0.7 million domestic passengers. The traffic throughput far exceeded the design capacity of the airport, when they approached the DBSA. The inefficiency in the management of air traffic was stifling the potential economic growth of the country. The Government of Ghana, made a decision to develop its airports infrastructure for numerous developmental reasons, including:

- To attract foreign investment to the country, by facilitating the easy movement of business travellers across the country.
- To position Ghana as an air transport hub for the ECOWAS sub-region, by transforming itself into a world-class operator and manager of airports
- The expansion of Kotoka International Airport and regional airports in Ghana would serve as an important catalyst for economic growth and development within Ghana
- The airport was commissioned in early 2017 with the following gains to date;
- Macro-economic indicators
- Impact on GDP; Increment in GDP growth rate: 0.2%-0.4%*
- Impact on labour productivity Increase in labour productivity of 28%-59%*
- Direct jobs created at implementation and post implementation were 1660. The Passengers capacity for the airport moved from an average of 5 million passengers annually to an additional capacity of 5.0 million passengers

Source: DBSA

Spotlight: Impact Water

By: Christian Kingombe (Independent Infrastructure Impact Investing Partners Group) and Franck Barroso (WaterPreneurs)



Safe Drinking Water Solutions - who was selected to pitch at the July 2019 I4W event in Lagos, Nigeria, during WaterPreneurs' collaboration with The Impact Hub Lagos. This company has also been selected to come to Geneva, 7-11 October 2019, as one of ten Global finalists of the Accelerate2030 program out of more than 1,000 ventures which applied to Accelerate2030 across 16 countries and 4 continents.

Before Impact Water launched in Uganda by founder Mark Turgensen, boiling was often the only tool schools had to make drinking water safe for their students. Schools struggled with the cost of firewood as well as the hours lost to the chore of boiling water. Affordable water purification strategies were largely absent in the market, which inspired Impact Water to innovate a new approach. Impact Water installed its first water purification system in Uganda in 2013. Impact Water Limited is led by a dedicated global team, based in the U.S., and multinational teams in its 3 country offices in Uganda, Kenya and Nigeria, now aims to make universal coverage of safe drinking water systems a reality in schools across Africa. To date, Impact Water has installed systems in almost 16,000 schools, bringing safe drinking water to over 6.4 million students.

Impact Water's 3-stage safe drinking ceramic water purification systems that purifies up to 20 L of water per hour work for all schools, even those without electricity or piped water, ensuring that there is a solution for all schools regardless of their unique infrastructure challenges. The Impact Water solution is an UltraTab, which is a chlorine tablet specifically designed for schools without electricity or piped water to provide large quantities of water for their students. Each tablet purifies 100 L of water.

The social impact potential for Impact Water's potential of their social business is far reaching as recognized by the Accelerate2030 Global Final shortlisting. Some of the impacts include:

- Improved dignity and health for millions of school children and health facility patients;
- Socio-economic advancements which result from reduced absenteeism at school;
- Financial savings (as boiling and buying bottled water is expensive).

Lessons learned from case studies & from previous "innovate 4 water" marketplaces

The water sector is seeing the emergence of various **hybrid WASH models** that contribute to solving local problems (in particular service efficiency and sustainability). These models are often considered the most effective, combining complementary and sometimes unconventional approaches. There are numerous innovative technologies and business models to provide safe water or sanitation services in remote areas on a paying basis. However, all these operations struggle with barriers such as willingness to pay, traditions, acceptance, legal framework, and overall profitability among others. This limits their ability to break-even or even scale-up and replicate.

But there are **several promising avenues** to be considered to mitigate and overcome these barriers: Adapt radically to local needs, diversify product offerings, work on behaviour change, adapt the price to the service quality, cross-subsidize products/services, develop alter-payment schemes, or use technologies to decrease the operating costs.

Waterpreneurs recognise the growing need for **sharing local knowledge of "what works" and "what does not work"** with global water community, based on the findings of the forums and post event participants dialogue, tracking evolution of partnerships and collaborations initiated by those events. In addition, Waterpreneurs and its partners aspire to continue building capacities of forum alumni to further foster bankability, scale and impact for the industry. Platforms, enabling alumni knowledge exchange and capacity development are currently in discussion and development.

Conclusion

The success and impacts of the “Innovate 4 Water” are that of strong reinforcement of the local ecosystems around water resource management and WASH. Outputs of the events are accelerating commercially sustainable change in a targeted region by:

- attracting higher levels of blended investments outside donor and aid funding
- creating a legacy of financial return discipline
- forming meaningful partnerships and cross-sectoral collaborations
- transferring water sector knowledge and innovation
- driving economic growth and improving access to water and sanitation in the targeted region
- creating visibility to proven technology solutions and business models

Investing in the water sector is often perceived as risky and complex. To de-risk and make the sector more attractive for public and private investments, innovative finance mechanisms are needed. Many are currently being developed and tested. Since little money is flowing to WASH projects today impact investing proposes an interesting alternative when investors seek a weighted financial, social and environmental impact for “water & sanitation enterprises”, from venture capital to mature growth financing.

It shouldn't be forgotten either that there is need for a lot of capacity building among WASH enterprises in order to attract impact investors. The capacity building is mainly to improve operating efficiencies. This will in turn improve the financial statuses of these enterprises, making them more bankable and therefore able to access financing from commercial sources.

See Appendix for full article by Christian Kingombe (AIP Group) and Franck Barroso (WaterPreneurs)



3.2. Energy

The study has isolated energy from the Economic Infrastructure sector to explore it in deeper detail. The continent is in the midst of a massive energy crisis. The rapid population growth and urbanization has heightened energy demand. According to IRENA (2015), energy demand is set to double by 2030. However, SSA has one of the lowest electrification rates in the world, where slightly over two-fifths of SSA have access to electricity (44%), while other developing economies have rates over 85% (South Asia), and some over 95% like the Middle East and North Africa and Latin America. Akin to this, Africa displays the lowest per capita energy consumption globally, while being home to over 1bn people. Rapid and sustained energy investment is key to allow economic development to take place. Increase energy investment would also contribute to reducing poverty, whilst allowing further access to affordable energy. The continent is rich in fossil- and renewable-based energy sources. South Africa, for example accounts for 94% of the continent's coal production, while its renewable energy base is very diverse and abundant. According to the UN Environmental Programme (2017), Africa has 10TW of solar potential, hydro (350GW), wind (110 GW) and geothermal (15 GW), whilst biomass accounts for almost a third of energy consumed. The UN (2017) estimated that the recoverable energy resources on the continent are c. 115bn barrels of oil and over 21trn cubic meters of gas. It is evident that Africa has abundant of resource but is relatively weak with respect to exploration, development and use. Electrification has remained inaccessible, unreliable and at most part, unaffordable. The solution to resolve this is entrenched in further investment in energy infrastructure. This will also facilitate improved access, boost regional power trading, transferring of a much needed skill-set, as well as assisting utilities on the continent with its challenges in delivering consistent power generation. Financing remains a key issue. According to the Africa Progress Panel (2015), energy investing on the continent only amounts to US\$8bn per annum, whilst PIDA calls for US\$43bn per year until 2040. PIDA records that the largest need is in power generation (c.US\$33.1bn), followed by transmission (c.US\$3.7bn) and access (c.US\$2.5bn). This equates to a financing gap of over c.35bn a year.

The Energy sector embodies all the risks and rewards in the economic infrastructure sector, explained above. Further risks specific to energy investments in Africa comes from the environmental concerns (climate change and emissions count), plaguing the continent and the world. Energy projects would need to enhance low carbon emissions while promoting a green economy.

Furthermore, investment into the energy sector is directly linked to SDG 7, *Affordable and Clean Energy* and SDG 13: *Climate Action*. Arguably, one of the most important sectors to invest in, as seen through the SDGA study (2018), the enormous benefit is the ripple effects to the other SDGs and sectors. Through ensuring universal access to energy that is affordable from leveraging off Africa's strong renewable base, energy investing will create impact beyond the sector itself and catalyze a broader sectorial and SDG objectives.

Understanding and evaluating where the opportunity-set may lie on the continent may be tricky, as the problem is vast. A starting point for looking into projects, once again may be hindered on the programs undertaken already, like PIDA. Another starting point, could be a macro-economic one, to see where power is needed the most. The chart below depicts, access to electricity (% of population) of a selection of African countries.

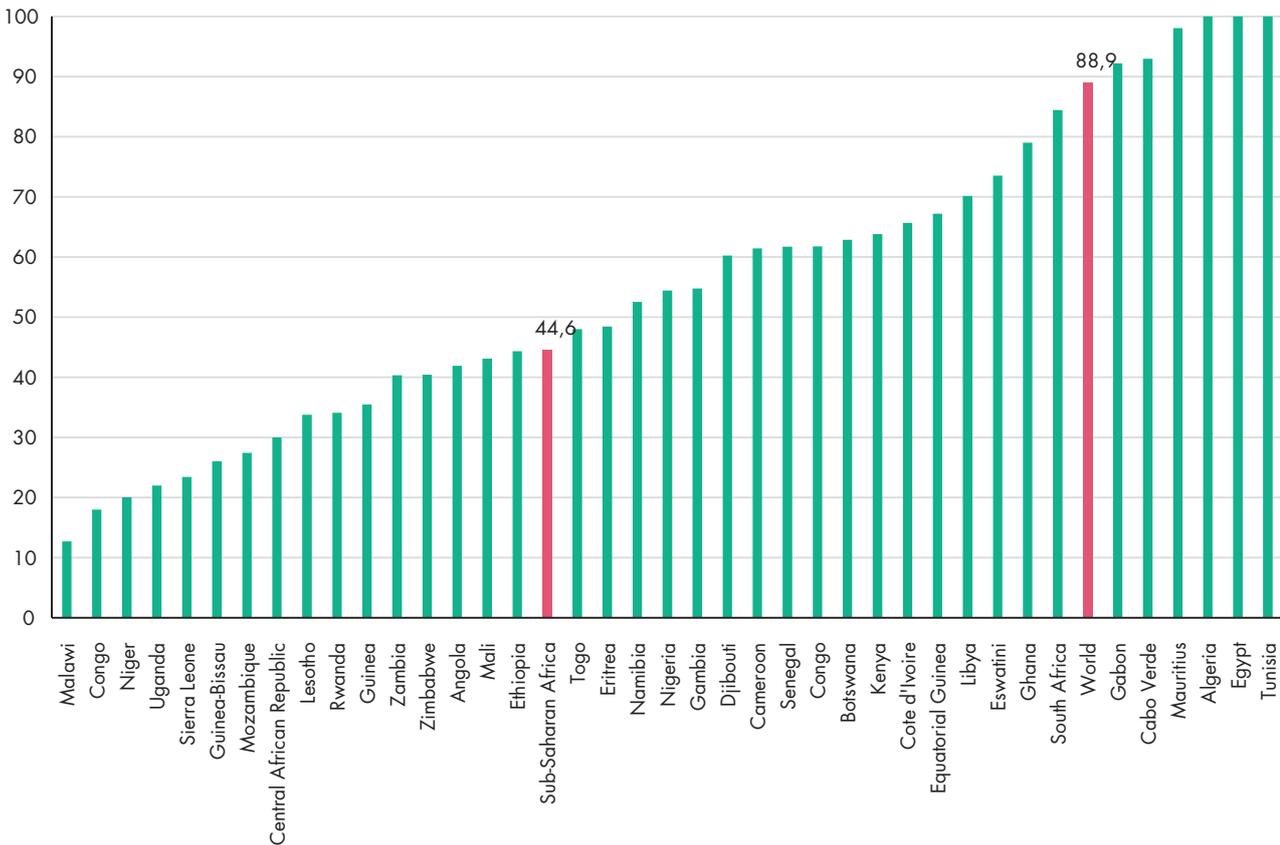
Through evaluating this graph and coupling other metrics presented in the macro-economic chapter, it is easier to identify a selection of countries that impact investors may find attractive for energy investment.

The Africa Energy Atlas (2017), and the Africa Energy Portal²¹ also provide a database of African energy projects and data and case studies that will assist impact investors seeking potential investments into the energy sector. Africa's energy access and financing gap is large, even though the study depicts that a lot of impact capital is directed to the sector. However, more impetus is needed to further close the gap.

²¹Africa Energy Portal: <https://africa-energy-portal.org>



Figure 41. Access to Electricity (% of population), select African countries



Source: World Bank, 2019

Spotlight: Inspired Evolution Fund 1 (Private Equity delivering on SDGs)

This fund has focused on renewable and clean energy investments in SADC since 2007. Since inception, the fund incorporated ESG principles in their investments process, and this formed the foundation by which they operate. This is done through an Environment and Social Management System (ESMS), where they were able to track development indicators and manage the positive and negative impact of their investments. In 2016 the fund aligned its ESMS to the UN SDGs. They did this through linking the core themes of the fund - clean energy and resource efficiency - to the mission, vision and values of the organization in order to encapsulate the whole business, ultimately feeding into the SDG objectives. It created an approach that aligned responsible investing with the requirements needed from their stakeholders. Together their ESG and SDG framework helped to create impact whilst generating financial returns. The fund opted to report compliance requirements that could be translated into impact metrics, this included emissions status and ESG assessments.

Inspired evolution impact and ESG: <https://inspiredevolution.co.za/esg/>

Spotlight: SPEC in Senegal

Senegal relies on the importation of oil to meet its growing energy demand. The country often experiences load shedding or blackouts. Over 60% of the population is currently off-grid, where solar energy can provide an affordable solution for stable energy delivery. However, the high costs associated with solar, due to importation, has prevented the PV systems being rolled-out meaningful. This is where SPEC saw the gap. SPEC has localized the production of solar panels while establishing a network that allows distribution and installation to those whom require clean energy. SPEC has also partnered with Banks to provide financing solutions to those who cannot afford the solar panels. This led to many solar electricity being made available to many Senegalese, improving their livelihood and standard of living, immediately.





Spotlight: Old Mutual

UMOYA ENERGY WIND FARM

Located 125km north of Cape Town in the Western Cape province, Umoya Energy Wind Farm (Umoya) is the first utility scale wind farm in South Africa to have achieved commercial operation. It did so on 1 Feb 2014, just over a year after construction started.

Umoya is comprised of 37 Vestas V100 1.8MW wind turbines with a capacity of 67MW, spanning about 900 hectares, and supplies approximately 176 600 MWh of clean renewable energy to the national grid every year. That is enough green electricity to supply approximately 49 000 low-income or 22 000 medium-income South African homes. In order to produce the same amount of electricity using traditional fossil fuels, a South African coal-fired power station would emit approximately 183 000 tonnes of carbon dioxide every year; equivalent to taking over 37 000 cars off the road. Umoya is a recognised name in South Africa's wind energy sector, having been on the renewable energy scene since the start of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) — a government initiative to increase the country's renewable energy production and channel private investment and expertise into the sector.

THE ROLE PLAYED BY PRIVATE EQUITY

African Infrastructure Investment Managers (AIIM), part of Old Mutual Alternative Investments and Africa's largest and most experienced infrastructure equity fund manager, identified the strong investment opportunity presented by the REIPPPP, launched in 2012 with the first bidding round of a planned 7 000MW programme. Now in its fourth bidding round, REIPPPP has procured 6 422MW from 112 Independent Power Producers, bringing investment of R201bn. The recent signing of 27 new projects brings R56bn investment alone, with AIIM's managed funds representing one of the largest investors in the programme with more than R7bn committed across 26 projects.

Having been an active investor in the infrastructure sector since 2000, AIIM was able to identify the opportunity to participate as an early mover in South Africa's renewable energy sector. The AIIM funds entered the Umoya project at an early stage of the development, managing the project to financial close. The Umoya site was strategically positioned with close proximity to a major distribution line and to large commercial energy users, which simplified construction and connection requirements. The site also benefitted from strong wind resource, measured over an extended period of 24 months. Investing in Umoya meant that AIIM would be working with a strong partner in Vestas, the largest wind turbine supplier in the world at the time, with a 14.8% market share. Following investment, AIIM recruited internationally experienced personnel to manage the development of the project for its funds and post financial close to manage the construction, operations and financing of the project. AIIM also provided oversight of the construction process through its board representation with Umoya achieving commercial operation on schedule and within budget. AIIM oversaw the establishment of the project company, with the inclusion of best practice environmental, social and governance (ESG) structures and the development of a Social and Environmental Management System (SEMS) in compliance with the internationally recognised Equator Principles and IFC Performance Standards.

A FORCE FOR GOOD

Beyond its contribution to sustainable and environmentally friendly power generation, Umoya is focused on supporting the socio-economic development of the local communities within which it operates. It achieves this through capacity building, skills transfer and funding of beneficiary programmes that address local skills gaps, such as the Hopefield Home Improvement Project.

This project was designed to improve the energy efficiency of low cost homes as well as the lives of their residents. During Phase 1 of this project, which took place over a period of 2 years (2014 – 2016), 19 previously unemployed residents of Hopefield were trained in plumbing, electrics or carpentry and employed to make improvements to more

than 600 homes in Hopefield.

The second phase of the project, which started in January 2017, includes the upgrade of 351 more homes over a 3-year period, using local contractors. The three contractors identified for Phase 2 were selected from the pool of 19 artisans who were originally involved in Phase 1.

In addition to training, the programme also includes business mentoring and coaching. Umoya's ultimate objective for the project is to create sustainable contracting businesses that are able to service the local community for years to come.

Source: Old Mutual



Spotlight: Actis Energy

Actis is a leading energy investor in growth markets, our energy businesses have touched 68 million consumers and generated 15GW of energy capacity. One of these investments is Lekela, which operates in 5 African countries has 360MW in operation and a further 408MW of renewable energy under construction.

As a renewable energy-generating platform working across Africa, Lekela recognizes the role businesses can play towards achieving the SDGs. To this end, and to place Lekela's ESG commitments in the context of global sustainability, a materiality assessment incorporated a review of the SDGs likely to be impacted by the Portfolios operations across the continent in 2017, and this exercise was repeated in 2018. Through Lekela's ESG Strategy, multiple transformational impacts that stretch beyond the objective of delivering affordable, clean and reliable energy have been realized. Additional positive impacts with reference to the SDGs include; job creation and economic growth, inequality, climate mitigation and resilience, and protecting natural habitats and biodiversity. Lekela are particularly proud of bringing 408 MW of renewable energy under construction in Africa, helping increase the future share of renewable power generated on the continent and contributing significantly to SDG7. Some numbers to illustrate the impact of the Portfolio:

SDG 7: Carbon emissions avoided: 1 137 730 tonnes of CO₂

SDG 8: Jobs created on construction sites at the end of 2018: 572

Source: Actis



3.3. Social Infrastructure

Social infrastructure is an essential tool to deliver basic services in Africa such as health, education and affordable housing.

Education: Africa's demographic and economic dividend is giving rise to a significant opportunity for the education sector. As African economies grow, the demand for an educated workforce grows which will increase the enrollment ratios from primary to tertiary education. The increased demand for education and the shortages in capacity provided by the public sector, will open more opportunities for private education operators and investors. UNESCO estimates there will be 10 million new teachers needed to support expansion of secondary education across Africa. One of the best investments that can be made is investment in high quality pre-service teacher training. This means compensating for any deficits in teachers' own education, providing strong instruction in subject and pedagogical content knowledge, training teachers in the use of ICT, and ensuring they are proficient in the language of instruction. This will create a virtuous cycle by leading to improved quality of instruction at the school level, gains in efficiency as fewer students drop out, and increases in teacher status, which will attract high quality applicants to pre-service teacher education. While this requires initial investment, and a long term perspective, over the long run gains in teacher quality will generate education savings and improvements in learning down the line.

Healthcare: A lot of poor people on the continent are excluded from decent healthcare services. The statistics presented in the study, show that African healthcare statistics are far below the global average. According to World Health Organization, approximately 47% of Africans have no or little access to some form of healthcare. A third have no access to clean water, which can cause infections like cholera, worm diseases and diarrhea. This lack of access can effect labor productivity in the workplace and essentially the overall growth of businesses and the economy. There is great demand for improved services and the provision of healthcare throughout the continent.

Housing: Residential opportunities are rising throughout the continent while Africa's rapid urbanization continues. Cities are experiencing inadequate affordable housing, suggesting a very real opportunity. This is supported by Housing Finance Africa (2018), who found that households with low incomes and poor credit records have limited access to finance, as well as the rising cost of living, which impedes affordability. Access to more affordable housing would improve living standards on the continent and galvanize the population in other sectors.

These social infrastructure sectors are linked to the SDG 3: Good Health and Well-being, and SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all and SDG 11: Sustainable Cities and Communities. Impact investors have enormous opportunity to provide basic services to Africans, as well as achieving these SDGs. By increasing access and quality of education, healthcare and affordable housing, the living standards in Africa would rise, better productivity will ensue and ultimately a healthier, more educated workforce will push Africa's self-sustainability agenda forward. Sustained investments in these fields would increase productivity in other core businesses, a better workforce and stronger inclusive growth.



Spotlight: Nova Pioneer and Sifiso Learning Group

Nova Pioneer is an emerging basic education provider that was established in 2013. It currently has 10 schools in its portfolio, 6 schools in South Africa and 4 schools in Kenya, and seeks to expand to 20 schools in South Africa, Kenya and Nigeria. Its main aim is to provide 21st century quality education at an affordable price across the African continent. By 2035, it is estimated that the number of Africans joining the workforce (15-64) will exceed that of the rest of the world combined, but the education systems on the continent are inadequately preparing the learners. According to research by Caerus Capital, Sub Saharan Africa is the worst-performing region globally for educational quality and learning outcomes, with up to 40% of children not meeting basic learning outcomes in literacy and numeracy.

Sifiso Learning Group is an education holdings company that seeks to deliver a technology-enabled, future-focused and globally competitive learning model which epitomizes excellence in the African continent. The group has subsidiaries that operate across the education eco-system: schools, edtech, publishing and education properties. Beyond aspiring to be centre of excellence in all its businesses, Sifiso Learning Group seeks address the importance of African identity and for future generations to pride themselves in who they are.

Source: PIC, Nova Pioneer and Sifiso Learning Group



Spotlight: Education in Africa

By Sizwe Nxasana (Founder & CEO: Sifiso Learning Group)



Education is central to Africa's vision of transformation articulated in the African Union Agenda 2063, the Continental Education Strategy for Africa and the global UN Sustainable Development Goals. This is a vision of inclusive growth, driven by investment in human capital, technology and innovation.

SSA has made extraordinary progress in improving access to primary education, with GERates in primary education reaching close to 100%. This success in primary education enrollment means that demand for secondary education is increasing, albeit from a low level of close to 50%.

What we do know is that demand for secondary education is set to almost double by 2030 – from 60M in 2015 to 108M in 2030. Progress in access to lower secondary education will need to be accelerated in order to meet demand and targets under SDG4 and Goal 2 of Agenda 2063. Secondary education will be a key platform for young people in Africa to enter the world of work. Re-imagining secondary education as a platform for work is a paradigm shift.

One of the key challenges in many African education systems is overcoming a historical legacy of secondary education being designed largely as a mechanism for preparing students for tertiary education as opposed to pathway to meaningful economic participation.

As African economies develop more complex agricultural, manufacturing and service sectors, the need for workers with education beyond the basic level will rapidly increase. In other countries such as East Asia, this sectoral shift has generally been accompanied by major efforts to upgrade skills and increase educational attainment of the labour force.

SSA has a dual economy. On the one hand, there is a huge need for knowledge and innovation to accelerate economic transformation. Much of the attention on the future of work in Africa has focused on the small modern sector. On the other hand, a high proportion of jobs in Africa are in informal, household enterprises – unincorporated and informal low-productivity businesses providing self-employment or family employment in farming or urban trading activities. This is where the majority of youth will continue to find work for the foreseeable future. Much more attention must be given to the informal sector. This includes a focus on transforming agriculture, facilitating people's ability to create their own employment, and accessing more productive jobs up the value chain.

If secondary education can provide youth the kind of skills they need, then it will drive productivity improvements that will lead to economic growth and ultimately transformation.

Educated youth are more able to engage in complex tasks, adapt to new technologies, improve the quality of products and services produced, and advance innovation.

While education alone will not decrease informal employment, we do see a strong correlation between increasing education and formalization.

So we see how important secondary education is for increased productivity in the informal sector and driving economic growth. Yet, Ministries of Education will have to deal with three realities as they expand their secondary education systems, while improving quality and relevance.

Economic Headwinds: It is estimated that economic growth accounted for 2/3rds of the rise in education budgets between 2000 and 2014. Which fueled the expansion of access at the primary level. However, economic growth is slowing in many countries across Africa and this will significantly constrain the fiscal space for education expansion.

Digitization and Automation: Digitization and automation are changing the nature of work globally, including in Africa. The impact of these disruptive forces and how they will net out are difficult to predict with precision. These trends will increase the uncertainty and the pace of change, raising the premium on skills that help young people be adaptable, resilient and creative problem solvers. Even informal work will require new skills such as digital literacy.



Population Growth: SSA is now the only region in the world with a growing youth population. Meeting the education and work needs of this growing population will be an enormous challenge but also presents enormous opportunity, provided they receive relevant, good quality education.

UNESCO estimates there will be 10 million new teachers needed to support expansion of secondary education across Africa. One of the best investments that can be made is investment in high quality pre-service and in-service teacher training. This means compensating for any deficits in teachers' own education, providing strong instruction in subject and pedagogical content knowledge, training teachers in the use of ICT, and ensuring they are proficient in the language of instruction. This will create a virtuous cycle by leading to improved quality of instruction at the school level, gains in efficiency as fewer students drop out, and increases in teacher status, which will attract high quality applicants to pre-service teacher education.

While this requires initial investment, and a long term perspective, over the long run gains in teacher quality will generate education savings and improvements in learning down the line.

Africa's demographic and economic dividend is giving rise to a significant opportunity for the education sector. As African economies grow, the demand for an educated workforce grows which will increase the enrolment ratios from primary to tertiary education. The increased demand for education and the shortages in capacity provided by the public sector, will open more opportunities for private education operators and investors.

Source: Sizwe Nxasana (Founder & CEO: Sifiso Learning Group)



3.4. Manufacturing

The manufacturing sector is regarded as a positive engine for growth in most developing countries. According to Brookings (2018), a 3.5% annual increase in GDP was recorded from 2005 to 2014. This growth has been faster than any other countries in the world. Countries such as South Africa, Egypt, Nigeria, Morocco and Algeria have shown rapid growth, with different players such as Rwanda and Ethiopia following the lead in policy adoption of industrial development. According to (Brookings) in 2016 SSA reached over \$130 billion, an increase compared to \$75 billion in 2005. This was mainly due to manufacturing exports and shipments such as appliances, electronics, transport vehicles and industrial equipment. Manufacturing is expected to be the next big sector since it is estimated to reach US\$666,3 billion by 2030, compared to US\$201,8 billion in 2015. These statistics create a great opportunity throughout the continent, since it inter-links with a number of sectors. However industrialization still lags behind in Africa due to political and economic instability.

Africa is regarded as the second fastest growing region in the world. This gives many investors an opportunity to make a developmental impact in Africa. Africa has become an attractive place to do business mainly due to its growth in urbanization and GDP growth. A transition towards the manufacturing sector can help reduce poverty, create employment, enhance the agriculture sector and help grow the entire African continent. According to The state of African cities (2018), the continent should focus more on cities as its geographic priority. This will help build domestic and global commodity markets.

The manufacturing industry provides more jobs than any other sector due to its innovative method, and export diversification. According to IFC, the manufacturing sector produces more opportunities across industry value chains by growing demand for raw materials, energy, construction, technology, and services from a wide range of supplying industries in the economy. According to Agenda 2063 (2015), industrialization and manufacturing are essential for economies to create growth through entrepreneurship. The manufacturing sector is linked to SDG1, SDG8, SDG9, SDG11 and SDG17. Whenever the manufacturing industry generates a high number of employment, this automatically leads to a reduction in poverty.



Spotlight: Athi steel

According to AVCA (2014), Athi steel is a company from Kenya that deals with sourcing local scrap metals such as bolts, nuts, structural steel and building steel. Athi steel is one of the leading steel companies in East Africa. It has produced over 700 quality products, with a turnover of about US\$18 million in 2014 compared to US\$188 000 in 1990. The Athi steel company has managed to contribute positively to the manufacturing industry by providing more than 800 full time jobs. This has managed to create a significant impact on the residents of Kenya and on the other hand reducing poverty and growing the economy.

Source: AVCA



3.5. Agriculture

The agricultural sector in Africa has been identified as a key to unlock social and economic progress. According to AFDB (2016), more than 60% of Africans depend on agriculture with 32% of the continent's GDP coming from the agricultural sector. Still a majority of the continent depends on imported food. Agriculture only represents 8% of the AUM in SSA. According to World Bank (2013) the agriculture sector is estimated to reach US\$1 trillion by 2030 compared to US\$313 billion in 2010. Unlocking the full potential of agriculture will need significant investors to come together. There are greater challenges that the agriculture sector faces such as diseases, heavy rainfall, drought, and pests. Africa is the driest continent, but has partial and deprived means to manage land and water. Around 5% of its arable land is irrigated. Land fusion and related conflicts have significant consequences on agricultural output. Without access to capital, most agriculture projects will remain on the lower level of the sector.

However investing in the value chain of agriculture will help most African countries grow their economies and reduce the poverty levels in rural areas. This will create many opportunities particularly for women in agriculture and the youth across the continent. Investing in agriculture will assist in emphasizing some of the key components of the SDG mandate, which is to ensure that Africans must have food security, improve their nutrition and stimulate sustainable agriculture. Impact investors must shift their focus towards developing agriculture since more than 60% of the population is employed by the sector.

According to the UN (2015), more than \$46 billion is needed to invest in SDG2. This must be done in order to help improve nutrition and end hunger by 2030. Of the \$46 billion in investments, \$35 billion can be financed privately. This goal can ensure that there is sustainable food that can help increase productivity and production in the agriculture sector. According to World Bank (2016), most of agriculture's investment projects are financed through debt, equity, Public-Private Partnership (PPP) and guarantees. Several of the agri-businesses in SSA are usually set up as PPPs with DFIs consuming the bulk of investments.

In many ways within the Agri-business value chain, infrastructure development lies at the heart of a number of opportunities, which includes irrigation, storage, rural roads as well as companies that focus on food processing. According to Mckinsey, a significant investment into Sub-Saharan Africa will be needed, at least \$8 billion of investment into basic storage, more fertilizers and six times improved seeds

Spotlight: Western Seed Company

Western Seed Company was established in 1986 to help address problems faced by small-scale farmers in Kenya. More than 14 percent of Kenya's households depend on agriculture. According to AVCA (2014), The Western Seed Company produces a high in quality hybrid maize seed through their innovative technology, which helps suppresses droughts and diseases. The hybrid maize can produce about 300 percent more in yield over normal traditional seeds. According to Acumen, Western seed has helped over 300 000 small-scale farmers achieve yield returns on maize seeds, with the potential to reach over 1 million annually. Western seed has added impact by launching the Direct Access Sales program, which in turn helps market the hybrid to rural farmers in Kenya.

Source: AVCA



Spotlight: Sorghum Value Chain Investing

Through partnerships with farmers, an International NGO and a Brewery, the sorghum value chain story indicates how effective partnership can deliver development. Venture Capital Trust Fund through its Agric Value Chain investing program, invested in smallholder farmers producing sorghum for Guinness Ghana Limited with technical support provided by Technoserve. Results: over 6000 farmers were supported to produce over 9000 tons of sorghum for off-take by the brewery leading to both direct and indirect jobs of over 10,000 thereby improving the incomes of smallholder farmers.

Source: AVCA



3.6. Financial Services

The financial sector is important in promoting and growing the economies on the African continent. Development investment towards the financial sector has the potential to transform millions of people's lives. According to AFDB (2019), approximately **75% of Sub-Saharan Africa population does not have access to any form of financial services**. This includes having access to a bank account, being informed about savings programs or have access to credit. Most countries still lag behind many developed countries, in which impact investors can intervene.

According to UNDP (2014) the main challenge faced by the sector is that a lot of individuals and firms are still excluded from access to financial services. This lack of access to basic financial services underlines the cycle of poverty and can eventually weaken the pace of the country's economic growth and development. Evolving regulations, low economic growth and social instability are some of the key challenges that the financial services industry faces in Africa. The pressure is on Africa to build concrete business models that investors can actually rely on.

However, the financial sector has attracted a number of investors towards impact investment that amounts to more than US\$200 million in deal size. Most of the impact investment aligns to Agenda 2063. Financial inclusion can help support economic growth and achieve a number of developmental goals in Africa. Furthermore, investing into financial services can achieve SDG1: *No poverty*, SDG2: *Zero Hunger*, SDG3: *Ensuring healthy lives*, SDG5: *Gender Equality*, SDG8: *Decent Work and Growth*, SDG9: *Industry, innovation and infrastructure* and SDG10: *Reduce inequalities*. By pushing to achieve the goals simply means that jobs will be created there will be stable financial systems in the result across the continent and more savings deployment for investments.

Opportunities arise for the unbanked and uninsured population in the African market. Some of the opportunities that arise in the financial sector is the young and growing population that Africa has. **The financial sector can benefit from a growing demographic since many young people can access remote banking and do payment methods using their mobiles.**



Spotlight: Pagatech Case Study

Nigeria still remains behind other African countries with regards to access to formal financial inclusion. More than 64 percent of Nigeria's adult population does not have access to some form of finance service offering. Pagatech has been able to assist a number of people in Nigeria. According to Acumen, Pagatech is a mobile payment system that enables the unbanked population in Nigeria to transfer money, pay bills and buy airtime at low cost, using their personal phone or the internet. Pagatech, together with banks and micro-insurance, also offers branchless services such as savings, credit and micro-insurance to individuals who cannot reach their platforms. This has initially helped more than 150 communities in Nigeria and has contributed around US\$115.

Source: Acumen



Spotlight: Venture Capital Trust Fund Financing Case Study

Venture Capital Trust Fund was established to promote Venture Capital financing for small and medium enterprises in Ghana through mostly equity participation. The Trust Fund is 100% government backed, operates as a fund-of-funds. Through its work of seeding first time fund managers to establish funds, the Trust has been able to leverage government funding with private funds with the ratio of 1:4. The fund has supported the development of VC Fund Management industry in Ghana by supporting the establishment of 6 Funds. Total funds under management is USD 110.9 million out of the Trust commitment of USD19 million. The Trust has crowd in private sector and DFI funding of USD 91.9 million. So for every USD 1 that the Trust invests, it was able to leverage USD\$ 4.8.

Source: Venture Capital Trust Fund



3.7. Mining & Other Extractive Sectors

Often not hailed as a core Impact Investing sector, however the extractive industry is essential element of Africa's progress and therefore deserves a discussion. The extractive industry is one of the highest employers in Africa, albeit in some cases, on a downward trend, as countries aim to diversify away from its commodity dependency. For example, in South Africa, the mining industry is currently home to over 450 000 employee's. This figure is however is on a downward trend, where RSA employed near to 800 000 miners in the 1980's. Commodity dependency is the hardest felt in developing markets, where according to UNCTAD (2019), 89% of SSA countries are dependent on commodities.

Though, global trends have continued to drive investors towards the continent, which is rich in commodities, and are available in abundance. According to the World Bank, Africa is home to 30% of minerals globally. However, bulk of these minerals mined are exported, while there is significant potential that these minerals could itself transform the continent, particularly around the discussion of beneficiation and industrialization, which may have ripple effects to countless sectors. Contrary, the nature of extractive industries, is inherently unsustainable, where the environmental effects, like atmospheric pollution, biodiversity losses (land, fishing, forestry) and may even cause health issues, has arguably countered the positive aspects of the sector. Sustainability of the sector in Africa is its linkages to other sectors, where it can catalyze economic growth and sustainability. However, the extractive sector impact has always been a delicate balance between social, environmental and economic factors. In the case of Africa, the extractive industry finds that balance through investments that create jobs, and CSI initiatives that help local communities, becoming more aware of its needs and promoting impactful projects. The abundance of clean energy resources in Africa, also makes it an important cog in a global energy efficient wheel.

The African mining and extractive sector is still humming, with many investors still flocking to the continent. However, the industry brings together a community of many players. This comprises of private sector, governments and multinationals, SME's, geologists, international and local investors. This vastness of players that are attracted to the sector all have an important part to play in how impact is delivered on the continent. Mining and extractives will continue to play a crucial part in the future of Africa and its development.



3.8. Impact Sector Linkages

To summarize how these sectors linkage are employed, the analysis links Africa's core developmental themes to its sectors, broad investment opportunities and risks, and to Agenda 2063 and the SDGs.

Africa development Themes	Sector	Investment Opportunity	Risk	Agenda 2063	SDG Alignment
Extractive Sectors & Beneficiation	Mining, Beneficiation	Commodity dependency still high, assist in diversifying export basket and beneficiation value add whilst increasing exposure to global value chain.	Adding to commodity dependency if no beneficiation is present	Goal 20. Africa takes full responsibility for financing her development Goal 19. Africa as a major partner in global affairs and peaceful co-existence	SDG 8: Decent Work & Economic Growth SDG 17: Partnership for Goals
Infrastructure Development (Social & Economic)	Economic Infrastructure (Water, Transport, ICT, Energy) Social Infrastructure (Housing, Healthcare, Education)	Bridging the infrastructure gap (Major opportunities in all infrastructure sub sectors throughout the continent)	Not many projects at bankable stage	Goal 10. World class infrastructure crisscrosses Africa Goal 5. Blue/ocean economy for accelerated economic growth Goal 20. Africa takes full responsibility for financing its development	SDG 6: Clean Water and Sanitation SDG 7: Affordable and Clean Energy SDG 9: Industry, Innovation and Infrastructure SDG 11: Sustainable Cities and Communities
Feed Africa	Agriculture Agro-processing	Agriculture, Agro-processing towards food security	Irregular weather patterns (drought, pests, irregular rainfall) poses threat to supply of food.	Goal 5. Modern agriculture for increased productivity and production	SDG 12: Responsible Consumption and Production SDG 15: Life on Land
Industrialization	Priority Sectors (Manufacturing, Beneficiation)	Manufacturing boom in Africa	Over exposed to one company	Goal 4. Transformed economies and job creation	SDG 8: Decent Work and Economic Growth SDG 9: Industry, Innovation and Infrastructure
Demographic Dividends/ Urbanization	Properties, Social Infrastructure, Financial services, Consumer goods and services (Retail), ICT, Tourism	Fastest growing, youngest population in the world with high urbanization rates	Rapid urbanization may cause environmental concerns and cause high population density	Goal 20. Africa financing her development Goal 3. Healthy and well-nourished citizens Goal 18. Engaged and empowered youth and Children Goal 2. Well educated citizens and skills revolution underpinned by science, technology and innovation	SDG 1: No Poverty SDG 2: Zero Hunger SDG 3: Good Health & Well being SDG 4: Quality Education SDG 5: Gender Equality SDG 8: Decent Work and Economic Growth SDG 9: Industry, Innovation and Infrastructure SDG 11: Sustainable Cities and Communities

Africa development Themes	Sector	Investment Opportunity	Risk	Agenda 2063	SDG Alignment
Financial Inclusion	Financial Services	Financial inclusion is one of the main building blocks to inclusivity. Access to finance remains one of the key obstacles on the continent.	Financial regulation on the continent is not very robust allowing for much uncertainty	Goal 4. Transformed Economies Goal 9. Continental financial monetary institutions established and functional	SDG 1: No Poverty SDG 8: Decent Work and Economic Growth
Increase consumption	Properties, Financial services, Consumer goods and services (Retail), Tourism	Demographics, increased disposable income, retail sales etc., offers great consumer sector opportunities	Increase consumption to non-essential items may intensify poverty issues	Goal 1. A high standard of living, quality of life and wellbeing for all citizens	SDG 8: Decent Work and Economic Growth SDG 11: Sustainable Cities and Communities SDG 12: Responsible Consumption and Production
Intra-Regional Trade	Trade Finance, Financial Services	Intra-regional development is a core necessity for a self-sustained Africa	Businesses do not embrace the open linkages that intra-regional trade comes with.	Goal 7. An United Africa Goal 4. Transformed Economies Goal 10. World class infrastructure	SDG 8: Decent Work and Economic Growth SDG 9: Industry, Innovation and Infrastructure SDG 10: Reduce Inequalities SDG 11: Sustainable Cities and Communities SDG 17: Partnerships for Goals
ICT, Tech and Innovation	Economic infrastructure (Predominately, Telecoms, ICT), Agro processing, Manufacturing, Financial Services	More than 300 innovation hubs in Africa (technology is thriving) Similarly, the need to stay connected (telecoms, internet, fiber etc.)	Investing in innovation has a high risk, high reward dynamic.	Goal 2. Well educated citizens and skills revolution underpinned by science, technology and innovation Goal 4. Transformed economies	SDG 1: No Poverty SDG 5: Gender Equality SDG 9: Industry, Innovation and Infrastructure SDG 10: Reduce Inequalities SDG 11: Sustainable Cities and Communities
Power Africa	Energy	Considerable need for Renewables, provider of power, gas and affordable energy	Generally high capital requirements (up, mid or downstream)	Goal 20. Africa financing her development Goal 4. Transformed economies Goal 7. Environmentally sustainable and climate resilient economies and communities	SDG 7: Affordable and Clean Energy SDG 9: Industry, Innovation and Infrastructure SDG 11: Sustainable Cities and Communities SDG 13: Climate Action
Green Economy	Priority sectors (Agriculture), Economic infrastructure (Water), Energy	Renewables, climate change, clean water development	May hamper economic development and can become capital intensive	Goal 1. A high standard of living, quality of life Goal 5. Blue/ocean	SDG 6: Clean Water and Sanitation SDG 7: Affordable and Clean Energy SDG 13: Climate Action SDG 14: Life below water



4. Impact Investing Gaps in Africa

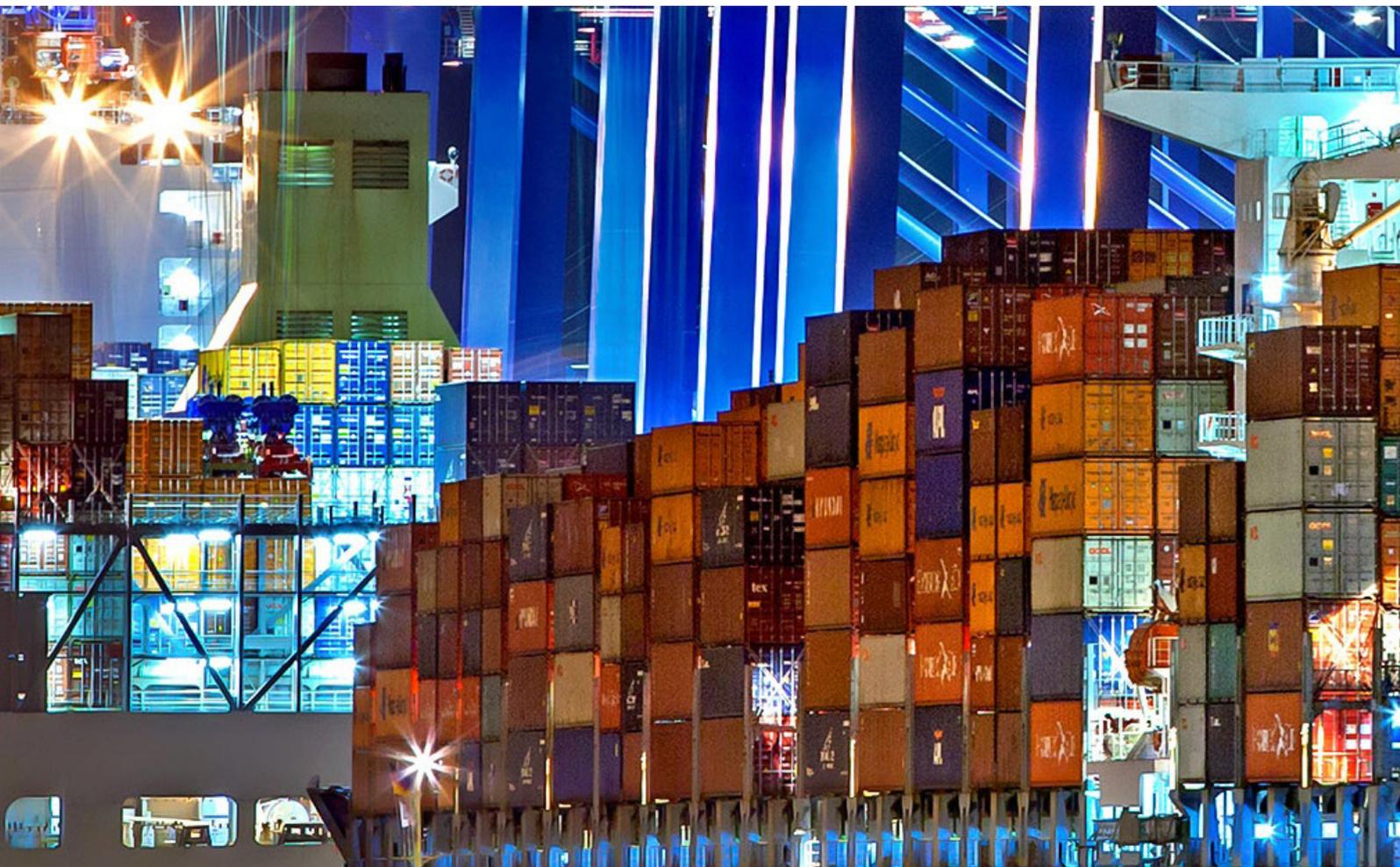
Let's take stock of the current impact universe in Africa and consider the gaps which require focus. African impact investors have a great opportunity to catalyze development on the continent. The ratification of the UN SDGs in 2015, Agenda 2063 and the Adidas Abba Action Agenda, has spurred the impact community and other investors at large to begin thinking around ways to deliver on these goals. According to UNCTAD (2014), an estimated US\$2.5trn is required to fulfill the SDG objectives in developing markets. From estimates pointed out by SDGA, up to 50% of this total is needed for the continent alone. This chapter shall explore the gaps and opportunities that have come through during the analyses of impact investing in Africa.

Through this exercise, the study has found that there are key challenges and hurdles that are holding the impact investing sector back. These hurdles are obstacles for investment activity to escalate. According to the UNDP (2015), the lack of proper understanding of impact investing hinders the progress of the ecosystem. Let's understand the gap in each ecosystem of impact investing. The sections to follow starts with the cross-cutting ecosystem gaps within the African continent and concludes with key regional and sectorial gaps, whilst prioritizing these gaps for impact investors to note.

4.2. Structural Impact Investing eco-system gaps

4.1.1 Awareness Gap

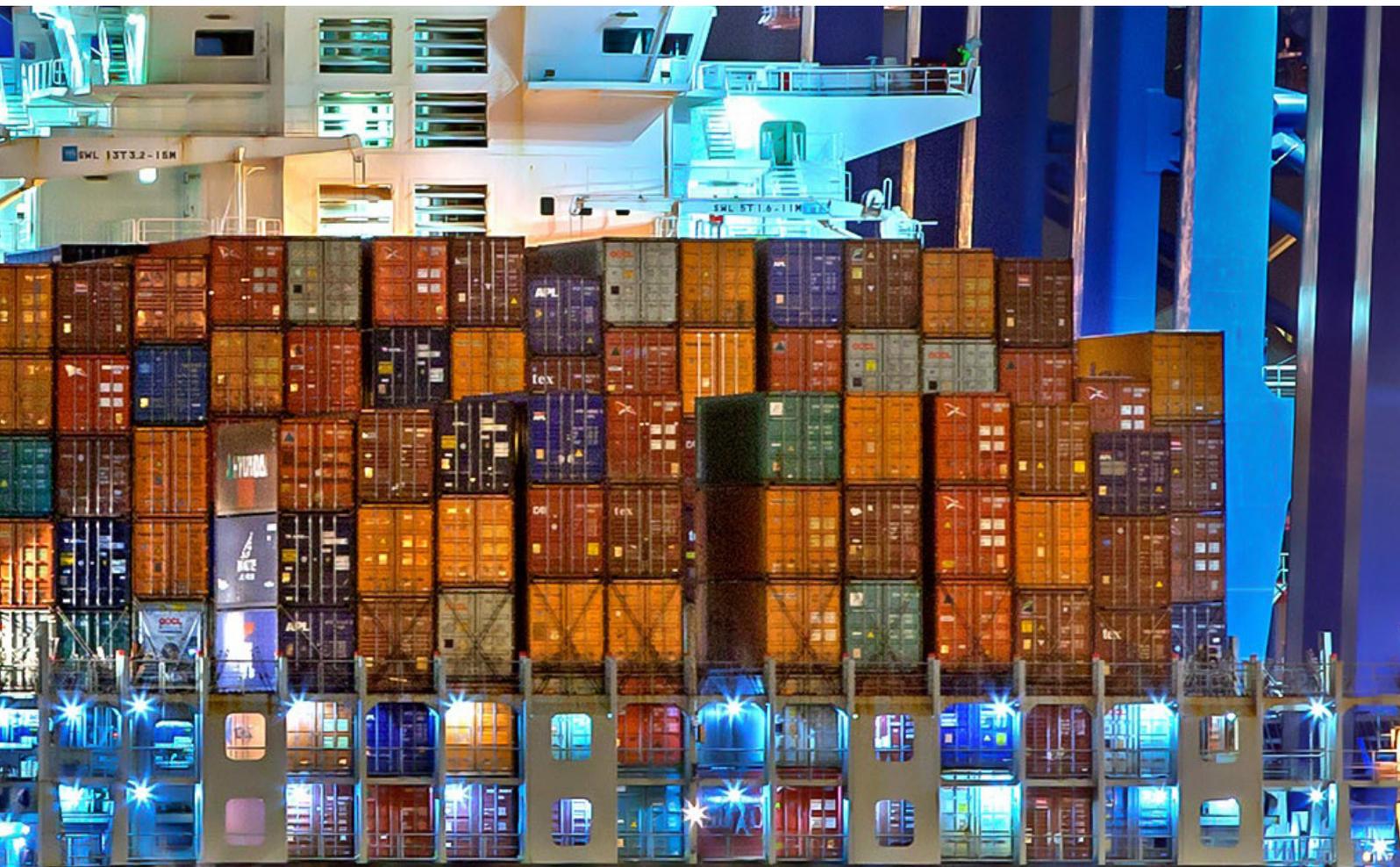
Globally, there is a lack of awareness of the impact investing concept. Over the last decade many initiatives sought to distribute the key ideology and benefit for impact investing, particularly for emerging and developing economies. However, the lack of long-term evidence on specific country potential leaves traditional investors weary on the viability of the ecosystem. Globally, more knowledge needs to be shared and more real case studies, with strong developmental achievements and commercial returns, need to be directed to the investment community. By improving the understanding of investors and solid evidence of impact investment case studies, the impact drive would become more streamline and collaborative.



- Are we adequately using Faith based organizations?
- Can we change the role of Aid programmes and grant/NPO's?
- Are the CSI spend of domestic and foreign multinational companies linked to greatest impact needs?

4.1.2. Supply Side Gaps

- First, the main hurdle for impact investors is arguably the ecosystem. This refers to the ability to source investment projects that meet both financial and social objectives. As more and more investor types appreciate the impact investing market, there are still apprehension to the viability of the sector. This difficulty is not only an African problem, but occurs amongst investors worldwide. GIIN (2015) stated that there is a critical lack of information that records the track-record of these investments. Principally, this is a strong barrier for traditional investors like Pension Funds and other institutional investors, where investment mandates require a focus on risk-adjusted returns.
- Furthermore, investors continue to find it challenging to re-structuring impact investor deals within the continent. Traditional investors have appreciated the innovative finance models that has been developed following a strengthening of impact investing mandates. However, with few investors willing to take on the risk of first loss (normally borne by DFIs and foundations), traditional investors have been hesitant. Gaining popularity as a financing mechanism is the blended financing model. Blended finance utilizes philanthropic funding coupled with development finance for financial and social gain. Akin to this is that investors need to reduce silos when investing in Africa, where deal structures and funding mechanisms can be aligned, whilst varying capital mechanisms can be deployed at different stages of a project.
- Quantifying the current and future quantum of various capital allocators, i.e. DFIs, Institutional Investors, Philanthropy, etc.
- Difficult exit environments from poor macro-economic backdrops plague investors in Africa. Recent statistics have shown that the exit environment is recovering where more PE investors and other financial buyers are being attracted to the continent. Liquidity still remains a deep challenge for African investors, where the development of exchanges may assist in increasing capital flow.
- Impact measurement reporting still lacks in many cases in Africa, especially with regard to the developmental goals.



4.1.3. Demand Side Gaps

- Businesses are still finding it challenging to raise funds to grow businesses, particularly in the SME space. This raises the question about investment readiness, where incubators may need to get impact business ready for funding.
- Lack of corporate structures: Many impact businesses in Africa lack the general corporate structure, legal frameworks and operative ability to secure funding from traditional investors.

4.1.4. Demand Side Gaps

As evaluated earlier, investors may face many risks while investing in the continent. Some of the dominant risks are summarized below:

- Lack of Liquidity: Many countries in Africa experience severe constraints in capital flows.
- Volatile macro-economic backdrop: As we've seen in the macro-economic chapter, African growth is susceptible to external shocks. This has had ripple effects on foreign flows, currency volatility and debt distress, that hinders investment appetite.
- Poor Regulatory Frameworks: This has an uncompromising effect on the investment process, where it could assist or severely impact on it.
- Inadequate infrastructure supply is a massive hurdle for potential investors attempting to access markets.
- Another important risk that requires more attention is the lack of PPP on the continent. Furthermore, this requires better managed PPP's, particularly in Africa. According to the World Bank Private Investment in Infrastructure database, African countries have the least amount of private investors involved in infrastructure investments across the world. Additionally, there are very low number of PPP's projects in SSA over the last two decades, where majority is concentrated in a few countries. Namely, South Africa, Nigeria, Uganda and Kenya. This may be attributed to a massive trust deficit experienced between the private and the public sector in Africa. However, there have been many calls from investors to see more public and private partnerships in large capital driven sectors, like mining and infrastructure as private sector involvement is lower than other developing continents. PPP's can accelerate development and impact on the continent.

Figure 42. Number of PPP Infrastructure projects in developing economies over the last 25 years



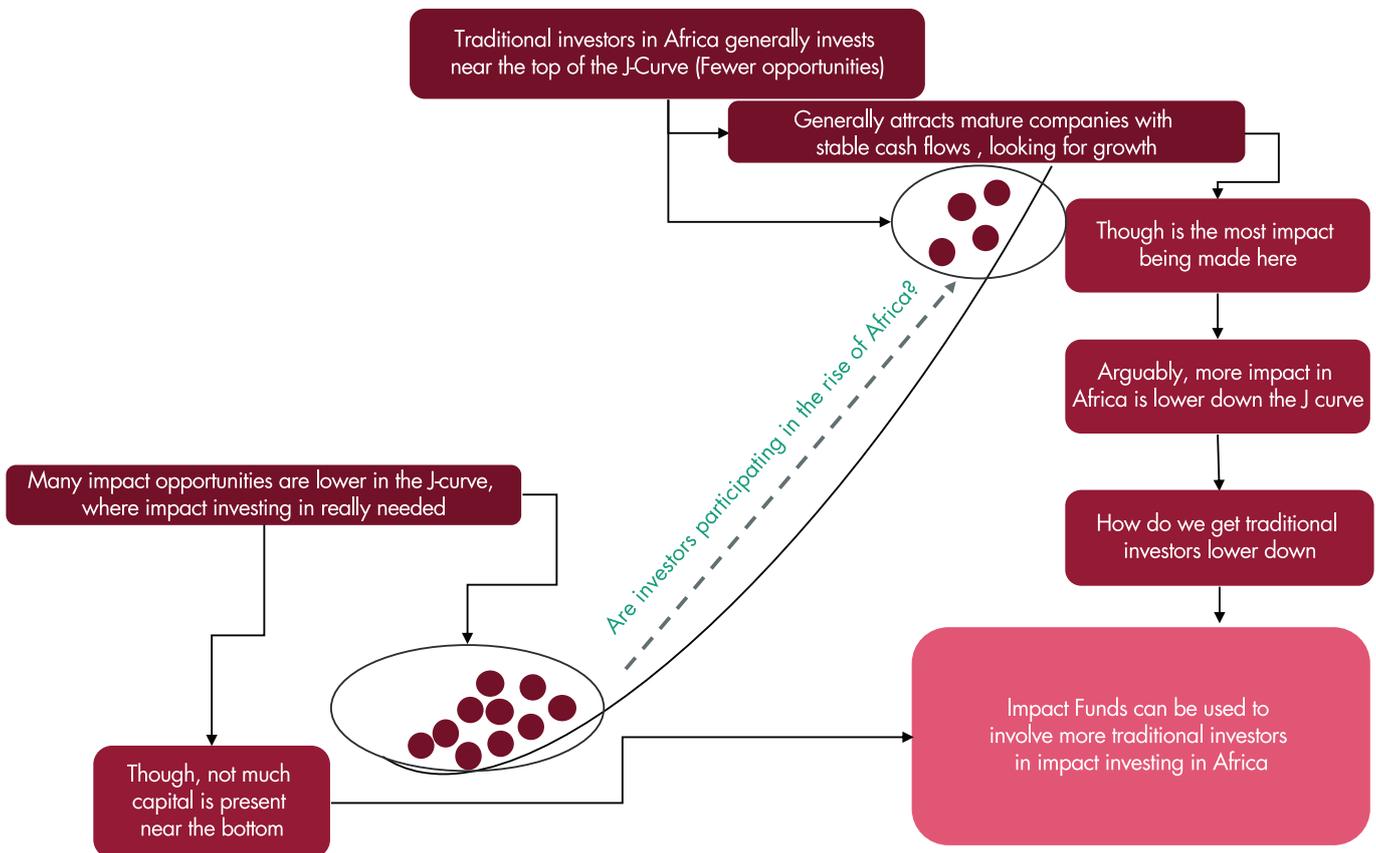


Spotlight: Alexander Forbes Benefits ALL Barometer

Alexander Forbes BenefitsALL Barometer is a publication that tasks policymakers, employees and financial service providers amongst others to assist in meeting the needs of Africans. The publications shall discuss mechanisms around providing health, income and retirement savings protection for developing markets, where the private sector employers can assist, and take strain off national budgets. In developing these benefit structures, an employee’s financial strength can be enhanced. These benefits may have a multiplier effects and can further contribute meaningfully to achieving the SDG’s. The BenefitsALL Barometer provides this platform to “unlock future value” in Africa. For more information click here: <https://www.alexanderforbes.co.za/download/afo/benefitsbarometer/Benefits%20Barometer%20Africa/17126-NL1-2019-02%20A4.pdf>

Source: Alexander Forbes

Figure 43. Impact Investing value and impact growth



Source: Authors Analysis

The question arises: how do we get more traditional investors into the impact eco-system? Traditional investors are generally active with more mature companies that attract a lower risk level and deliver a stable profit and cash flow. This normally happens on top of the J-curve. However, is this where impact is the greatest? Arguably, in the African context, it is not. Lower down the J-curve, there are fewer players and less capital being disbursed. This is due to the higher risk to investments lower down the investment J-curve. Lower down the curve, smaller businesses or projects struggle with the demand-side gaps mentioned above. Traditional capital needs to flow down the J-curve to really participate in the African growth and impact story. Research shows that this can be done through impact funds, where traditional investors are somewhat shielded from the higher level of risk. This shield comes from funds that are closer to the ground, have dedicated impact mandate and are able to implement specific impact strategies across sectors. Investments made through these funds can deliver strong social and financial gains that traditional investors strive for.

4.1.5. Regulatory Gaps

Regulatory and governance frameworks in Africa still has a way to go to enable consistently positive enterprise growth that will allow the desired impact for the ecosystem to thrive. Investors are generally buoyant in stable regulatory environments where the operating environment is secure and provides certainty. Historically, Africa has struggled with developing a strong regulatory and governance framework which is free from political instability. Special Economic Zones have made it easier for international investors to operate in Africa, however much still has to be done to improve and expand these.

4.1.6. Leadership & Policy Gap

Further to the regulatory gaps, African countries are experiencing inconsistent and accountable leadership direction that has hampered long term thinking. This has impeded proper policy directives to enhance impact investing through the continent, whilst being deliberate about achieving the SDG's. Furthermore, necessary policy steps need to be taken to hone private sector participants for impact on the continent. World Bank data has shown that the continent falls below that of others to utilize PPP's. Many countries have also experienced fiscal imbalances that have left many sectors short of a basic funding requirement. A call of action needs to take place for a deliberate congruent policy and leader implementation to achieve development goals in Africa.

4.1.7. Impact Measurement and Management Gap

Data in Africa has been difficult to attain. The lack of data plagues investors and business that want to explore the continent. This has led to impact metrics being inconsistently and inaccurately measured. It is seen clearly through the lack of SDG measurement data in Africa. For impact investors, it is critical that these measurements are adapted and are clear. The lack of a consistent measurement tool discourages potential investors wanting to create and measure true impact. This hurdle makes it very difficult for potential impact investors to measure its performance, compare with other investment, evaluate gaps and let the ecosystem navigate a complex developmental agenda. The impact ecosystem has taken on the challenge to develop measurement tools to assist with this hurdle. The Impact Management Project (IMP)²², amongst other organizations, is a forum dedicated to building a global consensus to report, manage and measure impact investing. This is a step in the right direction. However, much still needs to be done to collate the data in Africa.

This will remain a key challenge for impact investors on the continent.

- Impact measurement and management in Africa have to contend with:
 - Lack of ICT infrastructure, broadband, WiFi connectivity
 - Inconsistent base line information, due to sporadic data analysis
 - Remoteness of many impact outcomes, which require monitoring
 - Financial constraints of Impact beneficiaries to consistently report
 - Scale of conflicting impact outcome needs

4.1.8. Employment and Skills Gap

The rate of unemployment on the African continent, together with the low level of skills, present a structural challenge, especially considering the changing future of work as the 4th Industrial Revolution drives business prospects. However, Africa has the youngest, fastest growing urbanized population in the world that present a massive opportunity for investors and businesses looking to operate on the continent. There is a dire need for skills and technology transfer and operational expertise, beyond just financing. Impact investors have an opportunity to develop core skills in Africa and close the skills gap. Next Generation²³, a South African company that specializes in impact measurement, discusses their findings in the box below.

²²Impact Measurement Project: <https://impactmanagementproject.com> • ²³Next Generation: <https://nextgeneration.co.za/>



Spotlight: Next Generation

According to Next Generation (2019), impact investing is not delivering on skill development, where providing or developing general skills to empower people is not strategic enough – the impact is negligible. Skills need to be developed according to the demands of specific industry sectors, and people need to be prepared for the fourth industrial revolution. They argue that: “If skills development programmes do not include workplace and job readiness aspects, and if recruitment and placement are not provided, these types of programmes are unsustainable. In more than 80% of all interventions, skills development does not lead to self-employment, or employment in general. Neither does it contribute to job creation.” Furthermore, the biggest issue is proving that a new job was created instead of simply providing employment. In most instances, the only impact is employment or placement (temporary or permanent). In cases where jobs were created, they were short term, as no longitudinal studies are conducted to prove job creation. There is no proof of people still being in those new jobs after 12 months. It can be argued that in most cases employment is provided or people are placed, but there is little evidence of new jobs having been created.

Source: Next Generation

4.1.9. Regional Investment Gaps

The constraints and hurdles in Africa have historically directed investors to a few select regions and countries that will allow them to meet their mandates and gain relative safety, while creating a commercial return for their clients. This has been no different in the impact eco-system.

This study has seen large investment flows in Kenya, Nigeria and South Africa. Arguably, the three most economically and financially sound nations in their respective regions, coupled with a relatively decent operating environment for business. However, the question arises: “Where exactly does Africa need the most impact investing?” An argument ensues for impact capital flows to be spread broader in Africa to benefit countries that need more developmental assistance and to spur further investment. Traditionally, DFIs have invested in higher-risk countries where the development need is greater (*where political instability is present, economic viability is in question, with harsh operating environments in the extreme cases*) while being shunned by other investors. This may call for more innovative structures for transactions that allow investors to assist in the developmental efforts and be protected to the downside. The study has discussed some innovative financing mechanism that could be adopted to enhance investor buy-in. The key is to reduce to the silos, whilst opening a channel to foundations and DFIs that operate in these regions.

Today, we also find many African nations concentrating on developing an eco-system to assist international investors. These have been done predominantly through many SEZs that protect investors from the instability of the particular market. Furthermore, countries like Rwanda, have made a concerted effort to establish its business environment, through reforms, to allow investors to thrive. According to the World Bank’s Doing Business 2019 Report (2019), Rwanda ranks 29th in the world for doing business, with metrics such as registering a property and getting credit comparable to advanced economies.

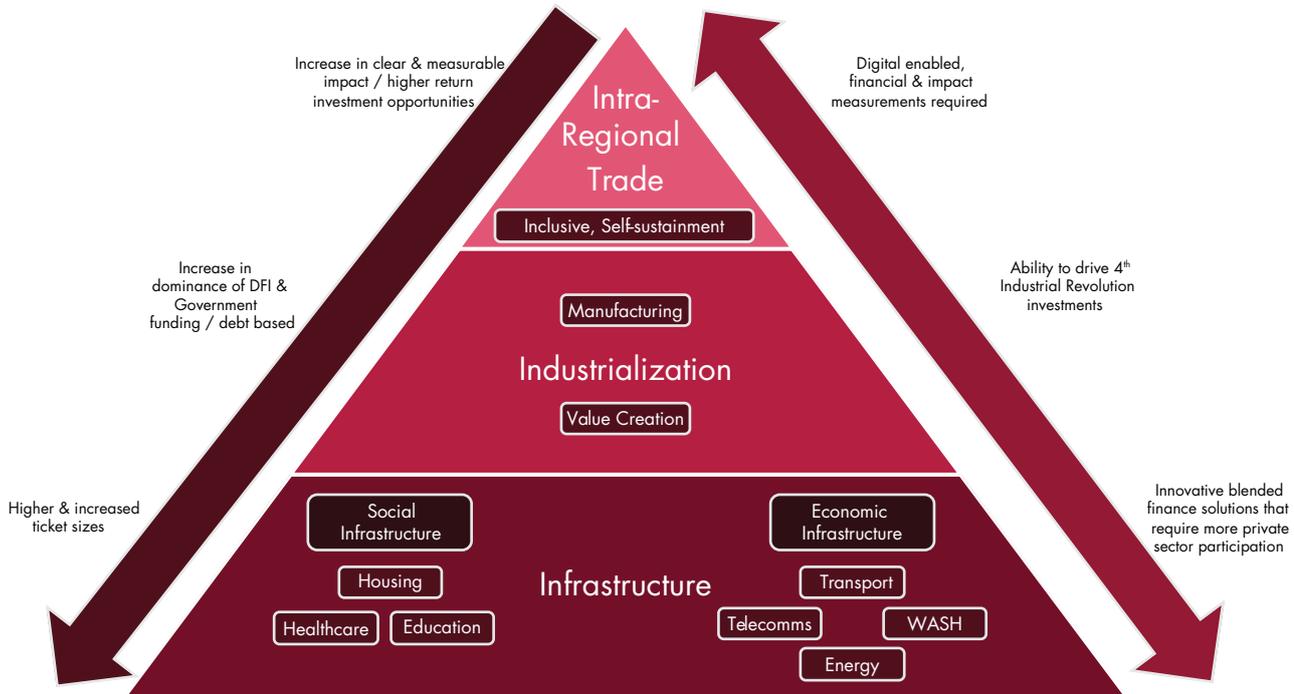
Concentration risk of African impact capital may be a severe gap that needs closure, in order to galvanize the continent and make meaningful progress on its developmental agenda. Failure to do so may have detrimental effects on sustainability of the continent and its growth potential.



4.3. Sectorial Impact Investment Gaps

Section 3 on “Identifying Impact Sectors and Opportunities” provided context for a wide range of important impact outcomes in the context of economic sectors. We have considered a three-pronged framework in how we approach the sectoral gaps. The 3I framework set out below captures a simplified, consolidated approach to sector-based gaps, suggesting priority focus areas for impact investors.

Figure 44. 3I Sector Gap framework: Infrastructure, Industrialization and Intra-regional trade

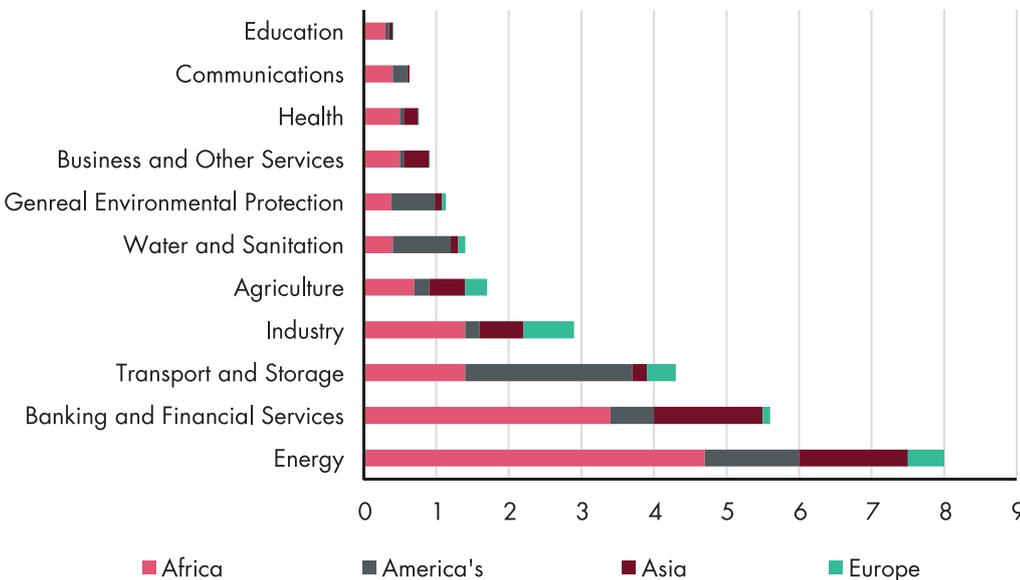


Source: Author's illustration

The framework sets out the sector gap analysis from the foundation of infrastructure transferring to manufacturing and then ultimately intra-regional trade for an inclusive, self-sustained Africa, less reliant on external variables. The framework will be discussed in more detail later.

Although more research work is required to confirm the linkages to sustainable impact outcomes, the illustration below demonstrates that currently there is an obvious mismatch. Most blended finance funds and facilities investing in Africa have had the lowest allocation into the highest need areas. Education, Healthcare, Water and Sanitation and Communications have the lowest allocation, yet has been identified as areas that require the highest interventions to improve basic living standards.

Figure 45. OECD report on Blended Finance instruments, Investment in sectors by region



Source: Page 53, Fig 4.6, OECD Blended Finance Funds and Facilities 2019

From this analysis, further evidence points to the fact that impact investing has been considerably concentrated in a few core sectors. As the eco-system grows and gains traction, much more capital is needed to achieve growing demand. The analysis shows that Energy and Financial Services have thus far attracted the bulk of impact finance. Consequently, many other sectors have not been able to attract funding, or capital at the same levels. Acknowledging that Africa's developmental needs are growing rapidly, arguably faster than what investors can manage, there are a few sectors that are imperative for the prosperity of the continent as a whole.

- Recognizing that many social gains have been derived from investors in Financial Services and Energy:** Where Africa's electrification rates and access to financial products have considerably improved. This has still been inefficient to meet demand. For example, the African Progress Panel (2015) estimate that the continent spends US\$8bn a year on average in Energy, however PIDA puts the estimated need for energy investment at US\$43bn a year until 2040. Similarly, financial inclusion has improved over the last decade. This is apparent in Kenya, where 80% of Kenyans have formally gained financial access. This equates to a c.50% increase in the last decade. This is predominately due to the rise in MPESA. However, there are still many African nations without access to financial services, where inclusion rates is still hovering under 50%. Therefore, it can be understood that there is still a massive financing gap. Continuous impetus still needs to be applied in these sectors.
- Basic Services needs more attention:** There are other core impact sector that have to be galvanized to achieve developmental progress. As seen when evaluating the need for impact investing, Africa lacks basic services. These come from the social infrastructure sectors and include affordable healthcare, education and housing. These have attracted very low levels of investor attention and are possibly the most crucial for human development. Further impetus is required to drive investment attractiveness into these sectors, particularly as impact investors aim to achieve social gains.





- Furthermore, the study has identified three areas/themes of development that would need prioritization. These are Infrastructure (Social and Economic), Industrialization and Intra-Regional Trade (**The 3 "I" Framework**), in order of significance, for unlocking sustainable impact for the African continent.

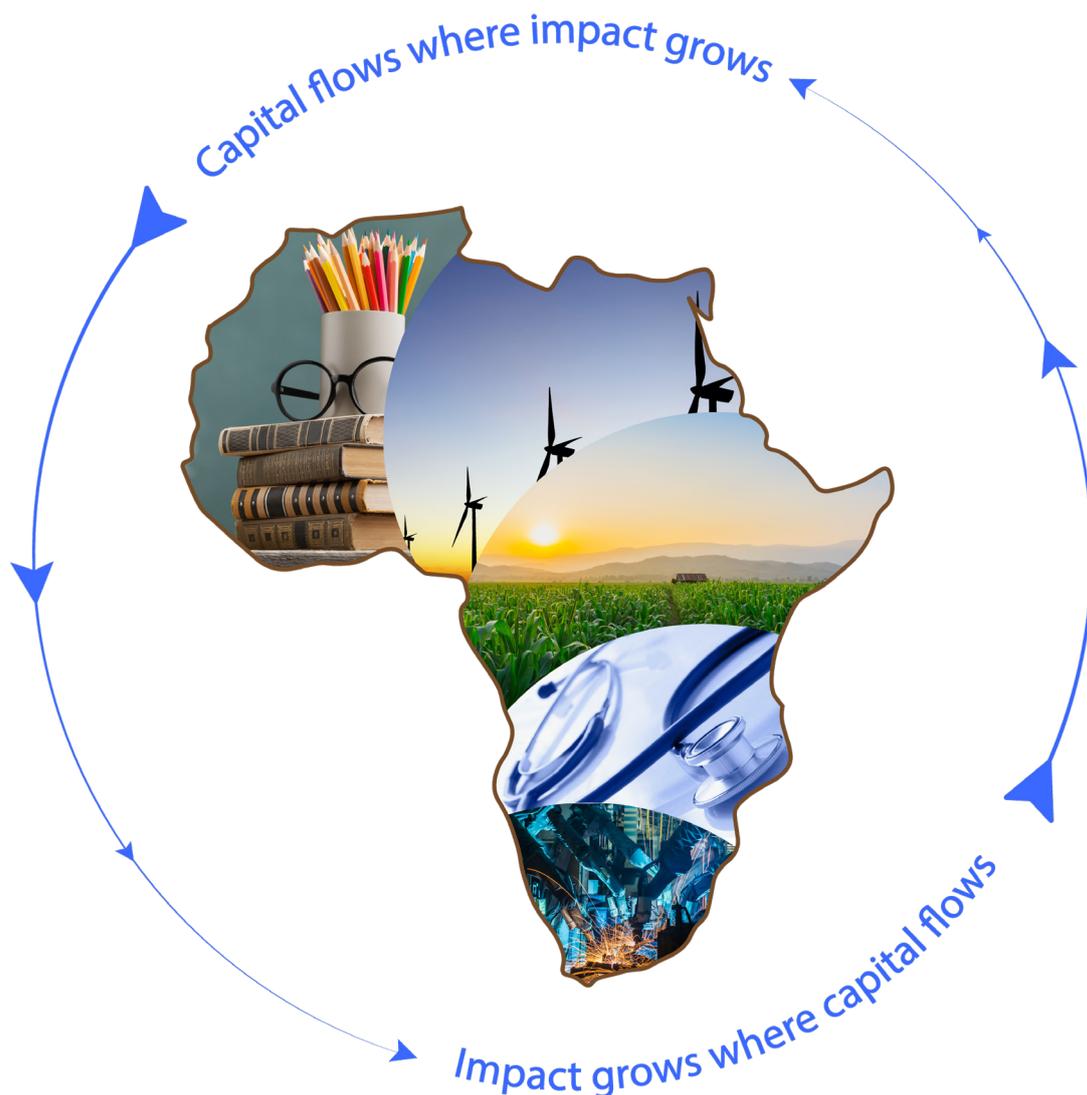
- 1. Infrastructure:** Investors can eradicate the bottle necks in multiple sectors through investing in infrastructure. Economic infrastructure can unlock markets and missing links to allow interconnectivity to take place, linking business and investors. Furthermore, ripple effects of this sector is enormous. By way of creating transport nodes, small farmers can now access varied markets while reducing costs. This will assist the agricultural sector. Further infrastructure development can allow for improved urbanization patterns, where property developers can build houses, malls, healthcare facilities and improve general economic activity. Similarly energy investments would allow businesses to operate with greater efficiency. Telecommunication and ICT developments can solve communication interruptions for major transport corridors. Social Infrastructure investments can uplift a society, improve productivity and lift many millions out of the poverty trap. The ripple effects of infrastructure can spread across all impact sectors and assist in solving for many SDG and Agenda 2063 objectives.
- 2. Industrialization:** Following infrastructure developments, African economies is arguably now ready to industrialize and steer away from being net exporters and head towards value-adding manufacturing and beneficiation. Industrialization will allow Africa to command its own engine for economic and social development. This will have further ripple effects throughout the value chain. There is much consensus between RECs, DFIs the AU and the UN for the need to have a strategic direction towards industrialization. Countries are adopting friendlier policies and creating further SEZs to unlock industrialization. Ethiopia is one of these countries, hailed as the next manufacturing hub in Africa, where manufacturing value-add has grown over 10% per annum. Similarly, the textile and garment sector is now prioritized in the country's growth plan. It shows that a conducive policy environment together with a stable operating environment can transform an economy and sector. Industrialization may also lead to encouraging intra-regional trade agreements like the AfCFTA.
- 3. Intra-Regional Trade:** It can be argued that once the "I's, explained above, have been developed, Africa can develop a self-sustained, inclusive economy that reduces the reliance on external capital flows for development. The continent has built reliance on external capital flow, though this has been seen to be cyclical and volatile. This had caused Africa to neglect inter-regional trade flow. Currently, intra-regional exports is below c.20%, whilst in Asia and Europe, this figure is over c.60%. Intra-Regional trade can be construed to not be directly connected to impact investing or development. However, this author argues that it is one of the most imperative development themes to achieve inclusive growth and development and self-reliance. Intra-regional trade has the ability to develop and link African businesses, countries and regions. Further, it can strengthen the continent's value chains, knowledge and skills transfers, technology transfers and improving cross border development. There are many African bodies that have made strategic efforts to improve the integration of Africa. For example, there is the much anticipated AfCFTA, The Tripartite Free Trade Area and the Pan Investment Code, which are all aiming to improve trade and connectedness on the continent. These plans have much potential but historically policy execution was poor. Harmonization and strategic alignment is key to meeting intra-regional trade objectives. Investment strategies have to be aligned, at a country and regional level. Furthermore, the Pan-African passport, set to launch in 2020, may assist with the free movement of people. Intra-regional trade has the best potential to completely transform the continent economically and socially. The ripple effects are enormous.

5. Conclusion and Next Steps

The African Impact Investing Gap discussion aims to provide direction for capital allocators' decision making parameters. It completes this working paper which is aimed at enabling a discussion around impact investing into Africa, whilst providing the necessary knowledge for investors to converge around how development goals can be achieved.

Investors of all types have an important opportunity in Africa and a responsibility to help achieve its development goals. However, **this report has shown that this responsibility needs to be shared equally amongst all participants in the impact eco-system.** African investment requires a conscious shift in which investors and policy makers need to reduce the silos and work more collaboratively. The development agenda of Africa is becoming a broader, shared objective, whilst investors have to consider developing more innovative strategies and models to adapt. These strategies and models need to be aware of the risks, and must attempt to mitigate them. Arguably, the easiest way is through a collaborative approach to investing that will highlight everyone's responsibility at each stage. By reducing the silos, partnering-up and embracing local networks, investors would be able to realize the maximum social and financial return that can be achieved. As much as policy reforms are taking place an "Impact Investing Inc." approach would allow partnering and facilitating of investments where Africa needs it most that are shared amongst all types of impact investors.

Next steps of this working paper will be for the content's investment case to be workshopped globally, commencing at the GSG summit in Argentina November 2019, and further working papers around collaborative solutions for the gaps identified.





Annexure A

WASH – The Need for Water Focused Investments in Africa

By Christian Kingombe (4IP Group) and Franck Barroso (WaterPreneurs)

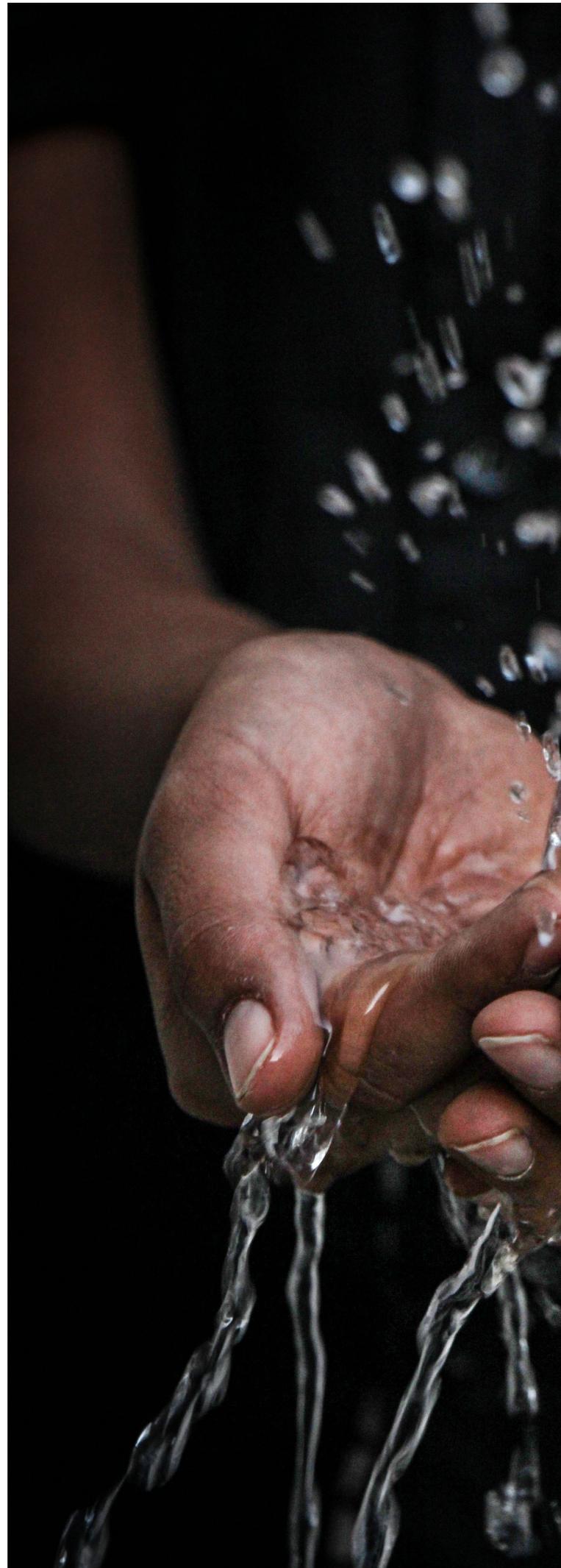
“Innovate 4 Water”

Water is considered key to social, economic and political development. However, today many countries are facing a challenging task to ensure accessibility and availability of water for all their citizens. There are multiple attempts at decentralized solutions by private enterprises as well as by governments at the State and Central levels. However, solutions have been fragmented and highlight the need for a collaborative approach to truly demonstrate impact at scale. There is a need for all stakeholders in the Water Nexus to come together to share knowledge and leverage networks and resources to solve these problems.

The United Nations’ High-Level Panel on SDG 6 announced recently the following decade to be a decade of water action. After examining progress on the SDG, the panel’s primary recommendation was to immediately “improve the enabling environment for investment in sustainable water-related infrastructure and services in order to at least double current investment levels.” The variety of players involved in WASH service delivery is large and diverse, with public and private sector entities. It is recognized that universal WASH access will need the contribution from both, public and private entities as their roles and motivations are distinct.

In this context, in order to contributing to overcoming systemic gaps and closing the visibility gap between entrepreneurs, investors and enablers in the “Water Nexus”²⁴, Waterpreneurs, which is based in Switzerland and a global for-impact organization, supporting the scaling-up of impact investments financing the growth of “Water Nexus” enterprises operating in developing countries, and respecting human rights, has developed “Innovate 4 Water”. This marketplace forum offers a unique opportunity for key players to develop collaboration with a curated set of stakeholders in an effort to bring maximum value to each participant in their ecosystem locally. That is, participants are carefully selected, ensuring diversity, complementarities and capacity to scale-up service delivery solutions to bring value to one another. The quality of the event per se is ensured by prior briefing and mentoring of the pitchers for maximum quality of matchmaking. The forum is a fast

²⁴Water Nexus includes: Water, Sanitation, Hygiene, Agriculture, Water for Energy, Water for Health etc.





paced, two-day event, with 80-120 participants, depending on the local context.

This series of “Innovate 4 Water” marketplace forum leverages from the experience of Waterpreneurs with past “Innovate 4 Water” forums organized in Geneva, Nairobi, Zug, Abuja, Kisumu, Lusaka and Lagos. Those events are critical, medium size events and fundamentally different from typical conferences. Attendance of the event is by invitation only to achieve the best matchmaking outcome during and after the event for maximum impact. There is a focus on financial viability and scalability when choosing solutions providers and other investees.

All participants are encouraged to be active through a series of short pitches (5-7 min) to help participants to get a sense of who is doing what (i.e. focus on the core) and this give them the opportunity to present their activities to gain visibility and share knowledge with other sector stakeholders, to increase collaboration and business opportunities.

The purpose of this brief chapter is to presents a summary of impact investment-related information in the WASH sector based on three WAHS private sector sources. Thus, this chapter aims to in line with the fundamental objective of the «Innovate 4 Water» forums to aid in closing the SDG6 gap by overcoming systemic gaps through locally incubated and adapted solutions, facilitating the quick and efficient setup of a certain type of partnerships and collaborations. By focusing on the incubation and the scaling-up the impact of smart, relevant solutions with a long-standing experience. This goal is achieved by highlighting 3 insightful impact studies which were presented in one of the above-listed Innovate 4 Water series events.

Insightful Impact case studies:

The “Innovate 4 Water” forums bring together diverse stakeholders from across the water and sanitation and broader water sectors – entrepreneurs / solutions providers, utilities, investors, large and small companies, ICT companies, agribusiness organizations, non-governmental organisations, UN agencies, and incubators – all of whom are contributing toward achieving SDG6. The «Innovate 4 Water» forum organisers focus on selecting mature “start-up” (break-even or almost break-even enterprises / solutions providers) in order to maximize the interest of investors and to accelerate the scaling-up of proven and/or “turn-key” market-based solutions.

Impact Water

Our first case is Impact Water²⁵– Safe Drinking Water

²⁵Lagos 2019: <https://www.innovate4water.net/lagos-2019> • <https://accelerate2030.net/2019-global-finalists/> • Source : <http://www.impactwater.co/our-solutions>



Solutions - who was selected to pitch at the July 2019 I4W event in Lagos, Nigeria, during WaterPreneurs' collaboration with The Impact Hub Lagos. This company has also been selected to come to Geneva, 7-11 October 2019, as one of ten Global finalists of the Accelerate2030 program out of more than 1,000 ventures which applied to Accelerate2030 across 16 countries and 4 continents.

Before Impact Water launched in Uganda by founder Mark Turgensen, boiling was often the only tool schools had to make drinking water safe for their students. Schools struggled with the cost of firewood as well as the hours lost to the chore of boiling water. Affordable water purification strategies were largely absent in the market, which inspired Impact Water to innovate a new approach. Impact Water installed its first water purification system in Uganda in 2013. Impact Water Limited is led by a dedicated global team, based in the U.S., and multinational teams in its 3 country offices in Uganda, Kenya and Nigeria, now aims to make universal coverage of safe drinking water systems a reality in schools across Africa. To date, Impact Water has installed systems in almost 16,000 schools, bringing safe drinking water to over 6.4 million students.

Impact Water's 3-stage safe drinking ceramic water purification systems that purifies up to 20 L of water per hour work for all schools, even those without electricity or piped water, ensuring that there is a solution for all schools regardless of their unique infrastructure challenges. The Impact Water solution is an UltraTab, which is a chlorine tablet specifically designed for schools without electricity or piped water to provide large quantities of water for their students. Each tablet purifies 100 L of water.

The social impact potential for Impact Water's potential of their social business is far reaching as recognized by the Accelerate2030 Global Final shortlisting. Some of the impacts include:

- Improved dignity and health for millions of school children and health facility patients;
- Socio-economic advancements which result from reduced absenteeism at school;
- Financial savings (as boiling and buying bottled water is expensive).

iw+ coalition

Our second business case is iw+(innovative Water solutions plus finance & expertise) who pitched at the February 2019 I4W event in Kisumu, Kenya²⁶. Providing

safe water to booming urban and peri-urban populations is an ever-growing challenge for governments, water utilities and other water service providers in emerging economies. Conventional solutions and financing struggle to deploy infrastructure fast enough to keep up with the pace of growth.

iw+ is a coalition of water technology innovators and ecosystem enablers with established track records in developing markets across three continents. Recognizing that water utilities and governments in emerging markets need comprehensive solutions to address their complex needs, the "iw+ Coalition" members are joining forces to provide their own resources, competencies, and expertise to deliver water solutions to a billion people, and in order to develop a concept that will have an upside for each organisation, to address the key principles of iw+ as a concept: leasing, Pay-as-you-go solutions (securing the lease thanks to the prepayment), Smart technologies, and Safe water and operator efficiency solutions. iw+ partners offer three technology solutions that expand affordable, quality water services to fast-growing urban areas through technology-enabled pay-as-you-go (PAYGO) systems. The approach makes it possible to expand coverage while reliably capturing new subscriber revenue streams.

The following organisations will provide their competencies and expertise to further develop the following areas:

- Aqua for All is a Netherlands based non-profit organisation, focussing on innovative and transformative solutions for drinking water and sanitation, targeting underserved areas in developing countries.
- CityTaps' has developed a solution that bridges the gap between water utilities and the urban poor: A prepayment service that comprises the world's only smart and prepaid water meter, and a billing software that processes mobile payments.
- Isle Utilities is an independent technology and innovation consultancy that brings together technical and commercial specialists to facilitate relationships.
- SunWaterLife is producing and marketing drinking water purification systems for developing countries mainly focusing on isolated rural populations in Africa and Asia.
- UNTAPPED provides lease financing and technical services to help local operators deploy PAYGO water systems and improve last mile delivery of safe water where it is needed most.
- Waterpreneurs supports the scaling-up of impact investments financing the growth of ethical water and sanitation enterprises who are offering responsible services.

²⁶<https://www.innovate4water.net/kisumu-2019> • Source: <https://docsend.com/view/xcr4b9w>

One example of this is The Water Utility with 6500 PAYGO Smart meters in Eastern Kenya. The cashflow going through this payment platform is 5.4x that of lease and service payments. Another example is that of The Water Kiosk Network in Mali, which consists of 30 site kiosks. New revenue from water sales from kiosks is 321% of lease payments in 5-year period.

iW+ has an inclusive approach that focuses on Smart Water Systems that Improve Safe Water Delivery to every urban and peri-urban resident. iW+'s unique value proposition for investors is:

- Seed-capital investors to fund the technology platform;
- Investors to finance the leasing company.

Sanergy partnership with KIWASCO

Our last business case is Sanergy - Bold solutions for booming cities - founded by MIT graduates David Auerbach, Lindsay Stradley and Ani Vallabhaneni which is a company who has developed a systematic approach to provide the booming cities with a modern sanitation network. It consists of the building of non-sewered sanitation and the conversion of waste in cities into valuable products - and KIWASCO (Kisumu Water and Sewerage Company Ltd) – a local utility company whose core objective is to make the water and sewerage services provision a commercial activity that generates sufficient revenue to sustain operations – met in Kisumu in February 2019 and have now signed a partnership. Through this collaboration, Sanergy and KIWASCO plan to assess work for Kisumu's low-income areas, with an expected social impact of at least 20,000 people in Year 1. A pilot project will be possibly launched in 2020.

Lessons learned from these 3 case studies & from previous “innovate 4 water” marketplaces

The water sector is seeing the emergence of various hybrid WASH models that contribute to solving local problems (in particular service efficiency and sustainability). These models are often considered the most effective, combining complementary and sometimes unconventional approaches. There are numerous innovative technologies and business models to provide safe water or sanitation services in remote areas on a paying basis. However, all these operations struggle with barriers such as willingness to pay, traditions, acceptance, legal framework, and overall profitability among others. This limits their ability to break-even or even scale-up and replicate.

But there are several promising avenues to be considered to mitigate and overcome these barriers: Adapt radically to local needs, diversify product offerings, work on behaviour change, adapt the price to the service quality, cross-subsidize products/services, develop alter-payment schemes, or use technologies to decrease the operating costs.

Waterpreneurs recognise the growing need for sharing local knowledge of “what works” and “what does not work” with global water community, based on the findings of the forums and post event participants dialogue, tracking evolution of partnerships and collaborations initiated by those events. In addition, Waterpreneurs and its partners aspire to continue building capacities of forum alumni to further foster bankability, scale and impact for the industry. Platforms, enabling alumni knowledge exchange and capacity development are currently in discussion and development.

Conclusion

The success and impacts of the “Innovate 4 Water” are that of strong reinforcement of the local ecosystems around water resource management and WASH. Outputs of the events are accelerating commercially sustainable change in a targeted region by:

- attracting higher levels of blended investments outside donor and aid funding
- creating a legacy of financial return discipline
- forming meaningful partnerships and cross-sectoral collaborations
- transferring water sector knowledge and innovation
- driving economic growth and improving access to water and sanitation in the targeted region
- creating visibility to proven technology solutions and business models

Investing in the water sector is often perceived as risky and complex. To de-risk and make the sector more attractive for public and private investments, innovative finance mechanisms are needed. Many are currently being developed and tested. Since little money is flowing to WASH projects today impact investing proposes an interesting alternative when investors seek a weighted financial, social and environmental impact for “water & sanitation enterprises”, from venture capital to mature growth financing.

It shouldn't be forgotten either that there is need for a lot of capacity building among WASH enterprises in order to attract impact investors. The capacity building is mainly to improve operating efficiencies. This will in turn improve the financial statuses of these enterprises, making them more bankable and therefore able to access financing from commercial sources.





The story of BASA

CASE STUDY: THE STORY OF BASA SCHOOLS

By Old Mutual

In 1992, Ludwick P Sekoakoa and Herbert M Ncube founded the BASA Educational Institute Trust, a 100% black-managed schools organisation delivering high-quality low-fee schooling to children from previously disadvantaged backgrounds in Johannesburg. Along with passing exams, BASA helps learners develop their personal ambition and sense of purpose.

THE ROLE PLAYED BY IMPACT INVESTING

In 2013, Old Mutual Alternative Investments (OMAI) – via its Schools and Education Investment Impact Fund of South Africa (Schools Fund) – committed R60m to help expand two BASA schools. The funding reflected the BASA management team's impressive track record, including winning a Department of Education award for Outstanding Academic Results for Senior Certificate Exams. Funding was focused on the renovation and expansion of BASA's existing Protea Glen Primary School and the development of BASA Protea Glen High School, which opened in 2015 boasting 40 classrooms, three computer labs, science labs, and various sports facilities. The primary and high school have joint capacity to educate 2 400 children annually. BASA was among the first black operators to benefit from an OMAI Schools Fund investment after OMAI proactively approached its board in 2012 to explore the possibilities of a long-term partnership. OMAI's approach was well timed – BASA had just completed plans to build a new secondary school and was interested in exploring partnerships which did not require the team to cede control or dilute its vision. By sitting on the board, OMAI advised on the appointment of a financial accounting firm which helped BASA improve its internal control systems and financial reporting. They helped upgrade their governance, financial and HR systems, working with the board to ensure the continued growth of the school portfolio following our exit. School fee collection processes also improved, lowering fee default rates to well below national averages. OMAI supported the BASA team in managing their downside risks and enabled the team to build and run larger scale schools, substantially increasing independent schooling opportunities for low income families. OMAI also introduced independent school testing to benchmark performance with teacher training budgets and provision of learner support material. One example of the effective partnership came between 2015 and 2018, when OMAI and BASA worked closely to secure over R6m per annum in additional central government subsidies, giving BASA an opportunity to lower fees and educate more children from local communities.

IMPACT HIGHLIGHTS

- Protea Glen students' the matric pass rate reached 93.3% in 2018, compared with South Africa's national pass rate of 78.2% in the same year. Protea Glen students also achieved an above average bachelor pass rate of 48% compared to the national average bachelor pass rate of 33.6% in 2018.
- OMAI structured the investment to return 100% of OMAI's equity to the BASA Educational Institute Trust in 2031, having generated a steady return on investment to shareholders.



List of References

- ABSA, OMFIF. (2018). Absa Africa Financial Markets Index. Johannesburg: ABSA.
- Acumen. (2019, 8 29). Western Seed. Retrieved from Acumen: <https://acumen.org/?investment=western-seed>
- Acumen. (2019, 8 30). PAGA. Retrieved from Acumen: <https://acumen.org/?investment=pagatech>
- AfDB. (2019). Africa Economic Outlook. Abidjan: AfDB.
- AfDB. (2019, 07 16). Africa Energy Portal. Retrieved from Africa Energy Portal: <https://africa-energy-portal.org/>
- AfDB. (2019, 08 12). The High 5s. Retrieved from AfDB: <https://www.afdb.org/en/the-high-5>
- African Development Bank. (2019). AFRICA-TO-AFRICA INVESTMENT: A FIRST LOOK. Abidjan: AfDB.
- African Development Bank. (2019). Annual Development Effectiveness Report. Abidjan: AfDB.
- African Private Equity and Venture Capital Association. (2017). 2017 Africa Sustainability Study: ESG, Job Creation and Job Quality. London : African Private Equity and Venture Capital Association.
- African Union, Economic Commission for Africa; African Development Bank and. (2017). 2017 Africa Sustainable Development Report. Addis Ababa: African Union, Economic Commission for Africa; African Development Bank and.
- African Union, Economic Commission for Africa; African Development Bank, United Nations Development Programme. (2018). 2018 Africa Sustainability Development Report. Addis Ababa: African Union.
- African Union. (2015). Agenda 2063: FIRST TEN-YEAR IMPLEMENTATION PLAN. Addis Ababa: African Union.
- Agriculture Finance Support Facility. (2019, 8 20). Financing Agribusiness in Sub-Saharan Africa: Opportunities, Challenges, and Investment Models. Retrieved from The World Bank Group: <https://www.agrifinfacility.org/resource/financing-agribusiness-sub-saharan-africa-opportunities-challenges-and-investment-models>
- AU, NEPAD, AfDB. (2019, 08 06). PIDA Projects Dashboard. Retrieved from PIDA: <https://www.au-pida.org/pida-projects/>
- AVCA, Bridges Ventures. (2015). Investing for Impact: A Strategy of Choice for African Policy Makers. London : AVCA, Bridges Ventures.
- AVCA. (2018). 2018 ANNUAL AFRICAN PRIVATE EQUITY TRACKER. London: AVCA.
- Basile, I., & Dutra, J. (2019). BLENDED FINANCE FUNDS AND FACILITIES - 2018 SURVEY RESULTS. Paris: OECD.
- Bertha Centre for Social Innovation & Entrepreneurship . (n.d.). Innovative Finance in Africa Review . Cape Town: Bertha Centre for Social Innovation & Entrepreneurship .
- Bertha Centre. (2017). The Africa Investing for Impact Barometer. Cape Town: Bertha Centre.
- Bertha Centre. (2017). THE AFRICAN INVESTING FOR IMPACT BAROMETER. Cape Town: Bertha Centre.
- Bostock, F. (1991). The British Overseas Banks and Development Finance in Africa after 1945. Business History .
- Bridges Ventures LLP. (2014). Investing for impact: A Strategy of Choice for African Policymakers. London: Bridges Ventures LLP.
- Bugg-Levine, A., & Emerson, J. (2011). Impact Investing: Transforming how we make money while making a difference. Innovations, 9-18.
- Business and Sustainable Development Commission. (2017). Better Business Better World. London: Business and Sustainable Development Commission.
- Convergence. (2019). The State of Blended Finance 2019. Toronto: Convergence.
- Dentons. (2019, 8 20). Agribusiness in Africa, status and way forward. Retrieved from Dentons: <https://www.dentons.com/en/insights/alerts/2019/march/23/agribusiness-in-africa>
- EMPEA, The Commonwealth. (2014). Pension Funds and

- Private Equity: Unlocking Africa Potential . Washington D.C: EMPEA.
- EMPEA. (2016). ESG in Infrastructure. Washington D.C: EMPEA.
- EMPEA. (2018). Private Equity's Role in Delivering the SDGs. Washington D.C: EMPEA.
- EMPEA. (2018). The Eranove Group. Washington D.C: EMPEA.
- EMPEA. (2018). The Road Ahead for African Private Equity. Washington, D.C: EMPEA.
- Fidelity Charitable. (2018). Impact Investing: At a tipping Point . Fidelity Charitable.
- GIIN, Dalberg. (2015). THE LANDSCAPE FOR IMPACT INVESTING IN WEST AFRICA. New York: GIIN, Dalberg.
- GIIN, Open Capital. (2015). THE LANDSCAPE FOR IMPACT INVESTING IN EAST AFRICA. New York: GIIN.
- GIIN, Open Capital. (2016). THE LANDSCAPE FOR IMPACT INVESTING IN SOUTHERN AFRICA . New York: GIIN, Open Capital.
- Global Business Reports. (2018). THE OFFICIAL MINING IN AFRICA COUNTRY INVESTMENT GUIDE. London : Global Business Reports.
- Global Impact Investing Network. (2018). Global Impact Investing Network. Roadmap for the Future of Impact Investing: Reshaping Financial Markets. New York: GIIN.
- Global Impact Investing Network. (2019). Annual Impact Investor Survey. New York: GIIN.
- Impact Management Project. (2019, 08 02). Impact Management Project. Retrieved from Impact Management Project: <https://impactmanagementproject.com/>
- International Finance Corporation. (2019). Creating Impact: The Promise of Impact Investing . Washington, D.C.: IFC.
- International Finance Corporation. (2019). INVESTING FOR IMPACT: Operating Principles for Impact Management. Washington D.C: IFC, World Bank.
- International Finance Corporation. (2019, 8 20). Manufacturing overview. Retrieved from The World Bank Group: https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/manufacturing
- International Finance Corporation. (2019, 9 2). Health Care In Africa: IFC Report Sees Demand for Investment. Retrieved from International Finance Corporation: https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/healthafricafeature
- International Monetary Fund . (2019, 07 26). IMF Data. Retrieved from IMF data: <https://www.imf.org/en/Data>
- IRENA. (2013). Africa's Renewable Future. Abu Dhabi: IRENA.
- IRENA. (2015). Africa 2030: Roadmap for a Renewable Energy Future. Abu Dhabi: IRENA.
- Jackson, E. T. (2013). Interrogating the theory of change: evaluating impact investing where it matters most. *Journal of Sustainable Finance & Investment*, 95-110.
- Koh, H., Karamchandani, A., & Katz, R. (2011). From Blueprint to Scale: A case for Philanthropy in Impact Investing. New York: Monitor.
- Kubzansky, M., Cooper, A., & Barbary, V. (2011). Promise and Progress: Market Based Solutions for Poverty in Africa. New York: Monitor Group.
- Massa, I. (2011). Impact of multilateral development finance institutions on economic growth . London : Overseas Development Institute.
- Massa, I., Mendez-Parra, M., & te Velde, D. (2016). The macroeconomic effects of development finance institutions in sub-Saharan Africa. London : ODI.
- Mckinsey & Company. (2019, 8 22). Winning in Africa's agricultural market. Retrieved from Mckinsey & Company: <https://www.mckinsey.com/industries/agriculture/our-insights/winning-in-africas-agricultural-market>
- MONTEIRO, S. (2018). Investing in Development in Africa. *Investisseurs & Partenaires*, The Foundation for International Development Study and Research.
- Mudaliar, A., & Dithrich, H. (2019). Sizing the Impact Investing Market. New York: GIIN.

- Next Generation. (2018). INNOVATION AND IMPACT. Johannesburg: Next Generation.
- Ngoasong, M., Korda, A., & Paton, R. (2018). Impact Investing and Inclusive Business Development. Milton Keynes: Open University Business School.
- OECD. (2019). SOCIAL IMPACT INVESTMENT: THE IMPACT IMPERATIVE FOR SUSTAINABLE DEVELOPMENT. Paris: OECD.
- Oxford Economics. (2019, 08 15). Oxford Economics . Retrieved from Oxford Economics : <https://www.oxfordeconomics.com/>
- Oyeshola, D. (2007). Development and Poverty: A Symbiotic Relationship and its Implication in Africa. *Afr. J. Traditional, Complementary and Alternative Medicines*, 553–558.
- PricewaterhouseCoopers. (2017). Working in an SDG Economy: Aligning business activity to Global Goals. London: PWC.
- PWC. (2017). The SDG investment Case. London: PWC.
- PWC. (2019). Africa Capital Markets Watch 2018. London: PWC.
- QOBO, M., & SOKO, M. (2015). THE RISE OF DEVELOPMENT FINANCE INSTITUTIONS: SOUTH AFRICA, BRICS AND REGIONAL STRATEGY. Pretoria: GEG Africa .
- Rand Merchant Bank Africa Research Team. (2019). Where to Invest in Africa. Johannesburg: RMB.
- Rossouw, R. (2018). RESEARCH REPORT 2018. Johannesburg : Next Generation. Retrieved from <https://nextgeneration.co.za>
- Saltuk, Y., Bouri, A., & Leung, G. (2011). Insight into the Impact Investment Market. New York: J.P Morgan, GIIN.
- Savoy, C., Carter, P., & Lemma, A. (2016). Development Finance Institutions Come of Age. Washington DC: CSIS.
- SDG Center for Africa. (2018). SUSTAINABLE DEVELOPMENT GOALS THREE YEAR REALITY CHECK. Kigali: SDG Center for Africa.
- SDG Centre for Africa. (2019). 2019 Africa SDG Index and Dashboard Report. Kigali: SDG Centre for Africa.
- Signé, L. (2018). The potential of manufacturing and industrialization in Africa: Trends, Opportunities and Strategies. Washington: brookings.
- Signé, L., & Gurib-Fakim, A. (2019). Africa is an opportunity for the world: Overlooked progress in governance and human development. Washington D.C: Brookings.
- Signé, L., & Johnson, C. (2018). Africa's tourism potential. Washington D.C: Brookings.
- The Infrastructure Consortium for Africa. (2019, 08 02). Infrastructure Financing Trends in Africa 2017. Retrieved from The Infrastructure Consortium for Africa: <https://www.icafrica.org/en/>
- The World Bank . (2015). Stocktaking of the Housing sector in Sub-Saharan Africa. Washington DC: The World Bank Group.
- The World Bank Group. (2017). Africa Pulse. Washington D.C: The World Bank Group.
- The World Bank. (2016). Financing Agribusiness in Sub-Saharan Africa: Opportunities, Challenges, and Investment Models. Washington, DC: The World Bank Group.
- Their World. (2019, 8 30). The madrassa ECD programme is owned by the community and the success is for the community. Retrieved from Their World: <https://theirworld.org/voices/madrassa-early-childhood-programme-kenya-helps-communities>
- UBS. (2017). Mobilizing private wealth for public good . Zurich: UBS.
- UN Population Division. (2019, 07 25). World Population Prospects 2019. Retrieved from UN Population Division: <https://population.un.org/wpp/>
- UNCTAD. (2014). WORLD INVESTMENT REPORT. New York: UNCTAD.
- UNCTAD. (2019, 08 31). Statistics. Retrieved from UNCTAD: <https://unctad.org/en/Pages/statistics.aspx>
- UNDP and South-South Cooperation. (2018). SOUTHERN DEVELOPMENT SOLUTIONS FOR THE

SUSTAINABLE DEVELOPMENT GOALS. New York: UNDP.

UNDP, OPHI. (2019). Global Multidimensional Poverty Index. New York: UNDP, OPHI.

UNDP. (2016). Impact Investment in Africa: An Action Plan. New York: UNDP.

UNEP, African Development Bank, The Infrastructure Consortium for Africa. (2017). Atlas of Africa: Energy Resources. Nairobi: United Nations Environment Programme.

UN-Habitat and IHS-Erasmus University Rotterdam. (2017). The State of African Cities 2018: The geography of African investment. London: United Nations Human Settlements Programme.

United Nations . (2017). FINANCING FOR DEVELOPMENT: Progress and Prospects . New York: United Nations .

United Nations . (2018). Financing for Development: Progress and Prospects. New York: United Nations.

United Nations . (2019). Financing for Sustainable Development Report. New York: United Nations .

United Nations . (2019, 07 22). Sustainable Development Goals. Retrieved from SDG Knowledge Platform: <https://sustainabledevelopment.un.org/>

United Nations Capital Development Fund. (2019, 8 26). Financial Inclusion and the SDGs. Retrieved from United Nations Capital Development Fund: <https://www.unCDF.org/financial-inclusion-and-the-sdgs>

United Nations Conference on Trade and Development. (2019). World Investment Report 2019. Geneva: UNCTAD.

United Nations Development Programme. (2014). Impact Investing in Africa – Trends, Constraints and Opportunities. New York: United Nations Development Programme.

United Nations Development Programme. (2015). Impact Investment in Africa: Trends, Constraints and Opportunities. New York: UNDP.

United Nations Development Programme. (2018). Human Development Indices and Indicators . New York: UNDP.

United Nations economic Commission for Africa . (2015). Africa Review Report on Mining. New York : United Nations economic Commission for Africa . United Nations. (2015). Addis Abba Action Agenda: Financing for Development. Addis Abba: United Nations .

University of Cape Town, Bertha Center For Social Innovation & Entrepreneurship. (2016). Innovative Finance In Africa Review. Cape Town: Bertha Center For Social Innovation & Entrepreneurship.

Van Leeuwen, D., & Feinberg, M. (2018). Impact Investing in Africa: A Case Study on East Africa. Washington D.C: Wilson Centre.

Webber Wentzel. (2019). Private Equity in Africa—Unpacking the Trends: A Legal Perspective. Washington D.C: EMPEA.

WEF. (2018). The Global Competiveness Report . Cologne: WEF.

Willis Towers Watson. (2018). Pensions & Investments / Thinking Ahead Institute world 300. London: Willis Towers Watson.

World Bank. (2018). Piecing Together the Poverty Puzzle. Washington D.C: World Bank.

World Bank Group. (2019). Africa Pulse . Washington DC: The World Bank Group.

World Bank. (2019). Doing Business 2019. Washington D.C: World Bank.

World Bank. (2019, 07 30). World Bank Open Data. Retrieved from World Bank Open Data: <https://data.worldbank.org>

World Economic Forum. (2018). The Global Competiveness Report. Cologne: World Economic Forum.



**IMPACT
INVESTING**
SOUTH AFRICA



**PUBLIC INVESTMENT
CORPORATION®**

Est. 1911