



Impact Investing Worldwide: A Global Scan

Impact Investing: Building the Field, Measuring Success

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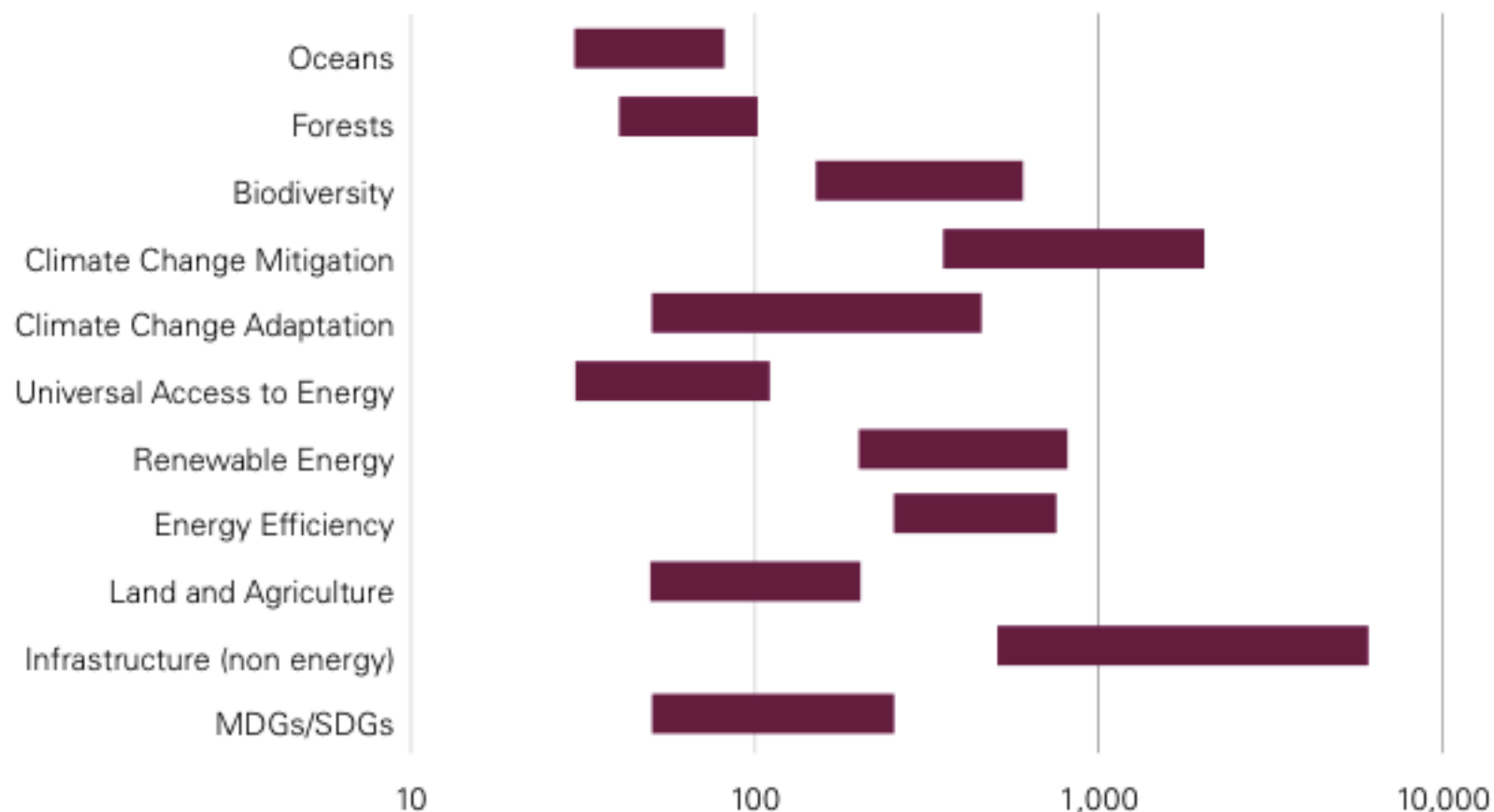
An Executive Workshop, April 13-14, 2016

Alisa Hotel, Accra

Financing Social & Environmental Issues: Capital needed at scale across sectors

Estimates of annual investment needs for selected sustainable development sectors

USD billions

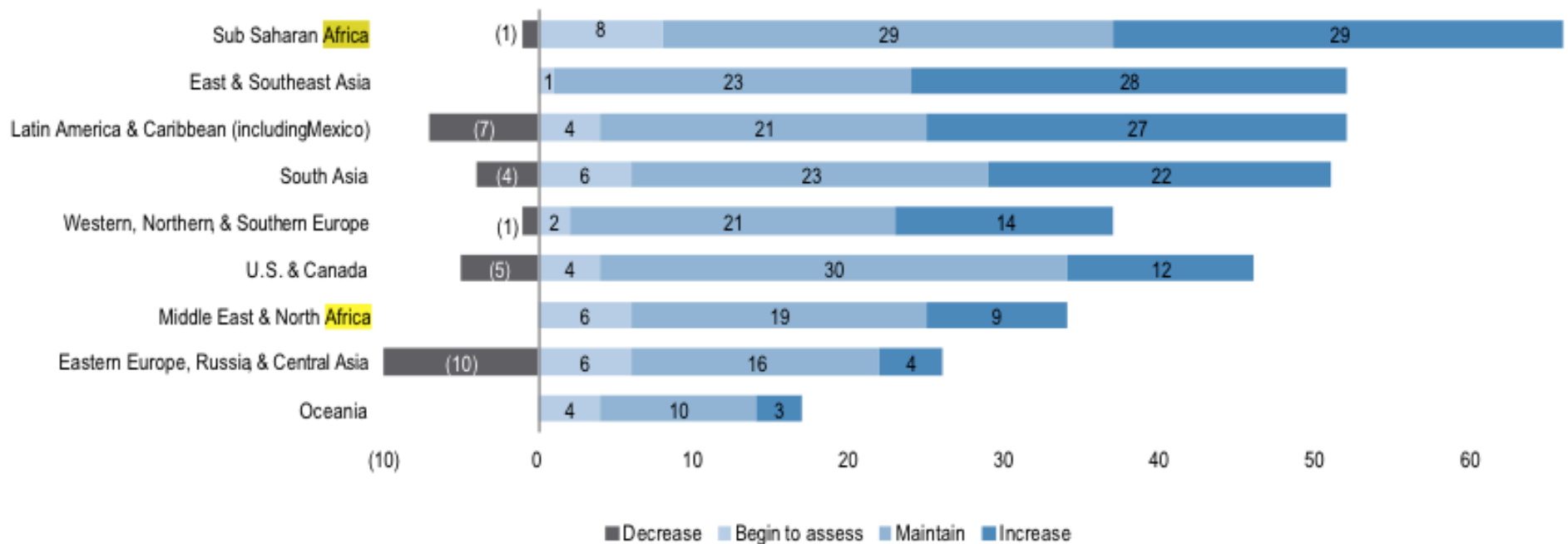


Source: Dalberg (2015) representation of UNTT Working Group on Sustainable Development Financing, "Financing for Sustainable Development: Review of global investment requirement estimates", 2013.

Capital Seeking Opportunities: Blended impact and financial returns

Figure 33: Change of allocation planned over the next year, by geography

Ranking by number of respondents who chose "increase"



Business Models with Impact:

Social enterprises with improved outcomes, scale



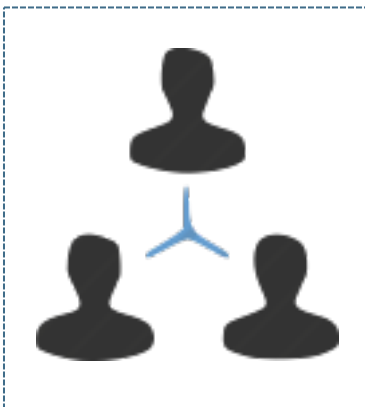
Source: Root Capital, Farm Shop, Bridge International Academies, M-Kopa

Defining Impact Investing

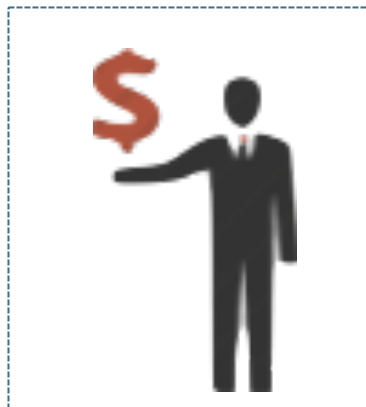
“Impact investments are investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return.”

- *Global Impact Investing Network*

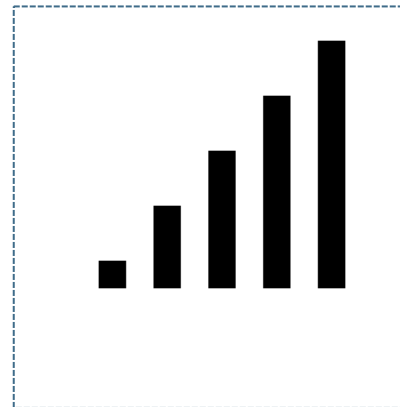
Intention



Return
Expectations



Range of Asset
Classes & Returns



Impact
Measurement



Impact Investing Ecosystem

Demand

Supply

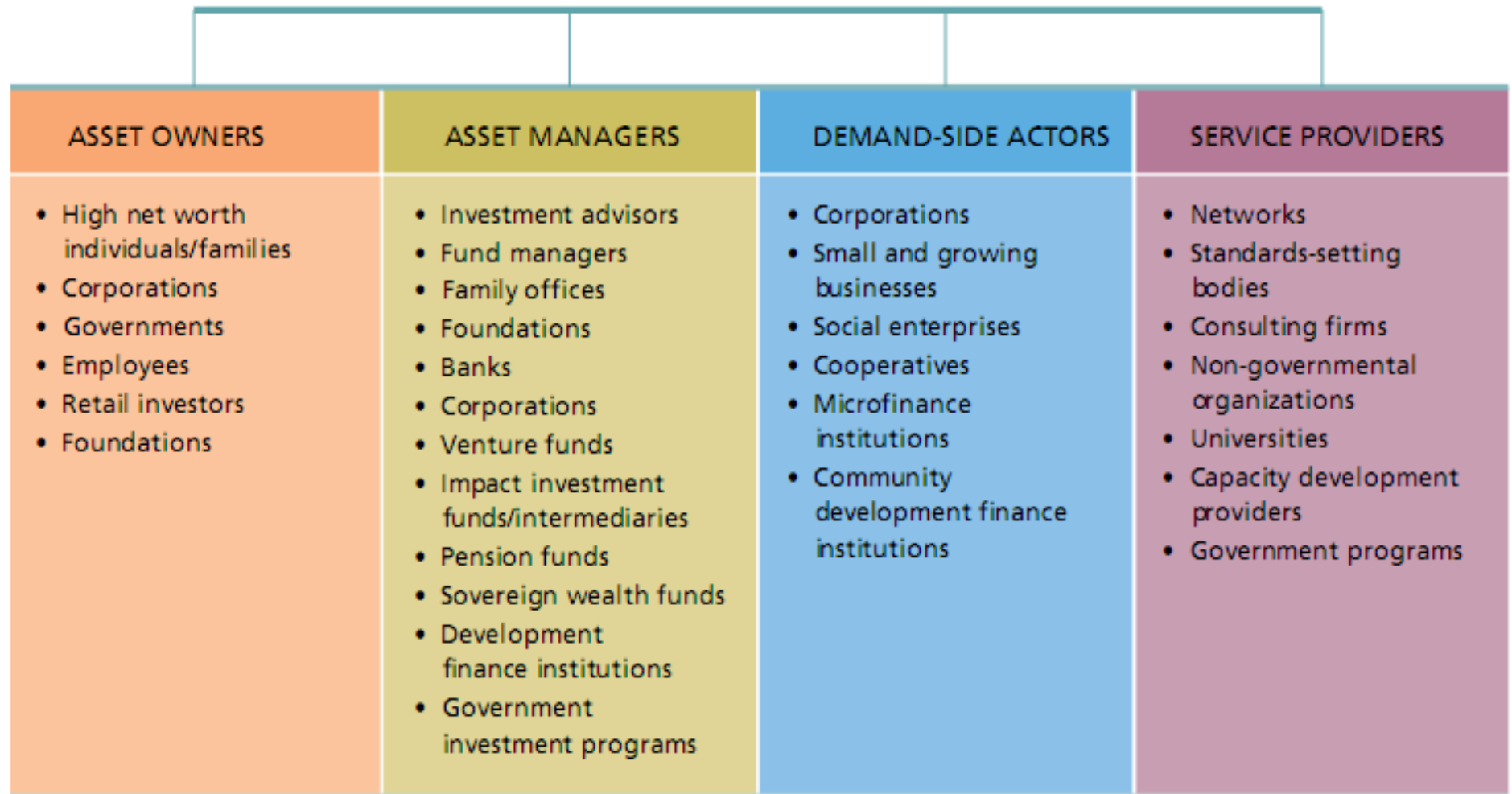
Impact-seeking purchasers	Impact-driven organisations	Forms of finance	Channels of impact capital	Sources of impact capital
Government procurement of services	Grant-reliant organisations (e.g. charities)	Secured loans	Social banks	Government/ EU investment
Government as commissioners of outcomes	Grant-funded organisations with trading activities	Unsecured loans	Community development finance institutions	Social investment wholesaler
Foundations as commissioners of outcomes	Social enterprises/ profit-constrained organisations	Charity bonds	Impact investment fund managers	Charitable trusts and foundations
Socially minded consumers of goods and services	Profit with purpose businesses	Social impact bonds	Impact investment intermediaries	Local funds
Socially minded corporate purchasers of goods and services	Businesses setting significant outcomes objectives	Quasi equity		Institutional investors & banks
		Equity		Corporates
		Grants	Crowd-funding platforms	High net worth individuals
				Mass retail

Situating Impact Investing

			IMPACT INVESTMENT		
Traditional	Responsible Investing (RI)	Socially Responsible Investing (SRI)	Thematic	Impact-first	Venture Philanthropy
Competitive Returns					
	ESG Risk Management				
		High Impact Solutions			
Limited or no focus on ESG factors of underlying investment analysis and execution.	ESG risks integrated into analysis of all holdings, as a component of financial risk management. Shareholder engagement is used to influence behaviour of holdings.	Negative and positive screening of ESG risks is used to align a portfolio to specific values. Shareholder engagement is used to influence behaviour of holdings.	Focus on one or more issue areas where social or environmental need creates commercial growth opportunity for market-rate returns.	Focus on one or more issue areas where social or environmental need may require some financial trade-off.	Social enterprise funding in a variety of forms, with a range of return possibilities. Investor involvement/support is common.

Source: Purpose Capital adaptation of Bridges Venture Research (2012). The Power of Advice in the UK Sustainable Impact Investment Market.
Available at: <http://www.bridgesventures.com/links-research>

Diverse Ecosystem



Source: Harji and Jackson (2012) "Accelerating Impact: Achievements, Challenges and What's Next in Building the Impact Investing Industry."

Deal size range (USD)	Typical financial products	Typical sectors	Example providers in Southern Africa
Less than 500K	Debt, small equity stakes	ICT, Agriculture, Health, Energy	Small VC and debt-finance funds targeting early stage businesses, domestic DFIs
500K – 1M	Equity, debt, quasi-equity, convertibles	Agriculture, Financial Services, Health, Energy	Private equity funds, VC funds, and foundations targeting social businesses with some track record
1M – 5M	Equity, debt, quasi-equity, convertibles	Agriculture, Financial Services, Health, Energy	Larger impact funds and foundations
5M – 10M	Equity, debt, quasi-equity, guarantees	Financial Services, Energy	Smaller national DFIs and large impact funds
10M – 50M	Equity, debt, quasi-equity, guarantees	Financial Services, Infrastructure, Manufacturing	Regional and national DFIs
Over 50M	Debt, guarantees	Financial Services, Infrastructure, Energy	Large regional and national DFIs

Current Activity: Overall Trends

1. Impact investing has gained impressive traction and visibility across the public, private and social sectors
2. Uneven development across regions, with significant variation depending on countries (even within regions)
3. Continued emphasis on the 'supply side', to generate momentum, leadership and resources (e.g. foundations)
4. Funds remain a prominent channel, alongside direct investments and innovative products
5. New data on on selected regions, sectors and asset classes
6. Sector-specific approaches are increasingly important
7. Constrained pipeline of opportunities (e.g. de-risked, validated)

Current Activity: Overall Trends

INVESTING FOR Social & Environmental IMPACT

A DESIGN FOR **Catalyzing** AN EMERGING INDUSTRY

created by
Monitor Institute

Unlocking Capital, Activating a Movement

Final Report of the Strategic Assessment of
**The Rockefeller Foundation's
Impact Investing Initiative**

E.T. Jackson and Associates Ltd.

Prepared for
The Rockefeller Foundation,
New York

IMPACT INVESTMENT: THE INVISIBLE HEART OF MARKETS

Harnessing the power of entrepreneurship,
innovation and capital for public good

Report of the
**SOCIAL IMPACT
INVESTMENT TASKFORCE**

Established under the UK's
presidency of the G8

Industry Agenda

Charting the Course:
How Mainstream Investors can
Design Visionary and Pragmatic
Impact Investing Strategies

Dalberg
Global Development Advisors

Impact investing in West Africa



Empowered lives.
Resilient nations.

**WORLD
ECONOMIC
FORUM**

COMMITTED TO
IMPROVING THE STATE
OF THE WC

THE LANDSCAPE FOR IMPACT INVESTING IN EAST AFRICA



GIIN
GLOBAL IMPACT INVESTING NETWORK

FOREIGN
CAPITAL

WITH SUPPORT FROM
**THE
IMPACT
PROGRAMME**

Investing for Impact

A Strategy of Choice for
African Policymakers

Current Activity: Investor Trends

- Sub-Saharan Africa as a key market, with highest growth expectations/allocations in the coming year
- Private debt & private equity dominate (asset classes)
- Mature stage, private companies dominate (lifecycle)
- Growth sectors: energy, food & agriculture, health, education, financial services (excluding microfinance)
- Challenges: lack of appropriate capital across risk/return spectrum, lack of quality opportunities with track record

Regional Trends: West Africa

- **The impact investing industry in West Africa is small, but growing**
 - 46 investors are active regionally: 14 DFIs and 32 other investors
 - Study includes direct impact investments made by 11 DFIs and 26 non-DFIs in the region totaling USD 6.8 billion between 2005 and mid-2015.
 - 7 DFIs have deployed 97% of the total impact capital in West Africa.
- **More than half of all impact capital deployed is in Nigeria and Ghana**
 - Nigeria, accounting for 80% of the region's GDP, has received the largest amount of impact capital (29%)
 - Ghana has received nearly as large a share of impact investment (25%) despite only accounting for 5% of West Africa's GDP, reflecting its business- friendly policies.
- **Energy, manufacturing, infrastructure, and financial services have attracted the most impact investing capital**
- **Both DFI and non-DFI investors invest most of their capital through debt, though non-DFIs use other instruments far more than DFIs**
- **The ecosystem of enterprise and investor support organizations is growing, but remains underdeveloped**

Regional Trends: East Africa

- **East Africa is one of the centers of global impact investing**
 - More than USD 9.3 billion has been disbursed in the region through by more than 1,000 direct deals
 - 155 impact investors currently manage 203 active investment vehicles in the region, and many more are considering the region for future commitments
- **Kenya is the regional hub of East African impact investing**
 - At least 48 impact fund managers have staff placed in Nairobi, which is more than three times as many local offices as in any other country in the region.
 - Almost half of the USD 9.3 billion in impact capital disbursed in East Africa has been in Kenya—more than triple the amount deployed in each of Uganda and Tanzania, the countries with the next highest amounts at around 13% and 12% respectively.
- **Throughout the region, DFIs have provided the vast majority of impact capital to date, accounting for more than 85% of disbursements.**
- **Most East African impact investors work across the region, and many look beyond East Africa to Sub-Saharan Africa and other regions of the world.**

Regional Trends: Southern Africa

- **South Africa is the largest market, with a particularly active set of domestic South African DFIs that fund South African enterprises.**
 - Over half of the USD 16.7 billion in DFI impact capital disbursed in Southern Africa is in South Africa—more than triple that deployed in both Zambia and Mozambique.
 - South African DFIs have disbursed more than USD 14.4 billion across 6,800 transactions to South African companies. Broad-based Black Economic Empowerment (BBBEE) initiatives are closely linked to domestic DFI activity within South Africa.
- **The majority of impact capital has come from international DFIs and a range of non-DFI impact investors.**
 - In total, non-DFI investors have closed more than 500 deals and disbursed USD 5.7 billion. However, the ten largest transactions account for over USD 3 billion of capital disbursed.
 - International DFIs have closed more than 650 deals and disbursed USD 16.7 billion.
 - Larger than either of these categories of actors alone, domestic South African DFIs have closed more than 7,500 deals and disbursed USD 17.1 billion throughout the region.
- For non-DFI investors, agriculture and financial services have seen the largest number of deals. Housing, energy, and ICT are also popular sectors.
- For DFIs, financial services and manufacturing are the most popular sectors in terms of number of transactions, though energy has the largest amount of capital disbursed.

West Africa: Capital Deployed



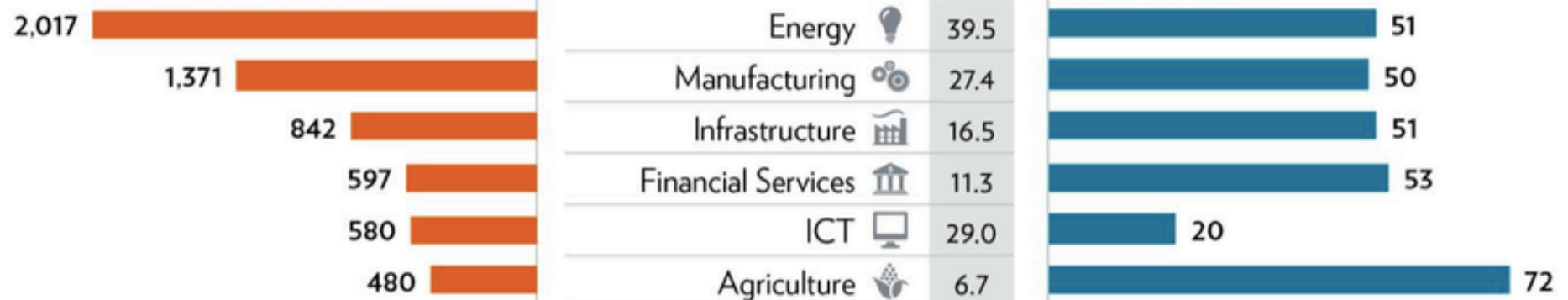
West Africa: Total Direct Investments

Average deal size
(USD millions)

DFI

CAPITAL DEPLOYED (USD MILLIONS)

NUMBER OF DEALS



Average deal size
(USD millions)

NON-DFI

CAPITAL DEPLOYED (USD MILLIONS)

NUMBER OF DEALS



Current Activity: Intermediaries

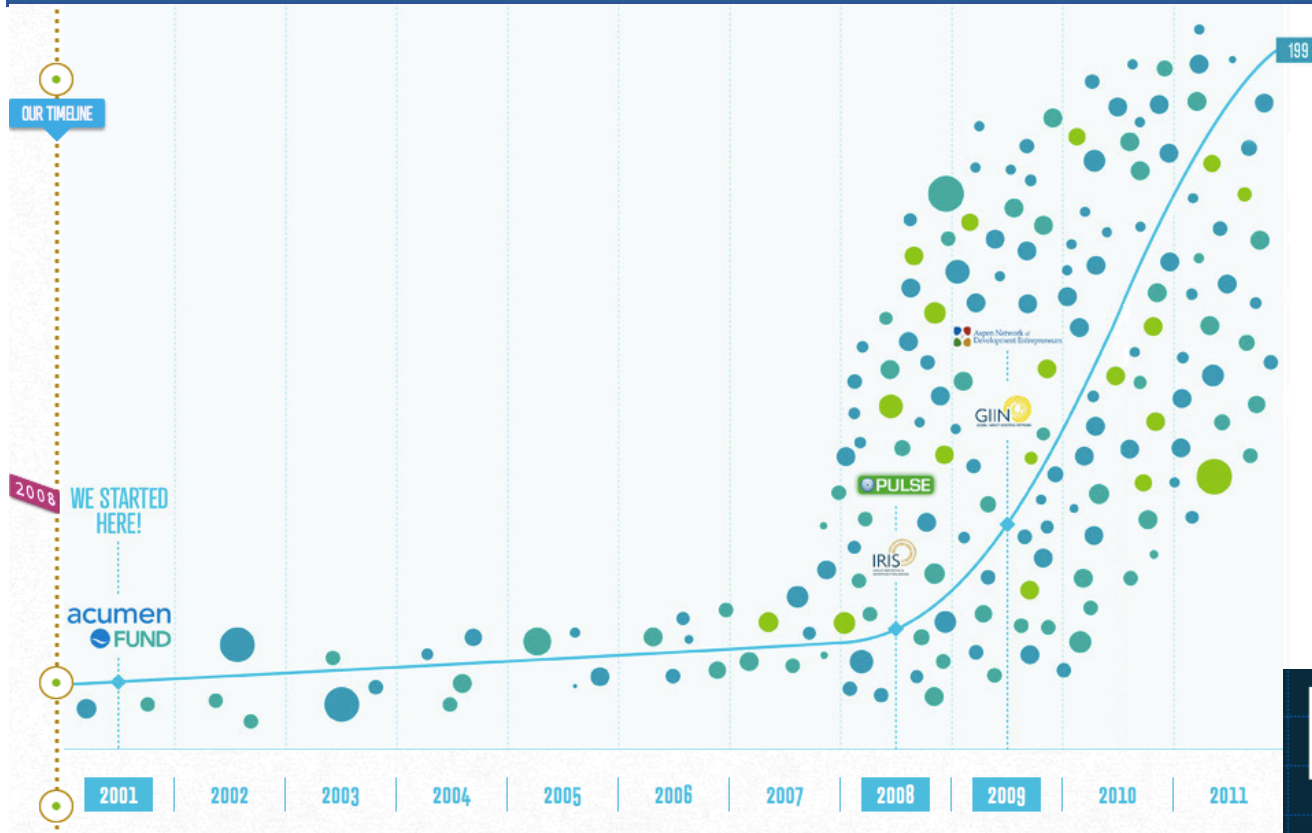
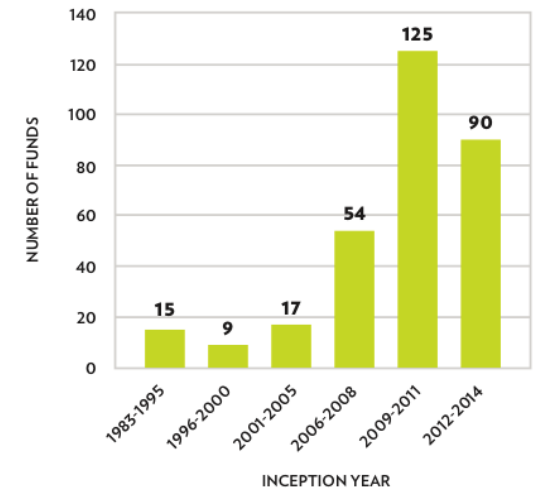


FIGURE 3: FUND DISTRIBUTION BY INCEPTION YEAR



IMPACTBASE SNAPSHOT

AN ANALYSIS OF 300+
IMPACT INVESTING FUNDS



SANKALP
FORUM

SAiiN

Source: Global Impact Investing Network (2015) and <http://tact.global/category/iris-giin/>

Current Activity: East African Ecosystem

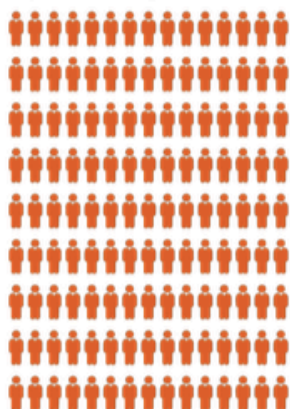
11 COUNTRIES

This report analyzes impact investing activity in eleven countries in East Africa.



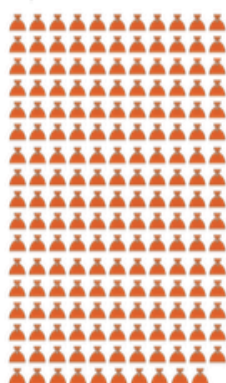
135 NON-DFI IMPACT INVESTORS

There are 135 non-DFI impact investors allocating capital in the region.



186 IMPACT CAPITAL VEHICLES

The non-DFI investors are making investments through 186 known impact capital vehicles.



20 DFIs

There are 20 development finance institutions (DFIs) making investments in the region.



NON-DFI INVESTMENTS

546



19



The research team identified **1,131 TRANSACTIONS** for analysis in this report, which are split as shown.

DFI INVESTMENTS

429

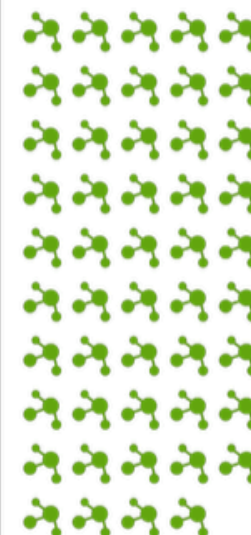


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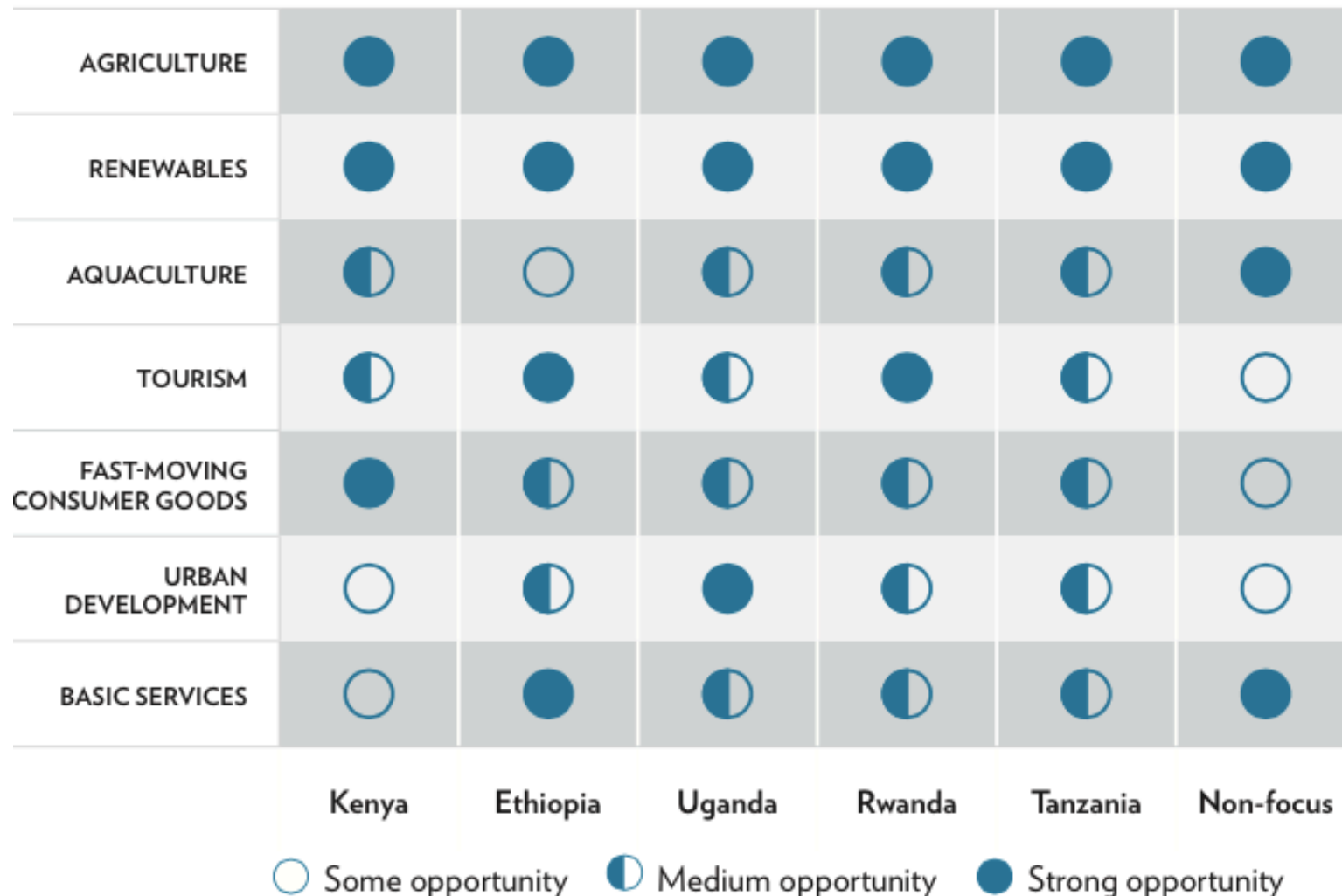


49 ECOSYSTEM ORGANIZATIONS

The research team identified 49 organizations offering support services for the impact investing industry in East Africa.

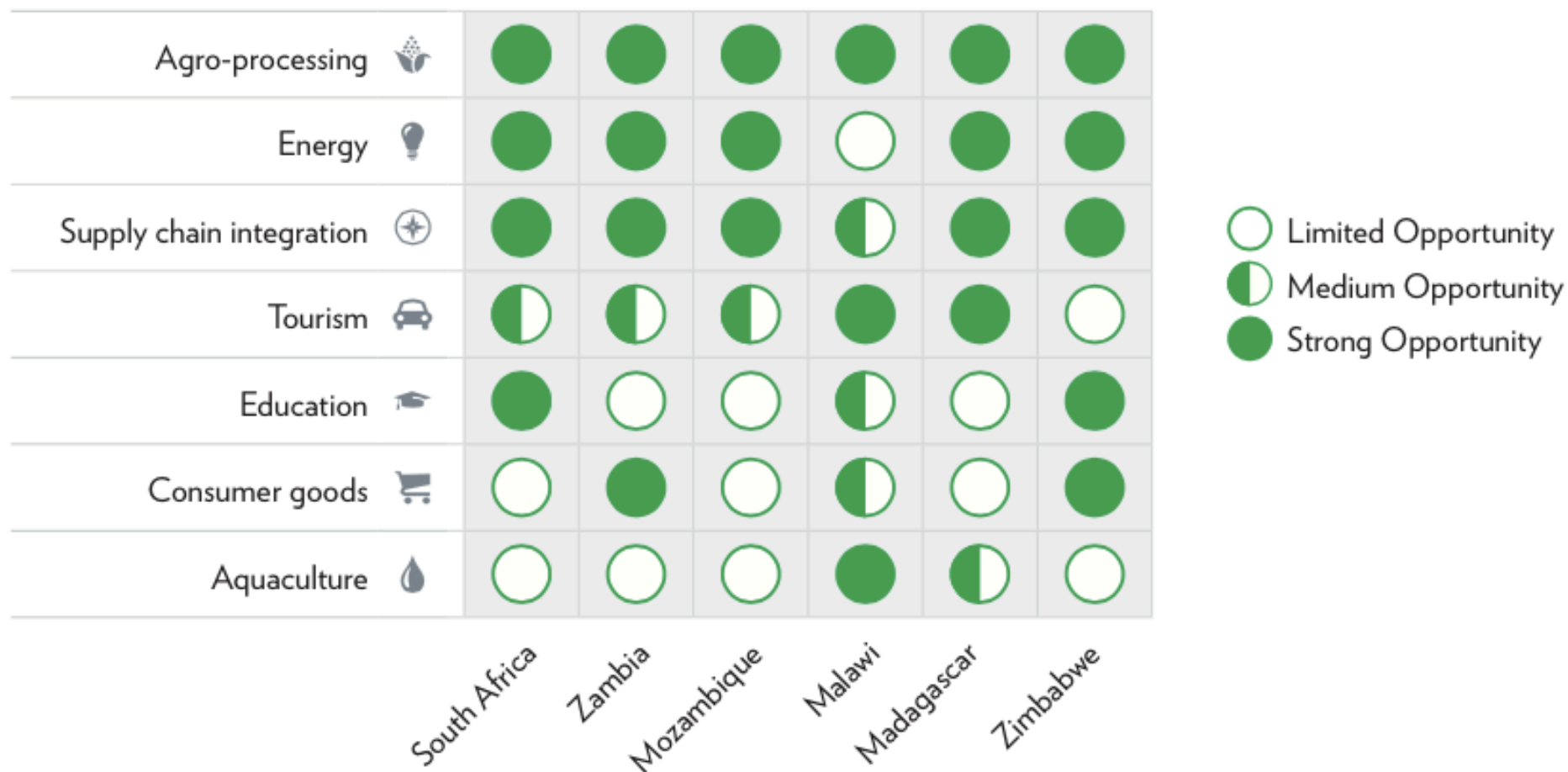


Current Activity: Demand & Pipeline



Source: Open Capital and GIIN (2015) Landscape for Impact Investing in East Africa

Current Activity: Demand & Pipeline



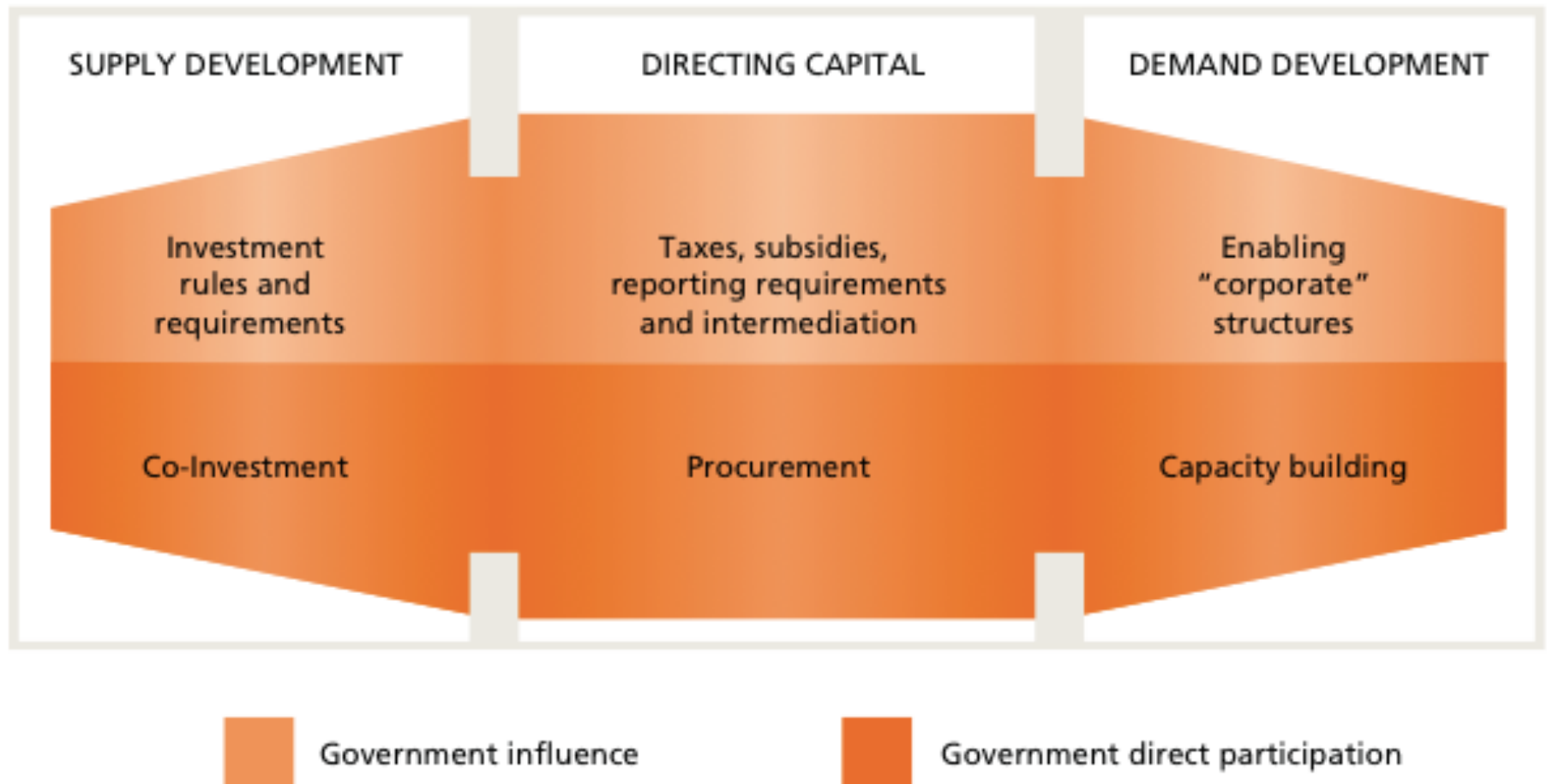
Current Activity: Demand & Pipeline

1. Investee pipeline and capacity seemingly constrained, based on investor feedback (despite financing needs)
2. Range of unmet risk capital needs - depending on lifecycle, needs, innovation, business model, customers
3. Certain sectors display significantly more activity (e.g. clean energy) and innovation (e.g. health, education)
4. High interest and activity for early-stage organizations, as illustrated by growth in incubators and accelerators
5. Emerging evidence around scalable business models, but challenges in replication/adaptation across regions

Current Activity: Demand & Pipeline



Current Activity: Policy Framework



Current Activity: Policy Examples



Cabinet Office



**BIG
SOCIETY
CAPITAL**
Transforming
social investment

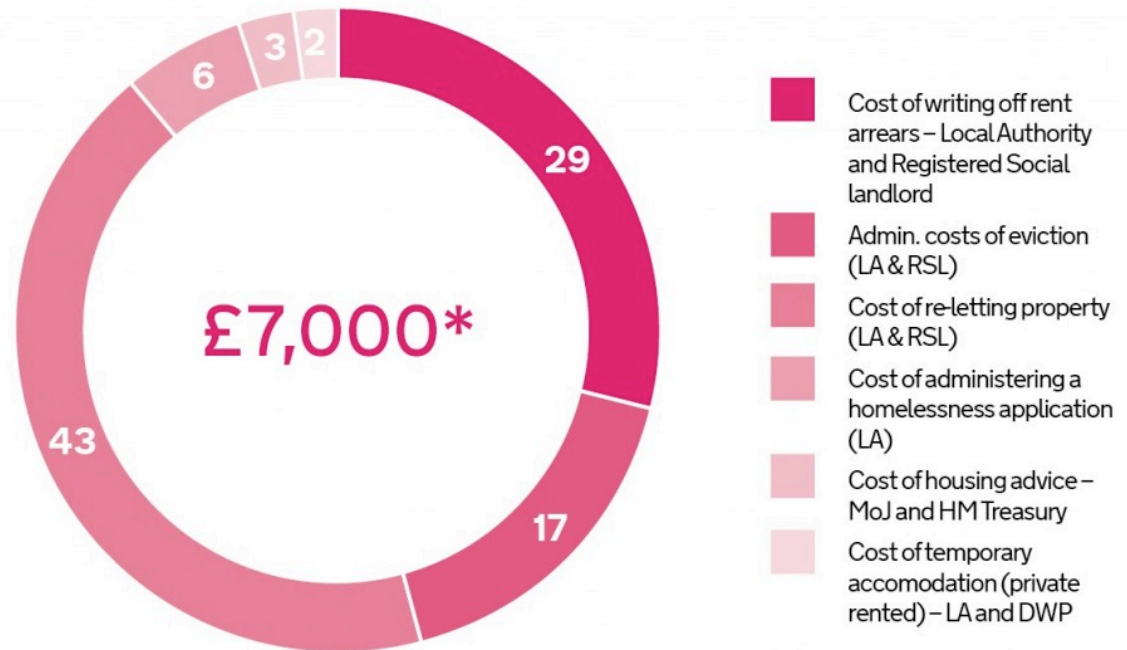


**INVESTMENT
AND CONTRACT
READINESS FUND**



**GET
Sitr**
A tax break for charities
and social enterprises

Average (unit) cost of a complex housing eviction



(Figures as percentage)

Current Activity: Policy Principles

- 1. Clarity of purpose** reinforces strategy and policies that are integrated into existing policy and market structures, that target specific social objectives, and that clearly define the role for impact investing in achieving those objectives.
- 2. Stakeholder engagement:** Effective stakeholder engagement ensures that all actors are included, manages expectations, and avoids the development of policies that are unfit for purpose.
- 3. Market stewardship** entails holding a holistic vision for impact investing strategies and policies. It focuses on a balanced development of investor interest, investment opportunities, and mechanisms to deliver intended social outcomes.
- 4. Institutional capacity** allows for the effective use of resources, adds value to existing policies, and creates the potential for developing innovative strategies and tools that address key social problems.
- 5. Universal transparency** mandates that stated objectives are clear, and progress toward their achievement is openly measured and reported to relevant stakeholders and the public at large.

Current Activity: Enabling Environment

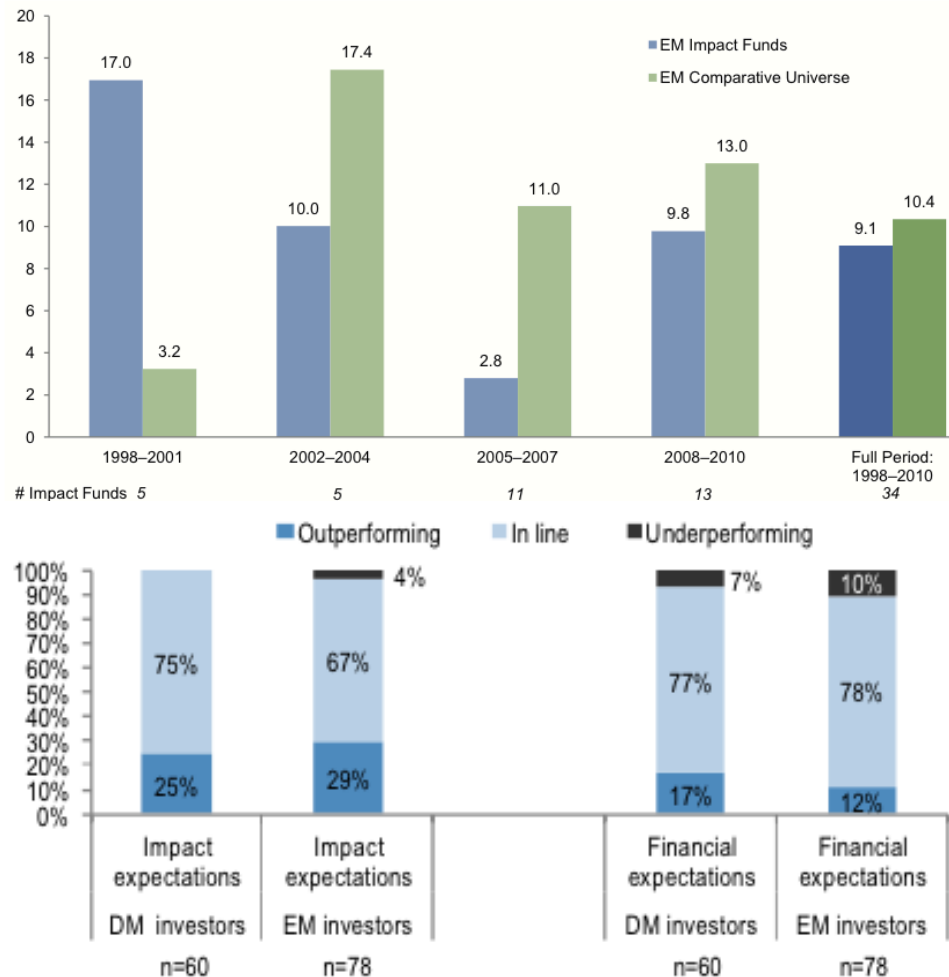
1. Governments have played important roles, and policy can be an important enabler and/or lever
2. Impact (measurement) remains relatively under-developed relative to investments
3. Recognition of importance of investments in field-building and industry infrastructure
4. Coordination for sector-focused activities and learning
5. New players emerging e.g. corporates
6. Emerging issues have become pressing e.g. secondary markets, risk-sharing, transparency, etc.

Looking Ahead to the Next Decade

1. “Pipeline Problem” – due to lack of opportunities (# or type), investee readiness, investor expectations,...?
2. Evidence & models that optimize risk/return/impact
3. Transparency in data (exits, returns, impact)
4. Coordinating sector-focused activity, tools, data
5. Elevating impact measurement (capacity, tools)
6. Integrating investee and beneficiary perspectives
7. Regional policy drivers & enabling environment
8. Developing talent within and across the sector

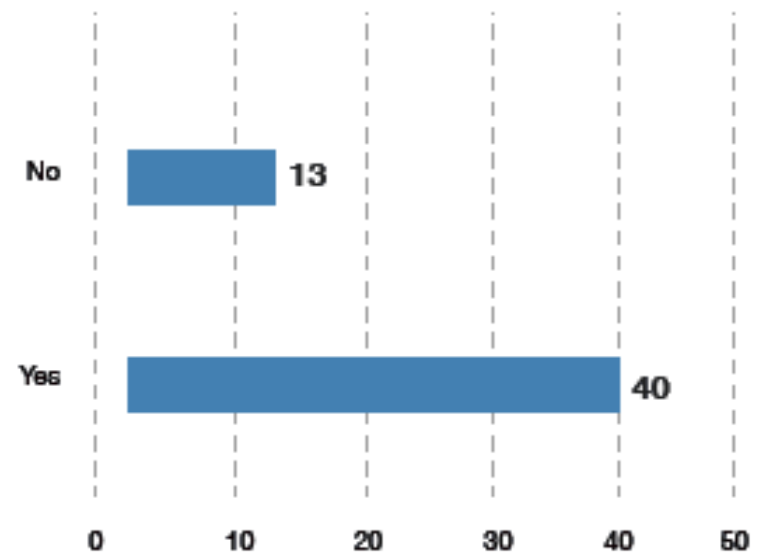
Looking Ahead: Performance Data

Figure 3. Performance by Vintage Year and Geography: EM Funds
As of June 30, 2014 • Pooled IRR (%)



Do you believe that the social or environmental impact persisted after the company exited the fund?

Aligned Exit



**Note: "No" response includes 11 write-offs*

Looking Ahead: Africa's Diversity

Innovative Finance in Africa

Exploring the emerging impact investment industry in Africa



The Bertha Centre for Social Innovation and Entrepreneurship and the Skoll Centre for Social Entrepreneurship have collaborated to create a set of twelve teaching case studies on Innovative Finance in Africa. The cases feature eighteen impact enterprises and sixteen funds from eleven countries across the continent. To date, these cases represent the largest body of academic work focused on Africa that explores this emerging investment industry.



Impact Investment Themes

[Read more](#)



Impact Investing Fund Manager Profiles

[Read more](#)



Zoona Mobile Money: Investing for Impact



Wendy Luhabe: Social Entrepreneur & Impact



Investment Vehicle Innovations



A Tale of Two Agricultural Funds

Source: Bertha Centre for Social Innovation and Entrepreneurship and the Skoll Centre for Social Entrepreneurship (2016) Innovative Finance in Africa.

Looking Ahead: Multilingual Leadership

- “The ability to ‘speak’ and operate across market sectors and silos...”
- “Beyond financial expertise, [it] requires collaboration with many different types of stakeholders (...) all on a simultaneous basis.”
- “... the characteristics listed here are unique in that they relate to the skills needed to successfully lead *across* [not just *within*] organizations.”

Competencies

- Able to Think Critically
- Able to Focus on Ends Rather Than Means
- Able to See the Forest—and the Trees
- Non-ideological
- Entrepreneurial
- Financially Savvy
- Exceptionally Strong Communication
- Willing to Take Risks

Closing Remarks

“Impact investing offers incredible opportunity. The forces of entrepreneurship and innovation [...] can now be harnessed to tackle human, social and environmental issues. While [it] is gradually gathering momentum [in Africa], leadership, coordination and concerted action is required [...]. “

“Working together with private sector, public sector and social actors can truly improve lives in Africa, seizing the opportunity to tackle social and environmental challenges in new and more powerful ways. Across Africa, social entrepreneurship, innovation, capital and the power of markets can be harnessed to make long lasting impact. This is the promise and potential that impact investment offers.”

(UNDP, 2015)

Discussion

1. What are the various **forms of impact investing** represented in Ghana? How is this diversity leading to new opportunities and local impact?
2. In what **sectors** is impact investing particularly well-suited? What can be learned from other sectors or regions? What can Ghana teach others?
3. What **conditions or enablers** can accelerate impact investing in Ghana? What factors would improve the quality and quantity of impact?
4. What **risks or challenges** exist? How can we mitigate or overcome them? What is needed?