avpa AFRICAN VENTURE PHILANTHROPY ALLIANCE

THE LANDSCAPE FOR SOCIAL INVESTMENTS IN SOUTHERN AFRICA

intellecap
AAVISHKAAR GROUP

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS AND ACRONYMS

ABAN	African Business Angel Network
AFDB	African Development Bank
AgDevCo	Africa Agriculture Development Company
AHRI	Africa Health Research Institute
AIDS	Acquired Immunodeficiency Syndrome
AKDN	Aga Khan Foundation Network
AMI	African Management Institute
ANDE	Aspen Network of Development Entrepreneurs
AUM	Assets Under Management
AVPA	African Venture Philanthropy Alliance
AVPN	Asian Venture Philanthropy Alliance
AWF	African Water Facility
B4SA	Business for South Africa
BBBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
BEIS	Business Environment Improvement Strategy
BIO	Belgian Investment Company for Developing Countries
BMGF	Bill and Melinda Gates Foundation
BONASO	
BPC	Beyond Painting Classrooms
BPZ	Biofuels Policy of Zimbabwe
CAGR	Compound Annual Growth Rate
CAPSI	Centre on African Philanthropy and Social Investment
CBEA	Cross Boundary Energy Access
CCZ	Council of Churches in Zambia
CDC	CDC Group plc
CDM	Cervejas de Moçambique
CE3	Connectivity, Electricity and Education for Entrepreneurship
CGIAR	Consultative Group for International Agricultural Research
CLM	Luanshya Copper Mines
CPF	Country Partnership Framework
CPI	Corruption Perception Index
CSA	Climate-Smart Agriculture
CSA	Climate Smart Agriculture
CSAIP	Climate-Smart Agriculture Investment Plan
CSESE	Centre for Social Entrepreneurship and the Social Economy
CSI	Corporate Social Investor
CSO	Civil Society Organisation
CSP	Concentrating Solar Power
CSR/ I	Corporate Social Responsibility/ Investment
DB	Doing Business
DBSA	Development Bank of South Africa

DCA	Development Credit Authority
DFI	Development Financial Institution
DFID	Department for International Development
DGGF	Dutch Good Growth Fund
DIB	Development Impact Bond
DSD	Department of Social Development
DWS	Department of Water and Sanitation
DWS	Department of Water and Sanitation
ECD	Early Childhood Development
ECD	Early Childhood Development
EDA	Entrepreneur Development Academy
EESP	Education Sector Strategic Plan
EIA	Environmental Impact Assessment
ESD	Education for Sustainable Development
ESG	Environment, Social and Governance
ESO	Enterprise Support Organisation
ESSP	Education Sector Strategic Plan
FAO	Food and Agricultural Organisation
FBO	Faith-based Organisation
FDI	Foreign Direct Investment
FEE	Female Economic Empowerment
FI	Financial Institution
FMO	Netherlands Development Finance Company
FSDRP	Financial Sector Development and Reform Program
GAIN	Ghana Angel Investor Network
GAIN	Global Alliance for Improved Nutrition
GAX	Ghana Alternative Market
GDP	Gross Domestic Product
GENDER	Generating Evidence and New Directions for Equitable Results
GEPF	Government Employees Pension Fund
GEWEL	Girls Education and Women's Empowerment & Livelihoods
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GFDRR	Global Facility for Disaster Reduction and Recovery
GHIF	Global Health Investment Fund
GI	Goodwell Investments
GIBS	Gordon Institute of Business Science
GIIN	Global Impact Investing Network
GIZ	Deutsche Gesellschaftfür Internationale Zusammenarbeit
GLI	Gender Lens Investing
GMT	Goodbye Malaria Trust
GMT	GraçaMachel Trust
GOF	Green Outcomes Fund
GRZ	Government of the Republic of Zambia
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
HNWIs	High Net Worth Individuals
HQ	Headquarter

HR	Human Resource
IBIF	Impact Bond Innovation Fund
ICT	Information and Communication Technology
IDC	Industrial Development Corporation
IFAD	International Fund for Agriculture Development
IFC	International Finance Corporation
IFM	Impact Fund Managers
IHSP	Integrated Health Service Plan
IHSP	Integrated Health Service Plan
IIGh	Impact Investing Ghana
ILO	International Labour Organisation
IMF	International Monetary Fund
INGO	International Non-Governmental Organisations
IPASA	Independent Philanthropy Association of South Africa
IPRSP	Interim Poverty Reduction Strategy Paper
IRIS	Impact Reporting and Investment Standards
ISF	Investment Support Facility
ISFAP	Ikusasa Student Financial Aid Programme
IT	Information Technology
JCP	Joint Country Program
JICA	Japan International Cooperation Agency
JSE	Johannesburg Stock Exchange
KBF	King Baudouin Foundation
KCB	Kenya Commercial Bank
KPIs	Key Performance Indicators
LoC	Line of Credit
LP	Limited Partner
LPG	Loan Portfolio Guarantee
M&E	Monitoring and Evaluation
MCISE	Moroccan Centre for Innovation and Social Entrepreneurship
MCSP	Maternal and Child Survival Program
MIT	Massachusetts Institute of Technology
MMPB	Mozambique Malaria Performance Bond
MOGE	Ministry of General Education
MoHTESTD	Ministry of Higher and Tertiary Education, Science and Technology Development
MoPSE	Ministry of Primary and Secondary Education
MSDF	Michael and Susan Dell Foundation
MSME	Micro Small and Medium Enterprises
MW	Mega Watts
NAB	National Advisory Board
NAV	Net Asset Value
NBFCs	Non-Banking Financial Institutions
NDP	National Development Plan
NDS	National Development Strategy
NEET	Not in Education, Employment, or Training
NEF	National Empowerment Fund
NFE	Non-Formal Education

NFIS	National Financial Inclusion Strategy
NGO	Non-Governmental Organisations
NHI	National Health Insurance
NPAT	Net Profit After Tax
NPC	Non-Profit Company
NPO	Non-Profit Organisation
NREP	National Renewable Energy Policy
NSSD	National Strategy on Sustainable Development
NWSMP	National Water and Sanitation Master Plan
NWSMP	National Water and Sanitation Master Plan
NYP	National Youth Policy
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OPIC	Overseas Private Investment Corporation
PBO	Public Benefit Organisation
PE	Private Equity
PEMA	Projecto para Empoderamento das Mulheres e Desenvolvimento da Agricultura
PET	Polyethylene Terephthalate
PGM	Platinum Group Metals
PPE	Personal Protective Equipment
PPP	Public-Private Partnership
PPP	Purchasing Power Parity
PRI	Program-Related Investment
REDD+	Reducing Emissions from Deforestation and Forest Degradation
REFIT	Renewable Energy Feed-in Tariff
RMI	Rand Merchant Investment Holding
RSNDP	Revised Sixth National Development Plan
S4E	Skills for Employment
SA	South Africa
SAAYE	Southern African Alliance for Youth Employment
SAB	South African Breweries Ltd
SABAN	South African Business Angel Network
SADC	Southern African Development Community
SAFE	Simple Agreement for Future Equity
SAVCA	Southern African Venture Capital and Private Equity Association
SBU	Shanduka Black Umbrellas
SDG	Sustainable Development Goal
SDP	Social Development Plan
SE	Social Enterprise
SEASA	Social Enterprise Academy South Africa
SED	Socio-economic Development
SFF	Segal Family Foundation
SFM	Sustainability aligned Private Fund Managers
SGB	Small and Growing Business
SIB	Social Impact Bond
SIDA	Swedish International Development Agency
SME	Small and Medium Enterprises

SMME	Small, Medium and Micro Enterprises
SPO	Social Purpose Organisation
SSA	Sub-Saharan Africa
SWA HLM	Sanitation and Water for All High Level Meeting
Swedfund	Swedish Development Finance Institution
TA	Technical Assistance
TB	Tuberculosis
TSP	Transitional Stabilisation Program
UHNWIs	Ultra High Net Worth Individuals
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations International Children's Emergency Fund
UNIDO	United Nations Industrial Development Organisation
US$	United States Dollar
USADF	United States African Development Foundation
USAID	United States Agency for International Development
VAT	Value Added Tax
VC	Venture Capital
VCC	Venture Capital Company
VCTF	Ghana Venture Capital Trust Fund
WASH	Water and Sanitation
WWB	Women's World Banking
YAS	Youths for Africa and SDGs
ZAR	South African Rand
ZCCB	Zambia Conference of Catholic Bishops
ZCGS	Zambia Credit Guarantee Scheme
Z-NAB	Zambia National Advisory Board

ACKNOWLEDGEMENTS

This report was commissioned by African Venture Philanthropy Alliance (AVPA) with support from the United States African Development Foundation (USADF), Social Capital Foundation, and Rockefeller Foundation.

The African Venture Philanthropy Alliance (AVPA) is a unique Pan-African network for social investors, headquartered in Nairobi and committed to building a vibrant and high impact community across Africa. AVPA is aligned with thriving networks in Europe (EVPA - HQ in Brussels with 250+ members) and Asia (AVPN - HQ in Singapore with 600+ members) to form a dynamic global force for social impact.

The following AVPA team members contributed to this report:

- Dr. Frank Aswani - Chief Executive Officer
- Rachel Keeler – Value Hub Director, Report Lead
- Nancy Kairo - Executive Director, East Africa
- Oluwatoyin Adegbite-Moore - Executive Director, West Africa

The U.S. African Development Foundation (USADF) is an independent U.S. government agency established by Congress to invest in African grassroots organizations, entrepreneurs and small and medium-sized enterprises. USADF's investments promote local economic development by increasing incomes, revenues and jobs, and creating pathways to prosperity for marginalized populations and underserved communities.
Utilizing a community-led development approach, USADF provides seed capital and local project management assistance improving lives and impacting livelihoods while addressing some of Africa's biggest challenges around food insecurity, insufficient energy access, and unemployment, particularly among women and youth.

Over the last five years, throughout Africa, with an emphasis on the Horn, Sahel and Great Lakes regions, USADF has invested more than $115 million dollars directly into over 1,000 African owned and operated entities and impacted over four million lives.

Social Capital Foundation is a Dutch Foundation that partners with social impact first organisations who want to enhance sustainable economic opportunities for communities and small businesses.

SCF supports local talent potential, creativity and innovation with adequate tools, flexible funding and a knowledge network to maximize and scale impact.

The Rockefeller Foundation's mission—unchanged since 1913—is to promote the well-being of humanity throughout the world. Today the Foundation advances new frontiers of science, data, policy, and innovation to solve global challenges related to health, food, power, and economic mobility. As a science-driven philanthropy focused on building collaborative relationships with partners and grantees, The Rockefeller Foundation seeks to inspire and foster large-scale human impact that promotes the well-being of humanity by identifying and accelerating breakthrough solutions, ideas and conversations.

Authors

The following Intellecap team members contributed to the research:

- Karnika Yadav – Associate Partner
- Racheal Wangari – Manager
- Anuja Kaushal – Manager
- Nehemiah Owino – Senior Associate

AVPA would like to thank our board of directors for their continued support, in particular the following people who provided significant time and insights during the editorial process of this report: Julio Garrido-Mirapeix, Paul Carttar, and Monique Mathys.

This report was also made possible through the contributions of many individuals and institutions, both within and beyond the region. We are grateful to everyone interviewed who provided their time, expertise, and data throughout the course of this study.

FOREWORD

The United States African Development Foundation is supporting AVPA to facilitate the streamlining and increased flow of financial, human, and intellectual capital in Africa for maximum social impact. It is critically important to first understand the current state of social investing if AVPA is to be strategic in how future social investments should be deployed. USADF supported AVPA to carry out a landscape study to better understand social investment across East, West and Southern Africa. Understanding the breadth of current investments will help drive strategies and plans for future investors, donors, foundations, and public sector financers. As a U.S. government agency that is committed to Africa across an evolving spectrum from development assistance to development finance, USADF is constantly looking for ways to partner with corporations and governments that are interested in the business growth of Africa. USADF has carved a niche in creating partnerships that highlight our interest in looking for new ways to deploy grant capital. This landscape study provides us with a number of approaches to do this.

Over the last decade, corporations are giving back to their communities in increasingly sophisticated ways, establishing foundations and venture funds, investing in supply chains, and creating shared value. The concept of shared value, in particular, helped give USADF a framework to collaborate with the private sector. Private foundations and family trusts support both non-profit organizations and for-profit enterprises working in a variety of social sectors – from education and healthcare to energy and agriculture. Many are beginning to explore innovative approaches such as impact investments and blended finance as well.

USADF uses a results-based development model that maximizes funding from corporate social investors and public funding sources to achieve sustainable economic growth opportunities for enterprises throughout Africa. For example, USADF established a partnership with Citibank to invest in the next generation of aspiring African business leaders through the provision of seed capital, funds management and business support services. The funding is linked to technical support that will launch each business into the future.

More innovation and collaboration amongst social investors is needed if African countries are to close the enormous Sustainable Development Goals (SDG) financing gap. To achieve any one SDG will require investors and philanthropists, enterprises and non-profits, governments, and donors to work together. We must be more creative in our investment structures, unconventional in our partnerships and celebrate all financing models. Investors are not coming to Africa because of impact alone – they also want a return. To close the significant SDG financing gap, USADF is constantly exploring the boundaries of how we use philanthropic investment capital to change the mandate and, in some instances, the objective of investors, by taking on the 1st loss layer, thereby creating investable opportunities through blended finance investments. This is why USADF wants to be part of this dialog and is supportive of the efforts of AVPA.

Impact investment has grown enormously in Africa over the last decade, with private fund managers, angel investors, venture capitalists, bilateral donors, governments, and development finance institutions deploying billions in impact-oriented funding in major markets and sectors. However, a significant mismatch persists between the current structure of impact capital and the needs of social enterprises and non-profits operating across the continent. Because of this asymmetry of supply and demand, there is lot of competition for these types of deals, and so more tailored finance, patient capital, catalytic capital, local capital, and non-financial capital is needed. The time has come to push the boundaries of social finance by exploring new combinations of investment and philanthropic capital sourced from both local and international funders.

Traditions of community and faith-based philanthropy are strongly rooted in African cultures. Diaspora remittances are the largest source of social funding in many African countries. Recent years have seen the introduction of diaspora bonds to fund large development projects. What if impact capital could be sourced from the 140,000+ high net worth individuals who live on the continent and structured in similar ways? How about streamlining and accelerating the diaspora remittances? For example, USADF has established a new partnership with the National Basketball Players Association Foundation to accelerate investments back in Africa by diaspora professionals and increase social and economic impacts for communities still struggling to address some of the basic human needs.

What if impact investors could partner with faith-based organizations and community foundations to deploy social services deep into rural areas? What if blended finance could solve the infamous missing middle? What if a portion of the philanthropic funds given away in Africa – by friends, families, neighbors, community leaders, and businesses – could be structured as venture philanthropy to catalyze private investment or achieve a small financial return? How much further could we stretch our social ambitions? Where could we reach? USADF is developing innovative ways of capital deployment, including recoverable grants and blended finance, and with initiatives like these led by AVPA, more institutions can expand and deepen their collaboration for increased social and economic impact.

We at USADF believe this report will contribute to a better understanding of the social investment ecosystem in Africa so that investors, philanthropists and policymakers can use their capital and influence to create the greatest impact possible across Africa.

C.D. Glin
President and CEO, US African Development Foundation

INTRODUCTION

Africa enters the last 10 years of the Sustainable Development Goals (SDGs) facing significant challenges, made all the more difficult by the COVID-19 crisis. The continent needs an estimated $500billion - $1.2 trillion annually between now and 2030 to meet its SDG financing gap. Our traditional sources for social investment financing, namely aid and government funding, are under increasing pressure and are unlikely to fill this gap. The next decade is a critical period that needs special attention if Africa is to stay abreast with global development rates and sustainably improve the quality of life of its citizens. This challenge demands a good understanding of the social investment landscape, identification of the key players,highlighting proven interventions and financing models, sharing lessons learnt and unpacking barriers to the growth of effective social investing, amongst other things.

The African social investment landscape encompasses a continuum of investors ranging from philanthropists to impact funds and other mainstream private players such as corporates, PE/VC funds and debt providers. Social investors deploy grants, debt or equity, and all seek social returns with varying expectations of financial returns. Traditionally they have operated within their respective fields, with little collaboration or co-investment across these silos. With Africa facing an inadequate supply of social investment capital, we need to turn to the global financial and capital markets for the investments required to close the funding gap. This will require increased and sustained collaboration amongst these investors. Policy across the continent also varies widely in supporting the growth of this sector and some reforms will be required if we are going to stimulate increased deployment of capital by social investors.

This social investment mapping landscape study was done over an eight-month period, across 18 countries in Africa – six each in East, West and Southern Africa. It maps the current lay of the land in this space, to demonstrate what is currently happening, who are the key players, what are their current approaches to investing, what challenges are they facing, what opportunities do they see, etc. In line with AVPA's mission of increasing the flow of capital into social investments in Africa, the study not only gives us insights into the current state of the social investment landscape, but also provides a baseline against which we can track future progress and key trends that will influence the increased flow of capital into social investments in Africa. We hope that this study can stimulate increased collaboration amongst non-traditional social investing partners (philanthropists and private sector investors) and adoption of innovative finance approaches that would mobilise enough capital from the $250 trillion global private capital markets to finance the SDGs between now and 2030.

The study also identifies programmatic intervention opportunities where AVPA can strengthen the ecosystem, increase collaboration and enable social investors deploy more capital effectively across the continent. These will include trainings, thought leadership programs, virtual sessions and convenings, additional research opportunities, the Deal Share Platform, Gender Platform and Policy Forums that AVPA hopes to partner with others in delivering. AVPA hopes to repeat this study every 1-2years to track trends and add to the body of knowledge within the ecosystem. AVPA will also continue to leverage its global network of sister organizations – European Venture Philanthropy Association (EVPA), Asian Venture Philanthropy Network (AVPN) and LatImpacto in South America – to accelerate Africa's learning by keeping African social investors connected to their global peers for transfer of best practices and co-investment opportunities.
AVPA remains ever grateful to our donors to the study: USADF, The Rockefeller Foundation, an anonymous donor and Social Capital Foundation for making this study possible;and to our consulting partners, Intellecap for the work they did in carrying out the study. We hope you find it useful and please reach out to us if you have any questions or opportunities for collaboration.

Dr Frank Aswani
CEO, AVPA

EXECUTIVE SUMMARY

1. SOCIAL INVESTMENT AND THE SDG FINANCING GAP IN SOUTHERN AFRICA

Southern Africa countries have witnessed moderate progress in meeting the Sustainable Development Goals (SDGs) with significant economic and development challenges hindering attainment of most of the SDGs.

Figure 1: Country SDG Ranking and Best and Worst Performing SDGs, 2019

SDGs	SOUTH AFRICA	ZAMBIA	MOZAMBIQUE	ANGOLA	BOTSWANA	ZIMBABWE	
GLOBAL RANK/162 COUNTRIES	113	139	136	149	120	121	
AFRICA RANK /52 COUNTRIES	10	22	30	38	8	19	
01 NO POVERTY	Major challenges, stagnating	Major challenges, stagnating	Major challenges, stagnating	Major challenges, decreasing	Major challenges, moderately improving	Data not available, no information	Worst Performing SDGs
02 ZERO HUNGER	Major challenges, moderately improving	Major challenges, stagnating	Major challenges, stagnating	Major challenges, moderately improving	Major challenges, stagnating	Major challenges, stagnating	
03 GOOD HEALTH AND WELL BEING	Major challenges, moderately improving	Major challenges, moderately improving	Major challenges, moderately improving	Major challenges, stagnating	Major challenges, moderately improving	Major challenges, moderately improving	
10 REDUCED INEQUALITIES	Major challenges, no information	Major challenges, no information	Major challenges, no information	Major challenges, no information	Major challenges, no information	Major challenges, no information	
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Major challenges, stagnating	Major challenges, stagnating	Major challenges, stagnating	Major challenges, no information	Major challenges, stagnating	Major challenges, stagnating	
13 CLIMATE ACTION	Significant challenges, stagnating	Challenges remain, on track to achieving SDG	Significant challenges, on track to achieving SDG	Major challenges, on track to achieving SDG	Significant challenges, decreasing	Challenges remain, on track to achieving SDG	Best Performing SDGs
17 PARTNERSHIP FOR THE GOALS	SDG achieved, on track to achieving SDG	Significant challenges, no information	Challenges remain, no information	Significant challenges, no information	SDG achieved, no information	Challenges remain, no information	

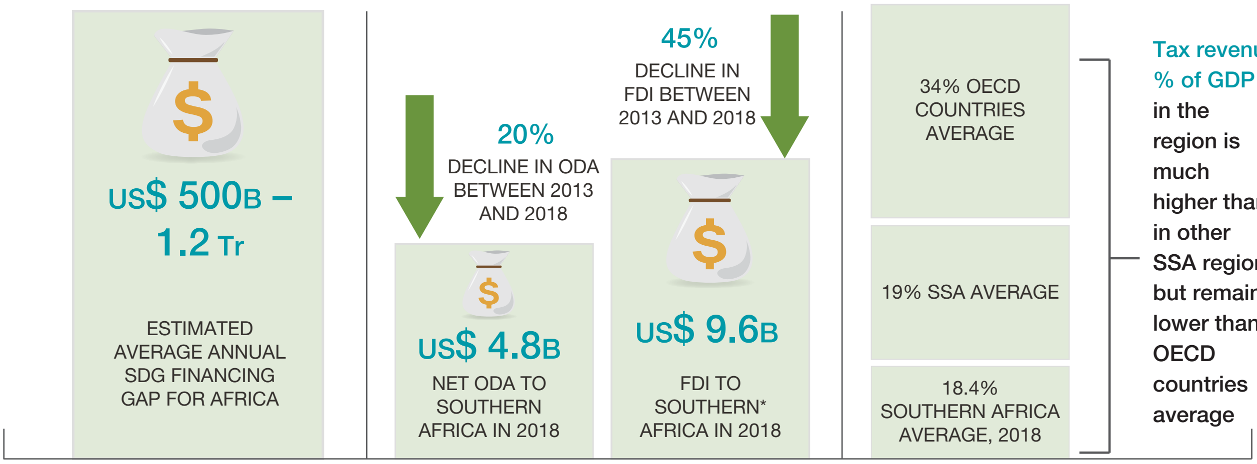
MAJOR CHALLENGES · SIGNIFICANT CHALLENGES · CHALLENGES REMAIN · SDG ACHIEVED · DATA NOT AVAILABLE · DECREASING · STAGNATING · MODERATELY IMPROVING · ON TRACK TO ACHIEVING SDG · NO INFORMATION

Source: SDG Index and Dashboard

SIMILAR TO OTHER SUB SAHARAN AFRICA (SSA) REGIONS, INADEQUATE FUNDING FOR SOCIAL CAUSES REMAINS A SIGNIFICANT CHALLENGE FOR THE ACHIEVEMENT OF THE SDGS.

TRADITIONAL SOURCES OF CAPITAL SUCH AS OFFICIAL DEVELOPMENT ASSISTANCE (ODA) AND FOREIGN DIRECT INVESTMENTS (FDI) HAVE EXPERIENCED SUBSTANTIAL DECLINE IN THE RECENT YEARS.

FURTHER, ALTHOUGH THE PROPORTION OF TAX REVENUE TO GDP IS HIGHER IN SOUTHERN AFRICA COMPARED TO OTHER SSA REGIONS, IT STILL FALLS BELOW THE OECD COUNTRIES AVERAGE, PUSHING MOST OF THE GOVERNMENTS TO LEVERAGE EXTERNAL BORROWING MAKING THE ECONOMIES HIGHLY VULNERABLE.



Southern Africa refers to the 6 focus countries
**Excludes Angola which has been reporting negative FDI net inflows in recent years*

This funding gap necessitates collaboration amongst local, international, public, and private social capital providers to deploy existing capital resources in new ways. Across Africa, practitioners are increasingly leveraging diverse forms of social investment to fund social sectors and solve development challenges.

Social Investment is financial and non-financial capital deployed according to rigorous investment principles to generate positive social and environmental impact, with varying financial return expectations. Social investment methodologies have proven to be a powerful strategy to create sustainable and scalable social and environmental impact by enabling diverse social investors to collaborate for a more significant impact on the achievement of the SDGs. Social investment 'capital' takes various forms: financial (grants, debt, equity, blended finance), intellectual and human capital.

This report, maps the landscape of social investments in Southern Africa with a deep dive focus on South Africa, Zambia, and Mozambique, and a high level assessment of Angola, Botswana, and Zimbabwe. It analyses strategies used by various international and local social investment capital providers.

The study leveraged concurrent triangulation, which is a mixed-method approach involving collection and analysis of qualitative and quantitative information from secondary and primary sources. The data and information leveraged was collected through four key sources, a) literature review/desktop research from existing publications on the industry, b) interviews with 51 industry stakeholders, c) transaction/deal mapping from online databases such as Crunchbase, Baobab Insights and Candid/Foundation as well as websites of the different social investors and, d) 22 online surveys received from social investors in the region.

2. EVOLUTION OF THE SOCIAL INVESTMENT INDUSTRY IN SOUTHERN AFRICA

The social investment space in the focus countries has evolved over the past 10 years, with many milestones achieved. The government and the private sector have been at the forefront of launching initiatives to promote the growth of the industry. The region has also witnessed collaboration amongst key investors in the form of social impact bonds launched to solve various social issues.

1998: ESTABLISHMENT OF TSHIKULULU SOCIAL INVESTMENTS
An investment fund manager and advisor, that works alongside investors and other development partners

2009: ESTABLISHMENT OF MICHAEL AND SUSAN DELL FONDATION IN SOUTH AFRICA
With key focus on education /scholarship programs, skill development and jobs and livelihood programs

2010

2011: FIRST INVESTMENT BY AGDEVCO IN SOUTHERN AFRICA
Provided US$ 3 million to ECA, a grain aggregation and processing business in central Mozambique.

2011: ESTABLISHMENT OF BERTHA CENTRE FOR SOCIAL INNOVATION AND ENTREPRENEURSHIP
as the first academic center in Africa dedicated to research, teaching, dialogue and support of social innovations

2012: ESTABLISHMENT OF ANDE SOUTH AFRICA CHAPTER
to convene regular roundtable dialogues and meetings on relevant topics to develop the local entrepreneurship ecosystem

2013: PILOT OF MOZAMBIQUE MALARIA PERFORMANCE BOND
a development impact bond that aims to address the funding gap for malaria interventions

2013: MOTSEPE FAMILY FOUNDATION WAS THE FIRST
on the African continent to join the Giving Pledge started by Bill & Melinda Gates, and Warren Buffet

2015

2015: ESTABLISHMENT OF MOZAMBIQUE BUSINESS ANGELS ASSOCIATION
with the aim to advocate and facilitate social investments in the country

2015: ESTABLISHMENT OF INDEPENDENT PHILANTHROPY ASSOCIATION OF SOUTH AFRICA (IPASA)
to represent and promote the interests of its members

2016: ESTABLISHMENT OF SOUTH AFRICAN BUSINESS ANGEL NETWORK
to promote South African early stage investor community

2017: ESTABLISHMENT OF IMPACT CAPITAL AFRICA, ZAMBIA
to connect impact investors and growth-focused African businesses

2018: LAUNCH OF FIRST SOCIAL IMPACT BOND IN SOUTH AFRICA
Launched by the Gauteng Provincial Government and private sector stakeholders the SIB seeks to improve the employment levels

2018: LAUNCH OF AVPA
Focused on building the social investments industry by fostering collaboration

2019: ESTABLISHMENT OF ZAMBIA NATIONAL ADVISORY BOARD (Z-NAB)
to fast-track growth and effectiveness of impact investing ecosystem in Zambia

2018 ESTABLISHMENT OF IMPACT INVESTING SOUTH AFRICA TASK FORCE
a coalition of public and private sector high-level decision makers, aimed at building the ecosystem to accelerate deployment of capital for increased social, economic and environmental returns

2020

Figure 2: Key Milestones in Social Investment Sector in Southern Africa

GOVERNMENT LED INITIATIVE

PRIVATE SECTOR LED INITIATIVE

3. EMERGING TRENDS IN SOUTHERN AFRICA SOCIAL INVESTMENT INDUSTRY

Growth in the social investment industry in the region has mainly been in South Africa which has exhibited an increased level of maturity in the ecosystem. In particular, South Africa has one of the most advanced individual philanthropy and corporate giving ecosystems in the continent.

Table 1: Summary of Key Social Investments Trends across focus Countries

TREND	SOUTH AFRICA	ZAMBIA	MOZAMBIQUE	DESCRIPTION
Establishment of philanthropy advisors				South Africa has one of the most advanced philanthropy support ecosystems, with multiple ESOs supporting the mobilisation and deployment of philanthropy funds. Very few ESOs were however, identified in Zambia and Mozambique.
Increased institutionalisation of corporate giving				South Africa has seen an increase in investment activities by corporates driven by the enabling policy environment. A large number of corporate foundations and corporate investment funds are currently operational in the country. In addition to deployment of grants and donations, corporate social investors have also been participating in innovative finance structures. Corporate Social Responsibility (CSR) activities in the other countries remain largely adhoc, mainly in the mining and oil and gas industry.
Increased formalisation of individual philanthropy				The largest proportion of family offices and trusts have been established in South Africa with more HNWIs engaged in philanthropy. However, giving through the formal structures is still low compared to total philanthropic giving.
Rise of organised angel investments by HNWIs				Angel investors accounted for 24.7% of total Venture Capital (VC) deals in Southern Africa in 2018 reflecting increased participation of HNWIs in angel investments. The largest proportion of angel investor networks mapped were in South Africa with the largest proportion of deals recorded in the country.
Presence of innovative blended finance transactions/ initiatives				The region recorded the lowest number (38%) of blended finance transactions launched in Sub Saharan Africa to date. With the highest number recorded in East Africa followed by West Africa. The region, particularly South Africa has however, been at the forefront in launching innovative impact bonds in social sectors such as education, energy and youth employment.
Women participation in philanthropy				The increased push for women empowerment in the region has also resulted in more women participating in philanthropy particularly in South Africa. Limited information was available in the other countries.
Use of technology (Peer to peer lending/ crowdfunding) platforms				South Africa and Zambia have witnessed increased activities by crowdfunding platforms enabling individuals and organisations like NGOs to fundraise for social causes.

High maturity levels indicated by intensity and sophistication of the activities and number of players

High activities with increasing number of players

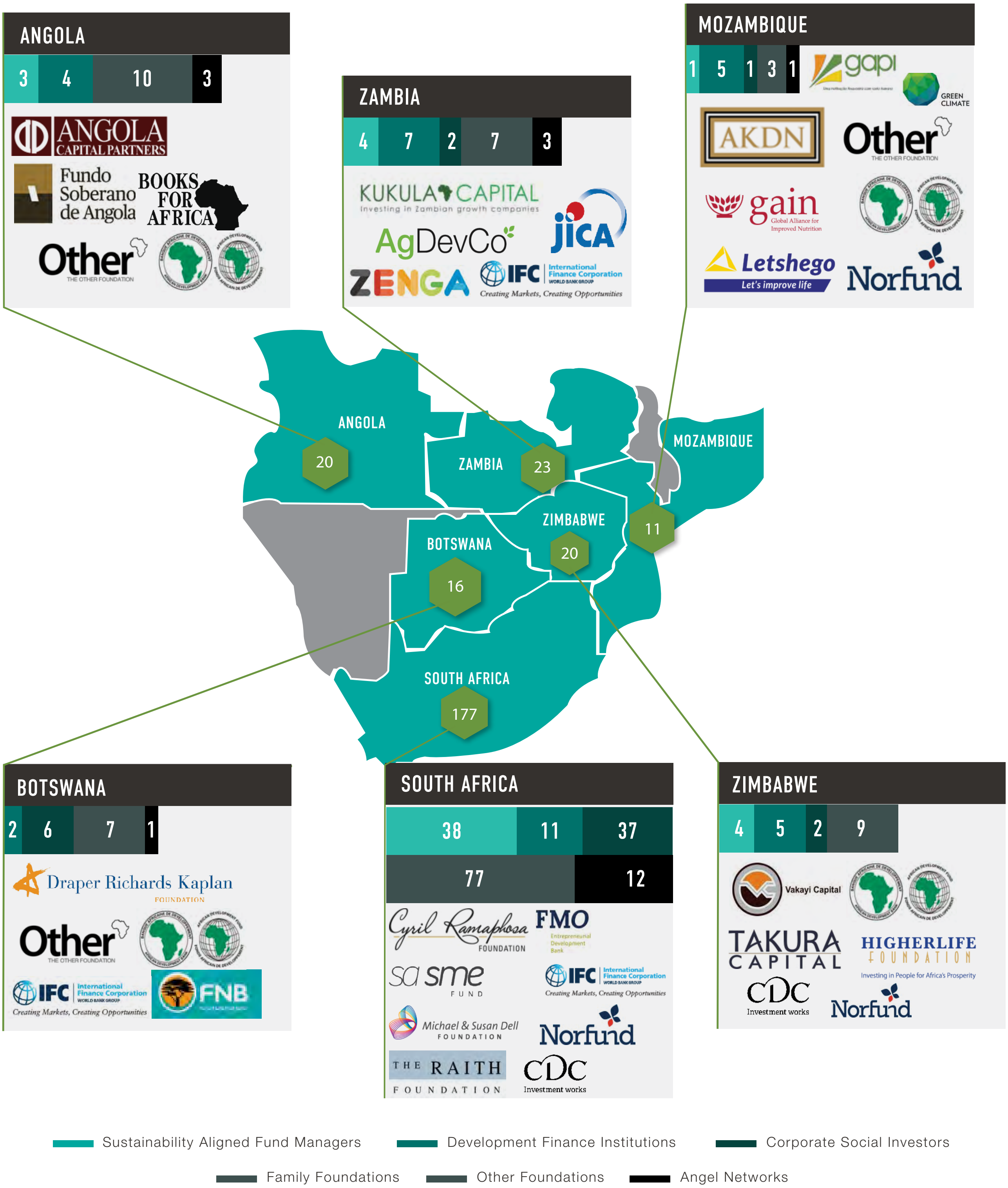
Moderate activities and number of players witnessed

Minimal to no activities witnessed

4. THE SUPPLY SIDE OF SOCIAL INVESTMENTS IN SOUTHERN AFRICA

Southern Africa has a diverse mix of international and regionally based investors deploying social capital in the region. This research mapped close to 250[1] active social investors operating across the focus countries, majorly based in South Africa (71%). The region has a higher number of active regional based family foundations and Corporate Social Investors (CSIs) compared to the West and East Africa regions accounting for 34% of the active social investors identified. On the other hand, the region has a relatively lower number of Sustainability aligned Private Fund Managers (SFMs) than the two regions.

Figure 3: Overview of Key Social Investors in the Region



Source: Intellecap database
NB: Some investors operate across multiple countries and thus counted in each country

[1] List not exhaustive

DEVELOPMENT FINANCE INSTITUTIONS (DFIs):

- DFI investment in the region is highly skewed towards financial services, agriculture, and energy sector given the high capital requirements for businesses and projects in the sectors with the 3 sectors accounting for 84% of the capital deployed.

- The largest proportion (44%) of DFI funding in the region was deployed indirectly through fund managers with over 78% of the total capital deployed in form of debt.

Figure 4: Summary of DFI activities 2015-2019

19 DFIS INVESTED US$ 15.84BN IN 132 DEALS BETWEEN 2015-2019

TRANSACTION SIZE
The average deal size was US$ 28.2Mn.

SECTOR
Financial services, energy and agriculture are the top 3 sector accounting for 84% of total capital.

INSTRUMENTS
44% of the DFI capital deployed through indirect investments with 78% of the capital deployed as debt.

COUNTRY FOCUS
The DFIs have deployed capital in all the focus countries; 52% of which was deployed in South Africa.

TECHNICAL ASSISTANCE
TA is an integral part of the DFI deals with most DFIs setting aside TA funds. TA is provided to investees mostly through external consultants.

IMPACT MEASUREMENT
DFIs use global standard metrics and tools such as IRIS, GIIRS, SDGs and IFC Guidelines to measure and manage impact.

SUSTAINABILITY ALIGNED FUND MANAGERS (SFMs)[2] :

- The SFMs deployed capital focusing largely on financial services, energy and agriculture sector. The financial services sector dominates both in the number of deals and capital deployed within the period, accounting for 58% of the total capital deployed.

- South Africa was the most preferred destination for SFM investments accounting for 86% of the deployed capital.

- A critical financing gap exists for enterprises at growth stages reflecting the challenges faced by 'missing middle' enterprises in the region with the lowest number of deals recorded for enterprises requiring between US$ 0.5-1Mn.

Figure 5: Summary of SFM activities 2015-2019

US$ 1.17BN DEPLOYED BY SFMs IN 183 DEALS BETWEEN 2015-2019

TRANSACTION SIZE
The average deal size was US$ 6.4Mn; with 52% of the capital deployed in deals less than US$ 1Mn.

SECTOR
Financial services, Energy, and Agriculture are the top 3 sectors accounting for 83% of total capital

COUNTRY FOCUS
86% of the SFM capital was deployed in South Africa; No transactions recorded in Angola and Botswana

TECHNICAL ASSISTANCE
Most of the SFMs engaged provide TA services to investees; majorly through TA providers

IMPACT MEASUREMENT
Most SFMs leverage global frameworks to customise impact metrices to each investee depending on the sector of operations.

[2] SFMs refer to private fund managers (including venture capital funds, private equity funds, debt funds, blended finance funds, incubators and accelerators) that deploy capital in SDG focused sectors.

CORPORATE SOCIAL INVESTORS (CSIs)[3]:

- South Africa has one of the most active corporate giving sector in the region with international and regional based corporates spending an annual average of US$ 540Mn on corporate social investments programs in the last five years with growth experienced year on year.
- Education has been the most preferred sector by corporates in South Africa accounting for 50% of all corporate giving in the country in 2019.
- Corporate giving in South Africa has largely been driven by corporates in the retail and wholesale, mining and financial services sector accounting for 22%, 19% and 16% of the total CSI spend respectively in 2019.
- CSI initiatives in Zambia and Mozambique are largely dominated by corporates in the mining and extractive sectors who support health, education, and community empowerment initiatives.

Figure 6: Summary of CSIs' activities in South Africa, 2019

US$ 592MN DEPLOYED BY CSIs IN 2019

SECTORS
Education accounted for 50% of corporate giving. Followed by social and community development (15%) and agriculture (9%)

MANAGEMENT OF FUNDS
56% of corporates manage CSI funds through stand alone CSI departments and 25% through a registered corporate foundation/trust

CHANNEL OF DEPLOYMENT
57% of the total corporate giving in the country is however, through registered corporate foundation/trust and only 31% through CSI department

RECIPIENTS
54% of the funds deployed through non-profit organizations (NPOs)

NB: This data is only for CSIs in South Africa

FAMILY FOUNDATIONS:

Southern African family foundations[4]

- Family foundations active in Southern Africa largely adopt the grant making and donations based approach for their capital deployment. Southern Africa based family foundations are however, adopting innovative financing structures e.g. participating in impact bonds.
- Healthcare is the main focus area for regional foundation accounting for 61% of the total funding.
- Most of the family foundations' funding has been deployed through the government indicating a close working relationship.

Figure 7: Summary of Southern African family foundation activities (2013-2020)

US$ 319.5MN DEPLOYED BY THE SOUTHERN AFRICA FAMILY FOUNDATIONS IN 30 TRANSACTIONS

TRANSACTION SIZE
The average transaction size was US$ 10.6 Mn; with higher transaction size observed in donations towards health sector.

SECTORS
Healthcare is the primary sector accounting for 61% of the capital deployed; economic empowerment and education are among the other target sectors each accounting for 33% and 6% of the deployed capital

INSTRUMENTS
63 % of capital deployed to support government initiatives. Further, financial institution and academia/research institutions account for 31% and 4% of the capital deployed respectively.

[3] Refers to corporate foundations, corporate funds, corporate sustainability programs, and corporate accelerator/incubator programs

[4] Family foundations headquartered in Southern Africa

North American and European family foundations[4]

- North American family foundations have supported various initiatives in the region, with most of the funding focusing on healthcare and education (accounting for 74% of the funding between 2015 and 2019.

- The top three foundations – BMGF, Andrew W. Mellon, and Conrad N. Hilton Foundation – accounted for over 76% of the North American family foundations grant value between 2015-2019.

- Only a few European based foundations were identified in the region. These include; King Baudouin Foundation (KBF Foundation) that runs an annual prize known as 'King Baudouin Prize for Development in Africa' and LGT Venture Philanthropy that has supported the Harambee Youth Employment Accelerator in South Africa.

Other international family foundations

- While we believe there are some Asian and Latin American family foundations active in the region, these could not be comprehensively covered during this research due to limited data available on their activities. This presents a key area for future research.

Figure 8: Summary of North American Family Foundations' activities (2015-2019)

US$ 545.4MN DEPLOYED BY THE NORTH AMERICAN FOUNDATIONS IN 830 GRANTS

TRANSACTION SIZE
The average deal size was US$ 0.9Mn.

SECTORS
51% of the grant capital was deployed toward health initiatives.

INSTRUMENTS
Largely grants deployed to the NGOs and programmatic interventions. Some foundations also engage in venture philanthropy.

ANGEL INVESTORS:

- The Southern Africa region has witnessed an increase in angel investing activities driven by the rise of wealthy individuals in the region. Angel investments in the region increased from US$ 2.6Mn in 2015 to US$ 12.9Mn in 2018.
- A number of angel investment networks have been established in the last 4-5 years to promote the growth of angel investing in the sector.

- Angel investors prefer to invest in innovative business models such as block-chain, and other technology-based enterprises such as fintech, e-commerce and software.

BILATERAL AND MULTILATERAL DONORS:

- Donors play a critical role in funding various sectors in the Southern Africa region with health, education and skill development being the priority sectors for donors in Southern Africa focus countries.

- United States Agency for International Development (USAID) accounted for the largest proportion (41%) of donor funding in the region in 2018.

- The region has witnessed a decline in Official Development Assistance (ODA) funding in recent years, which could be attributed to changing capital deployment strategies by the donors.

FAITH-BASED GIVING:

- Faith-based philanthropy in Southern Africa is rooted largely in the religion principles and teaching, and driven by large-scale individual and institutionalized giving.

- Faith Based Organisations (FBOs) in the region, thus, play a critical role in addressing critical developmental challenges such as skill development, health, and poverty in the focus countries.

- In South Africa, for instance, the Motsepe Foundation and the 33 Religious and FBOs have been working together for several years and established a "job creation fund" to create sustainable jobs and provide skills and training to youth.

[5] Family foundations headquartered in North America and Europe

Table 2: Characteristics of Social Investors Active in the Region

Social Investor Category	Capital Scale (US$)*	Type of Capital deployed	Patient Capital?	Innovative Finance?	Risk Tolerance	Geographic Reach	Dominant Sectors	Potential for Social Impact
Development Finance Institutions (DFIs)	Billions	Equity Debt Guarantees	Limited	Yes	Low	**Moderately Concentrated** (South Africa, Zambia, few large deals in Mozambique)	Financial Services, Energy, Agriculture and Food	Large capital base can be used to catalyse more innovative finance structures in more sectors Longer term financing to cover short term financing by SFMs, corporate social investors
Sustainability Aligned Fund Managers (SFMs)	Hundreds of Millions	Equity Debt	Limited	Limited	Low	**Moderately Concentrated** (South Africa)	Financial Services, Health, Agriculture and Food	Through engaging with grant makers using innovative finance structures
Family Foundations (North America and Europe HQ)	Hundreds of Millions	Grants Debt Equity	Yes	Yes	Medium - High	Across all countries	Education, Health	Large capital base, flexible, can drive innovative finance e.g. payment of outcomes for social impact bonds
Family Foundations (Southern Africa HQ)	Hundreds of Millions	Grant Debt	Yes	No	Medium - High	**Highly concentrated** (South Africa)	Education, Health	Limited capital but opportunity to lead local venture philanthropy practice
Corporate Social Investors	Hundreds of Millions	Grants (Primarily) Equity, Debt	Yes	Limited	Medium - High	**Highly concentrated** (South Africa)	Education, Health, Community Development	Potential to mainstream impact through corporate sustainability
Faith-Based Giving	Hundreds of Millions - Billions	Grants	Yes	No	Medium - High	Across all countries	Education, Health	Large capital base and geographic reach, enormous catalytic capital potential
Angel Investors	Tens of Millions	Equity Debt	No	No	High	**Highly concentrated** (South Africa)	Fintech, Software & ICT, Consumer Goods	Supporting early stage commercial social enterprises
Government Schemes	Hundreds of Millions	Debt Guarantees	Limited	Yes	Medium	**Moderately Concentrated** (South Africa, Zambia, Mozambique)	Agriculture and Food, Economic Empowerment/Entrepreneurship/SMEs	Large capital base, can be leveraged for innovative finance like SIBs
Donors	Billions	Grant Debt	Yes	Yes	Medium - High	Across all countries	Agriculture and Food, Health	Large capital base can be used to catalyse more innovative finance structures in more sectors e.g. in form of DIB

Billions · Hundreds of Millions - Billions · Hundreds of Millions · Tens of Millions

Limited · Yes · No · High · Medium - High · Medium · Low - Medium · Low

Financial Services · Energy · Agriculture and Food · Health · Education · Economic Empowerment/Entrepreneurship/SMEs

Consumer Goods · Community Development · Software & ICT · Fintech

**Capital Scale = range of capital deployed annually in the region as a group*

5. THE DEMAND SIDE OF SOCIAL INVESTMENTS IN SOUTHERN AFRICA

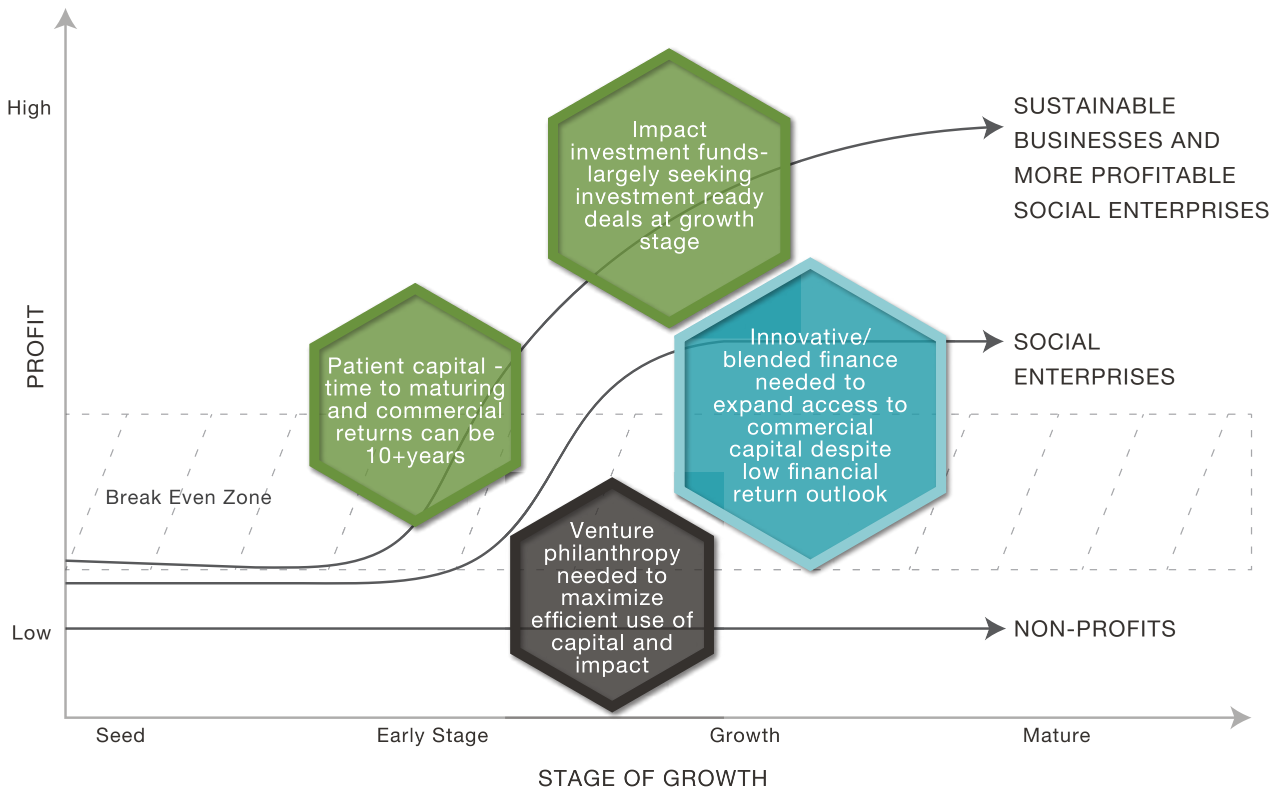
The lack of innovative capital in the region continues to constrain the growth of the entrepreneurship ecosystem.

- The region has witnessed lower entrepreneurship rates partly due to financing challenges facing most entrepreneurs. As a result, the larger proportion of the population particularly in South Africa is engaged in the formal employment sector. This has however, resulted in higher unemployment rates especially among the youths as the demand for formal jobs outweigh the supply.
- Most businesses in Zambia and Mozambique are in the early-stages with very few venture-stage or mature businesses with the traditional financial service providers (banks, MFIs) being the main capital providers. These however, impose high collateral requirements and interest rates that hinder the businesses from accessing the capital, thereby limiting the growth of such enterprises.
- Inadequate supply of capital for the early-stage businesses is a critical challenge, with only a handful of SFM deals recorded at the pre-seed level in the region.
- Addressing these gaps requires catalytic funding and innovative instruments to de-risk and attract private investments. More patient growth capital is needed for scalable early-stage businesses that do not qualify for pure-play equity.

Declining funding for the non-profit sector from international sources is necessitating the development of more sustainable and innovative financing mechanisms for NGOs.

- Non-profits/non-governmental organisations (NGOs) across the region rely almost exclusively on funding from international sources. This funding has however, been dwindling due to political changes in Western countries and shifting strategies away from grant-making towards impact investment.
- Further, most international funders focus largely on supporting programmatic interventions with significant funding gaps identified for capacity building and general administration support to the NGOs.
- There is thus a need to leverage more sustainable approaches, such as venture philanthropy, for deploying both local and international capital to non-profits. Such approaches can create significant social impact by providing long-term funding and technical assistance support.

Figure 10: Type of Financing Requirements for Various Types of Organisations at Various Stages of Growth



5.1 TRENDS, DEVELOPMENTS AND CHALLENGES IN THE SOCIAL ENTERPRISE AND START-UP LANDSCAPE

South Africa has maintained its position as the top start-up ecosystem in Africa, with several innovative businesses focused on solving development challenges, particularly in the financial inclusion space.

Although only a small proportion of the population is engaged in entrepreneurship, compared to other countries, South Africa is among the best-placed countries for the start-up ecosystem in Africa, ranked 52 in the Start-up Ecosystem Ranking[6] 2020 and boasts of a well-developed ecosystem comprising of investors, accelerators, incubators, and other support agencies.

Women-led enterprises, especially in the technology domain, are increasing; however, they continue to face more challenges when compared to their male counterparts.

Botswana and Angola ranked top 10 in the global ranking of women entrepreneurs in 2019 with 36.0% and 30.3% of businesses owned by women in the two countries, respectively[7]. However, women-led and owned enterprises are strapped for funds in comparison to male businesses with male-owned enterprises receiving six times more capital than female-owned enterprises in Africa[8].

The small market size and low purchasing power in some focus countries create challenges for growth and scale-up of social enterprises (SEs) and sustainable businesses.

Except for South Africa and Angola, the other focus countries have a relatively smaller size of the economy, with low purchasing power and high poverty levels. Enterprises that engage in providing non-essential services or products cannot survive in such socio-economic conditions as the purchasing power for such services and products is very limited. This indicates a need for hybrid financing and operating models in these countries for achieving the SDGs.

A significant proportion of the enterprises have sprung up out of necessity and lack innovation resulting in high failure rate.

With the burgeoning issue of unemployment that the region is facing, youths have been establishing social enterprises/start-ups to earn an income and support their livelihoods. Business models of such enterprises. However, have minimal innovation and result in many similar types of businesses competing with each other resulting in high failure rate. 85-90%[9] of enterprises in South Africa for example, fail within the first five years of their establishment.

A large amount of aid money in key social sectors makes it difficult for profit-making SEs/Start-ups to scale business models that can compete with subsidized products and services in those sectors.

Due to the high poverty levels and frequent natural disasters facing some countries such as Mozambique, donors continue to play a vital role in providing aid in the form of grants for solving development challenges, particularly in the health, agriculture, energy, and education sectors. Thus, for-profit social enterprises/ start-ups find it very difficult to compete with the NGOs in financially sustainable manner.

Social enterprises in the region face multiple challenges that hinder their scale-up with most failing within the first few years of establishment.

Some of the critical demand, supply and ecosystem challenges facing enterprises are highlighted below;

[6] Startup Ecosystem Ranking Report, 2020, Startup Blink

[7] The MasterCard Index of Women Entrepreneurs, 2019

[8] World Bank: Profits from parity – unlocking the potential of women's businesses in Africa

[9] OECD: Financing SMEs and Entrepreneurs 2020

Figure 11: Challenges faced by Social Enterprises and startups in Southern Africa

SUPPLY SIDE CHALLENGES	DEMAND SIDE CHALLENGES
Inadequate access to funding sources: Domestic credit provided to the private sector as a proportion of GDP remains low across the focus countries except in South Africa. This means that small businesses are often locked out of the formal financial system, given the inherent challenges associated with lending to such businesses.	***Poor understanding of sophisticated financial terms:*** Understanding of financial terms and instruments such as mezzanine debt, equity and blended finance remains low among most enterprises. ***Human resource capacity challenges:*** Most social enterprises and start-ups face financial constraints which limit them from hiring the right talent or up-skilling their current talent.

ECOSYSTEM LEVEL CHALLENGES
Macro-economic challenges plaguing the growth of SEs and start-ups: Poor macro-economic performance due to challenges such as natural disasters, over-dependency on the oil and mining industry, and currency depreciation, have significantly affected the performance of businesses in the region.
Lack of recognition of the concept of social enterprises: None of the focus countries has policies and structures explicitly outlining the registration requirements of social enterprises.
Limited access to information, networks and support infrastructure: Ecosystem support for social enterprises is concentrated in major cities. Rural based enterprises thus face challenges accessing the information on funding opportunities, networking with potential investors, and capacity-building support.
Inadequate and costly infrastructure: While South Africa has more advanced infrastructure compared to other countries in the region, the cost of accessing electricity and telecommunication services still remains quite high.

5.2 TRENDS, DEVELOPMENT AND CHALLENGES IN THE NON-PROFIT LANDSCAPE

The non-profit sector across the focus countries plays an integral role in solving societal and development challenges evident through an increase in the number of NGOs over the recent years.

The NGOs continue to play a crucial role in driving the development agenda of the country and have been highlighted as key government implementation partners in South Africa. In Zambia and Mozambique,where the number of social enterprises is low, NGOs remain a critical stakeholder for solving societal and development challenges. Most of the non-profits in the region operate in the social services sector, such as education, health and employment sector.

The overall Civil Society Organisations (CSO) sustainability index across most of the countries has shown minor improvements; the financial viability score has, however, been deteriorating for most of the countries.

The CSO sustainability index measures the performance of CSOs in seven key dimensions including; legal environment, organisation capacity, financial viability, advocacy, service provision, sectoral infrastructure and public image.CSOs financial viability indicator score across most focus countries in the region has been poor - this can be attributed to the decline in foreign donor funding and insufficient local philanthropy and fundraising models to fill the gap. High dependency on donors prevents CSOs from quickly responding to emerging needs as donor funding usually has limited flexibility.

Unlike in other countries, the government is a key partner for NGOs in South Africa, not only providing the largest proportion of funding but also providing capacity-building support.

The Government funding has been exhibiting an increasing trend over the past years and stood at 74% of total Non-Profit Organisations (NPOs) funding in 2018, a substantial increase from 39% in 2012[10].

The non-profit sector in the focus countries faces multiple challenges in various areas, including; funding, institutional technical and human capacity, and legal and regulatory challenges. These have been outlined below.

[10] NPO Accountability in a disconnected and divided South Africa, 2018

Figure 12: Challenges Faced by Non-profits in Southern Africa

SUPPLY SIDE CHALLENGES	DEMAND SIDE CHALLENGES
Decreasing funding sources: NGOs/CSOs in most of the focus countries rely on international sources for grant funding. Given the declining funding non-profits are facing challenges in implementing their activities. The decline in the financial viability score for CSOs and NGOs in most of the focus countries indicates their increased vulnerability.	***Limited income diversification:*** While certain regulations across the countries allow NGOs/CSOs to participate in income-generating activities, they lack skills to do so and thus shy away from the same.
Restricted funding: Funding has majorly been to programmatic interventions with low funding to address capacity building needs of the NGOs.	***Inadequate technical and human resource capacity:*** High staff turnover is a major challenge for NGOs/CSOs across all the focus countries as most lack adequate financial resources to attract and retain qualified staff.
	Lack of impact measurement mechanisms: While most local NGOs/CSOs continue to have a positive impact on their communities, most rarely develop mechanisms to measure and manage the impact generated.

ECOSYSTEM LEVEL CHALLENGES
Bureaucracies and delays in the registration and tax exemption processes: CSOs/NGOs across the focus countries cite challenges and bureaucracies in the legal processes, particularly in the application for registration and tax exemptions.

6. ENABLING ENVIRONMENT FOR SOCIAL INVESTMENTS IN SOUTHERN AFRICA

The Southern Africa region boasts of a stable business and investment regulatory environment making it an attractive destination for investments. However, most of the countries lack specific frameworks and regulations to promote growth of the social investments industry. Further the existing ecosystem support organisations are inadequate to meet the needs of enterprises across the growth cycle. Unique to the region nonetheless, are philanthropy advisors playing a key role in mobilizing and deploying philanthropic capital.

Table 3: Overview of Enabling Environment for Social Investments across the Focus Countries

ECOSYSTEM CATEGORY	SOUTH AFRICA	ZAMBIA	MOZAMBIQUE	DESCRIPTION
POLICY AND REGULATORY ENVIRONMENT				
Policies and regulations				Overarching frameworks and regulations to support social investments do not exist across the focus countries. South Africa has however, made notable progress in developing frameworks to promote corporate social investment and venture capital.
ECOSYSTEM SUPPORT TRENDS FOR SOCIAL ENTERPRISES AND START-UPS				
Incubators and early-stage support				Incubators are largely concentrated in South Africa with most operating from two main cities in South Africa – Cape Town and Johannesburg. This limits the growth of enterprises in the peri-urban and rural locations. A few incubators were identified in Zambia and Mozambique. Most of the identified incubators are also sector agnostic.
Accelerators and TA providers				Most ecosystem support activities in the region are geared towards early-stage enterprises leaving a large gap for growth and mature stage companies with few affordable accelerators and TA providers that target this segment operating across the countries.
Networks and platforms				There are several growing and well-established networking platforms aiming to promote impact investing and social entrepreneurship such as ANDE, National Advisory Body for Impact Investments, amongst others. These are, however, mainly based in South Africa.
Knowledge and research				The Southern Africa region has several well-established organisations supporting the social investment industry through research, data and tools for decision making. These are however, largely based in South Africa with limited research existing in the other countries. Education institutes in South Africa have also established centres to promote training on social investment and entrepreneurship.
ECOSYSTEM SUPPORT TRENDS FOR NON-PROFITS				
Ecosystem support for philanthropy				South Africa has a relatively mature ecosystem support for philanthropy with several organisations supporting the mobilization and deployment of philanthropic funds. The country also has established philanthropy platforms and networks that bring together stakeholders.
Strategic advisors for the non-profit sector				Structured and customized capacity-building support for non-profits is currently inadequate, especially for organisations transitioning into hybrid for-profit / non-profit operating models and seeking to establish innovative and alternative revenue models.

High maturity levels indicated by intensity and sophistication of the activities and number of players

High activities with increasing number of players

Moderate activities and number of players witnessed

Minimal to no activities witnessed

7. RECOMMENDATIONS AND OPPORTUNITIES FOR INDUSTRY STAKEHOLDERS

The key recommendations to develop the social investment industry are grouped into three categories; recommendations to catalyse diverse and innovative pool of social capital, recommendations to empower organisations delivering social change, and recommendations to develop enabling environment and infrastructure.

Table 4: Summary of key recommendations

	Recommendations For SI Stakeholders	Priority Level
Recommendations to catalyse a diverse and innovative pool of social capital	Enhancing the role of government in social investments	High
	Mobilizing and enhancing the use of concessional/catalytic capital	High
	Promoting education and awareness creation on social investment practices	High
	Increasing awareness on Gender Lens Investing (GLI)	Medium
	Building SIB/DIB champions and developing SIBs/DIBs beyond South Africa	Medium
Recommendations to empower organisations delivering social change (demand-side players)	Promoting alternative funding models for NGOs	High
	Developing TA toolkit for NGOs	Medium
	Promoting human capital development for SEs and NGOs	Medium
	Offering tailored TA to support post-investment monitoring and value creation	High
Recommendations to develop enabling environment and infrastructure	Data building and development of knowledge tools	High
	Improving the legal and regulatory frameworks	Medium
	Enhancing ecosystem support to enterprises outside the main cities	Medium
	Promoting sustainable funding to ESOs	Medium
	Developing issue-based platforms	Medium

7.1 RECOMMENDATIONS TO CATALYZE DIVERSE AND INNOVATIVE POOL OF SOCIAL CAPITAL

- **Mobilizing and enhancing the use of concessional/catalytic capital to address financing barriers for SMEs and social enterprises:** Credit by traditional financial providers remains low and most of the financial institutions are largely risk-averse charging high-interest rates. Concessional/Catalytic capital can be leveraged to enhance financial institutions funding to impact-focused businesses. Donors and international foundations are well-positioned to catalyse impact capital e.g. by providing credit or first loss default guarantees to cover the downside risk for commercial lenders.

- **Promoting education and awareness about other social investment practices beyond impact investing:** Awareness of the methodologies and practice of venture philanthropy, particularly amongst the philanthropy community and corporates, remains significantly low. Hence, more engagement needed to engage and educate these players and guide them in aligning their strategies and create shared value collaboration amongst the investors.

- **Enhancing the role of government in social investment space:** The role of government in providing funding and building the ecosystem infrastructure is crucial for the growth of the social investment space in the region. While the South Africa government has increasingly been playing a role in promoting blended finance structures, participation of governments in the other focus countries remain low. It will thus be important to showcase opportunities on how these governments can participate in the sector and build their capacities for active participation.

- **Building Social Impact Bond/Development Impact Bond (SIB/DIB) champions and developing SIBs/DIBs beyond South Africa:** Government involvement has played a crucial role and been advocated as a key consideration for developing successful impact bonds. Key learning from the SIBs in South Africa can be leveraged to contextualize and launch similar initiatives in the focus countries that have witnessed a low level of similar activities.

- **Increasing awareness about Gender Lens Investing (GLI):** Creating adequate awareness regarding the criticality of gender lens investing and generating data-based evidences can be a game-changer for all stakeholders involved. At present, there is a limited understanding of GLI amongst the broader investor community, while a few of them have been making an unintentional positive impact by investing in segments such as microfinance institutions (MFIs) that target women. There is a need to celebrate every GLI success story and encourage women-focused intermediaries to support women entrepreneurs in building investable and sustainable businesses.

7.2 RECOMMENDATIONS TO EMPOWER ORGANISATIONS DELIVERING SOCIAL CHANGE (DEMAND-SIDE PLAYERS)

- **Promoting alternative funding models by non-profits:** International sources account for the largest proportion of funding to NGOs in the region. With the declining donor funding to NGOs/CSOs, new and innovative models need to be leveraged to raise and attract more funding to support their activities.
- **Establishment of a technical assistance toolkit and on-site training for NGOs:** Inadequate skills in areas such as strategy, financial management, program management is a major challenge facing the NGOs. Most of the NGO funders have focused on program funding with a minimal amount allocated to TA. Thus, there is a need to develop and share a readily accessible toolkit providing information and training on various operational areas can address issues and gaps that are specific to NGOs in the region.
- **Promoting human capital development for SEs:** Financial constraints prohibit most early early-stage enterprises from establishing human resources structures and processes, including hiring the right talent or up-skilling existing talents. Hence, social investors could develop interventions such as subsidizing HR costs of enterprises or support ESOs that specifically run leadership and management programs.
- **Offering tailored TA to support post-investment monitoring and value creation:** While there are a number of ESOs in the region supporting early-stage enterprises, there is meagre support for later stage enterprises, which limits their ability to scale. Social investors can therefore, collaborate to develop models and tailored TA support provided to high potential enterprises from their early to growth stages.

7.3 RECOMMENDATIONS TO DEVELOP ENABLING ENVIRONMENT AND INFRASTRUCTURE

- **Data building and development of knowledge tools:** The availability of data and information remains varied in the region and across investor categories, with few ecosystem players particularly in Zambia and Mozambique focusing on collecting this information. This further limits collaboration efforts with challenges experienced in building pipeline and identifying co-investment opportunities for different social investors. Thus, it will be crucial to build on the baseline data provided in this report and establish a central data repository/dashboard to make it easy to identify opportunities.
- **Improving the legal and regulatory frameworks:** South Africa has been at the forefront of developing polices and regulations to boost the social investment space and provides a benchmark for other countries. Some of the proposed policies that need to be established in the region include; overarching frameworks for social investments, Start-up Actoutlining legal conditions for registering start-ups and incentives to promote the growth of the industry, and CSI policies and laws.
- **Enhancing ecosystem support to enterprises outside the main cities:** Currently, ecosystem support organisations (ESOs) are concentrated in major cities across the focus countries locking out rural-based enterprises from accessing capacity building, mentorship and funding opportunities. An online platform would help cater for a broader range of enterprises as physical presence is not required. Such a platform can also be leveraged to build the capacities of the very early stage (idea) businesses and thus provide a pipeline for incubators seed investors.
- **Enhancing sustainable support for ESOs:** ESOs in the region indicated face several challenges that hinder them from expanding their operations beyond the main cities driven by limited and unsustainable funding sources. Local foundations, donors as well as international foundations could allocate part of their funding to sustainably support the ESOs, for instance, through partial repayment grants that aim to drive sustainability for the ESOs. ESOs could also be used to deploy seed/grants to enterprises on behalf of philanthropists.
- **Developing issue-based platforms:** Several cross-cutting themes affect social investors as well as social enterprises and NGOs e.g. gender biases both at supply and demand of social capital, hindering the flow of capital to women businesses. Ecosystem facilitators could, therefore collaborate with the right set of social investors and other stakeholders to develop such issue-based platforms.

01

01

INTRODUCTION AND OVERVIEW OF THE RESEARCH

1.1 BACKGROUND AND MOTIVATION OF THE STUDY

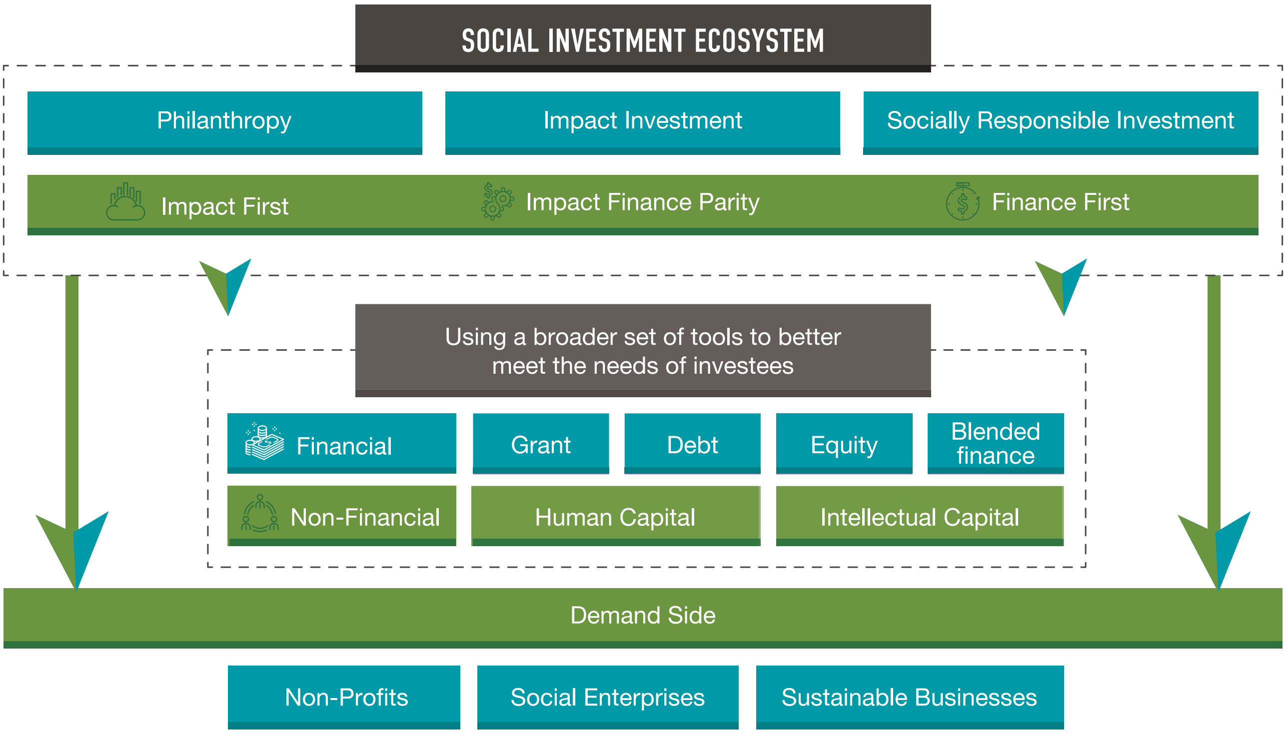
Strategic mobilisation of private capital to supplement public and development capital for financing social issues has become a significant focus for countries worldwide.

At the current level of both public and private investments in the Sustainable Development Goals (SDGs) related sectors, developing countries face an average annual funding gap of US$ 2.5 trillion[1] with an estimated gap between US$ 500 billion and US$ 1.2 trillion[2] for Africa. The private sector is a critical catalyst in the attainment of the SDGs, as the sector commands a vast amount of financial as well as non-financial resources. Consequently, this has resulted in increased collaboration amongst various investors to design innovative and blended financial instruments to fund social sectors and solve development challenges.

Social investment has been gathering momentum across the world.

Social investment is an umbrella term that brings together diverse categories of funders aiming to achieve social or environmental impact. Broadly, social investments include financial and non-financial support deployed via venture philanthropy, impact investing (with a focus on investing for impact), and socially responsible investing. Social investment methodologies have proven to be a powerful strategy to create sustainable and scalable social and environmental impact by enabling diverse social investors to collaborate for a more significant impact on the achievement of the SDGs. Collaboration across the different types of capital and investment strategies needed is referred to as the "continuum of capital".

Figure 1: Continuum of Social Capital



Adopted from Asia Venture Philanthropy Network (AVPN)

[1] United Nations Development Operations Coordination Office: Unlocking SDG Financing – Good practices from early adopters, 2018
[2] The SDG Centre for Africa: Africa 2030 Sustainable Development Goals, 3-year reality check, 2019

This report seeks to provide insights into the current state of social investing in Southern Africa; it is part of a series of three reports with the other two reports focusing on the state of social investing in East Africa and West Africa.

The report maps the activities by a diverse pool of social investors across the West Africa region and highlights opportunities to increase the impact of capital flowing into SDG-related areas. It also provides an assessment of the stakeholders requiring social capital, such as social enterprises, non-profit organisations, and the ecosystem enablers in the social investment space. The study further makes recommendations on the potential for collaboration amongst diverse funders to scale impact and essential to achieve the SDGs.

Table 1: Key Definitions Used in the Study

DEFINITIONS ADOPTED	DEFINITION IN CONTEXT
Social investment is an umbrella term for financial and non-financial capital deployed according torigorous investment principles to generate positive social and environmental impact, with varying financial return expectations.	• Social investment 'capital' takes various forms: financial (grants, debt, equity, blended finance), intellectual and human capital. • Social investment includes many different investment strategies with in the fields of philanthropy, impact investment, and sustainable and responsible corporate investments.
Philanthropy, as the donation of capital to promote human welfare, is deeply rooted in the cultural traditions of Africa. Across the continent, philanthropic giving takes many forms at both the individual and institutional levels.	• Venture philanthropy builds on the philanthropic tradition by introducing a high-touch engagement and long-term approach where by a philanthropist provides tailored financial and non-financial support with a focus on maximising, measuring and managing social impact. Generating positive impact isthe priority for venture philanthropists. • 'Long-term, high-touch engagement, and non-financial support' are provided to a grantee or investee to maximize social impact, and/or strengthen organizational resilience. • 'Tailored financing' implies customizing financing based on investee needs, and can take the form of grants, debt, equity or blended finance,deployed with philanthropic intent to social enterprises or non-profits.
Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.[3]	• Impact investments are made by a wide variety of investors, via diverse asset classes, with financial return expectations that vary from preservation of capital to market-rate returns. • Increasingly across Africa, impact investors are drawing on philanthropic grant capital to establish innovative financing vehicles and transactions. Catalytic capital, blended finance and hybrid financing are important tools through which to crowd more private sector capital into investments that achieve social and environmental impact.
Socially responsible investment is investments made into sustainable businesses that promote ethical and socially conscious themes. While social returns are important, financial returns are often the primary concern for socially responsible investors.	• 'Sustainable businesses' are businesses that have a minimal negative impact, or potentially a positive effect on the environment, society, and the economy. • Corporates throughout Africa are increasingly adopting sustainable business models that create shared value for the corporate, society and the environment. Many large corporates are also establishing foundations and other programs to facilitate institutional social investments.
Social enterprises are businesses with a primary focus on achieving social or environmental impact in a financially sustainable manner. In Africa, social enterprises often employ technology and innovation to address critical needs for the 'bottom of the pyramid'	• 'For-profit' social enterprises focus on generating social and environmental impact, with financial profits often reinvested into the social mission. • 'Bottom of the pyramid' social enterprises usually target the low-income population that lacks access to critical services. • 'Critical needs sector' seeks to address challenges in critical social sectors such as education, health, water and sanitation, agriculture, and financial inclusion.

[3] As defined by the Global Impact Investing Network.

DEFINITIONS ADOPTED	DEFINITION IN CONTEXT
Sustainable businesses are growth to mature stage for-profit companies seeking to achieve financial sustainability alongside social and environmental impact.	• 'For-profit' businesses whose primary focus is to generate financial returns. • 'Growth to mature stage' businesses that have existed for a number of years and have shown potential for continued growth and scale.

1.2 REPORT STRUCTURE AND SCOPE

The research analyses social investment trends and activities, over the last five years (2015-2019), in three deep dive countries i.e. South Africa, Zambia, and Mozambique.

The report also touches on key social investment activities in **Angola, Botswana, and Zimbabwe**. The various categories of social investors and non-financial capital providers included in this study are highlighted in the table below.

Table 2: Archetypes of stakeholders (financial & non-financial) included in the study

ARCHETYPES OF SOCIAL INVESTORS	
Investor Categories	**Description**
Bilateral and Multilateral Donors	Donors are government-led development assistance agencies that deploy public funds, traditionally in the form of grants, to support an international development agenda. These organisations can be bilateral when funded by one government or multilateral when funded by multiple governments such as the United Nations agencies. The report covers both multilateral and bilateral donors.
Development Finance Institutions (DFI)	DFIs are specialized development banks or their subsidiaries set up to finance economic development projects in developing countries. These organisations are usually majority-owned by national governments and source their capital from national or international development funds. The report covers multilateral, bilateral, and national DFIs.
Corporate Social Investors (CSIs)	Corporate social investors (CSIs) are vehicles/programs set up, funded, and closely linked to a corporate; these include corporate sustainability programs, corporate foundations, corporate impact funds, and accelerator/incubator programs. The study considered activities of CSIs deploying capital in the region that are headquartered both in Southern Africa and outside the region.
Family Foundations	Family foundations deploy capital for charitable purposes through a dedicated endowment, often funded and controlled from a single source such as a wealthy family or individual. The study considered activities of family foundations deploying capital in the region that are headquartered both in Southern Africa and outside the region.
Faith-Based Giving	Faith-based giving is backed by religious institutions carrying out philanthropic social programs which are implemented through faith-based organisations (FBOs)
Sustainability Aligned Private Fund Managers	These are private fund managers (including venture capital funds, private equity funds, debt funds, blended finance funds, incubators, and accelerators) deploying capital raised from limited partners (LPs) into sectors contributing to achieving the SDGs in the region
Angel Investors, HNWIs	Angel investors and high-net-worth individuals (HNWIs) deploy their capital typically into new or small business ventures with the expectation of financial return as a priority. Angel investors are also organised into 'angel networks' that deploy capital on behalf of these angels.
Government	These are schemes funded and financed by the national, local, or regional government independently or jointly with the private sector, DFIs, donors, etc.

ARCHETYPES OF NON-FINANCIAL CAPITAL PROVIDERS	
Categories	**Description**
Incubators	'Incubators' provide business advisory and mentoring support in the early stages to incubate innovative ideas into sustainable business models.
Accelerators	'Accelerators' provide specially designed programs to help entrepreneurs grow and scale sustainable for-profit businesses.
Professional Service Firms	'Professional service firms' provide professional strategic and business consulting support to enterprises and non-profits. Such support includes business development services that help develop business models, financial strategies, and scale-up strategies, as well as financial management advisory, tax, legal, human resources, amongst others.
Academia/ Research Institutions	These are institutions focused on producing relevant sector research, policy advocacy, or other academic resources.
Network/ Association	An industry association or convening network bringing together various stakeholders in the social investment space

The report is organized into six chapters. In *Chapter 1*, the report introduces the reader to the motivation of the research and the methodology used. *Chapter 2* provides an overview of the social investment landscape in Southern Africa, including the demographic and socioeconomic context, a summary of key players in the social investment space, and the evolution of social investment at national and regional levels. An in-depth examination of the different categories of social investors active in the region, and their investment strategies and trends are provided in *Chapter 3*. The findings and viewpoints from the social enterprises and non-profit organisations that form the demand side players are laid out in *Chapter 4*. An assessment of the enabling ecosystem, including regulation and business support services, is provided in *Chapter 5*. And finally, *Chapter 6* provides recommendations for the social investment space going forward.

1.3 METHODOLOGY ADOPTED (DATA COLLECTION AND ANALYSIS)

> *The report presents both qualitative and quantitative insights generated from secondary and primary research sources.*

The study leveraged concurrent triangulation, which is a mixed-method approach involving a collection of qualitative and quantitative information from structured interviews and ongoing secondary research.

a) ***Literature review/ desktop research –*** Secondary research was undertaken at the onset of the research to (i) provide an understanding of the macroeconomic and demographic context of the focus countries and identify key development gaps/challenges facing these countries, (ii) evaluate existing research on the social investment space and outline key research gaps, and, finally (iii) compile a list of active players in the supply, demand and ecosystem level to be engaged for primary research. The data gathered helped shape the primary research tools for instance, questionnaires and discussion guides

b) ***Stakeholder interviews –*** The report relies heavily on insights from one-on-one interviews conducted with 51 stakeholders in the region, including social investors such as DFIs, international foundations, local foundations, and impact investors; demand-side players including social enterprises and non-governmental organisations (NGOs); and ecosystem enablers such as incubators, accelerators, professional service providers/firms, research and academia, and government agencies. These interviews aimed to collect quantitative (investment activity data), and qualitative information on investment deployment strategies of different investors, partnerships established, key challenges facing the investors, and their perception of the sector. Further, interviews with the demand side players were conducted to identify critical financial and non-financial needs, while interviews with ecosystem enablers provided insights on the type of support offered to the sector and key gaps in organisational support.

c) ***Transaction mapping through online sources –*** Publicly available transaction/deal data was collected from individual websites of social investors as well as social enterprises. Besides, data was leveraged from three online deal platforms i.e. Crunchbase, Baobab Insights and Candid/Foundation Centre, to aggregate disclosed deal information.

d) ***Quantitative online survey –*** Online surveys were conducted to gather quantitative information such as investment deals from various social investors. Twenty-two survey responses were received for Southern Africa through online surveys.

The research team synthesized all the information gathered through desktop research and primary interviews to derive regional and country insights on key social investment trends, drivers of social investment activity and uncover gaps across the supply, demand and ecosystem levels of the sector. The analysis presented provides a baseline for the social categories particularly local providers that need to be explored further in detail. The research team would like to emphasise that while the data collected is non-exhaustive, it sufficiently provides directional guidance for the trends reported in this section.

Table 3: Summary of data source and transactions mapped for each investor category

INVESTORS	DATA SOURCES
Development Finance Institutions (DFIs)	*The research team collected the transaction data by bilateral and multilateral DFIs from **a)** websites of DFIs and **b)** interviews with DFIs. The team mapped a total of 160 direct, indirect (fund of funds) and programmatic transactions made by 19 DFIs in the region between 2015 and 2019. However, funding data for only 132 deals was publicly available and these 132 deals form the basis of analysis for this section.*
Sustainability Aligned Private Fund Managers (SFMs)	*The research mapped 325 deals deployed by SFMs in SDG focused sectors in the region between 2015 and 2019. However, funding data for only 183 deals was publicly available; these 183 deals form the basis of analysis for this section of the report. Research team collected this transaction data from **a)** websites of SFMs as well as businesses in which investments were made **b)** two online deal platforms i.e. CrunchBase and Baobab Insights **c)** online surveys and interviews with SFMs and **d)** other press releases and publications.*
Corporate Social Investors (CSIs)	*This section provides an analysis of Corporate Social Investors active in the Southern Africa region. The quantitative information presented in this section is largely for CSIs based in South Africa given the promince of corporate giving by the country in the region. The insights presented in this section rely on data collected from **a)** websites of CSIs for publicly available data on their activities in social investment space **b)** interviews with CSIs in the region, **c)** annual Business in Society publications by Trialogue in South Africa, and **d)** other verified press releases and news articles .*
Family Foundations	*This section of the report provides analysis of Southern Africa, North American and other family foundations active in the region. The research has singled out the North American family foundations due to prominent activities in the region as well as data availability compared to other international family foundations. The insights presented in this section rely on interviews with family foundations as well as transaction data collected through resources mentioned below:* a) ***Southern Africa based family foundations:*** *The data reported in this section are collected from **a)** publicly available data on websites of local family foundations on their activities in social investment space **b)** recent publication by the Bridgespan Group on large scale giving by African philanthropists **c)** interviews with local family foundations from the region and **d)** other verified press releases and news articles. The researchers were able to map **30 transactions** (donations/grants/debt) by regional family foundations/trusts between 2013 and 2020. The period for this stakeholder category was extended in order to build a more comprehensive database that can be leveraged to draw key insights and trends.* b) ***North America family foundations:*** *The data presented were collected from **a)** websites of foundations **b)** interviews with foundations and **c)** online database – Foundation Centre that aggregates funding activity by top US and non-US based foundations.*
Multilateral and Bilateral Donors	*Total Official Development Assistance (ODA) data was derived from World Bank Development Indicators and specific donor websites.*
Angels and Angel Networks	*This section of the report covers activity by angel investors active in the region. The research team collected this data from **a)** Online publications such as Nedbank reports, AfrAsia Wealth Report, Southern African Venture Capital and Private Equity Association (SAVCA) reports, and **b)** publicly available information on the angel networks' websites.*

1.4 RESEARCH LIMITATIONS

The following are key limitations of the study:

- ***Secondary data availability –*** Except South Africa, the other focus countries have nascent social investment space where limited research has been conducted. Hence, access to secondary data was limited.

- ***COVID-19 crisis –*** The Covid-19 pandemic resulted in organisations shifting focus to managing the situation. Thus, some critical stakeholders were unable to participate in research activities.

- ***Non-exhaustiveness of transaction/deal data –*** The report covers a wide variety of social investors currently investing in the region. Therefore, it should be mentioned that the transaction/deal data presented in the report are non-exhaustive as they only include publicly disclosed transactions. However, the researchers are still confident that the deal data and quantitative information collected sufficiently provide directional guidance for the trends reported in this research.

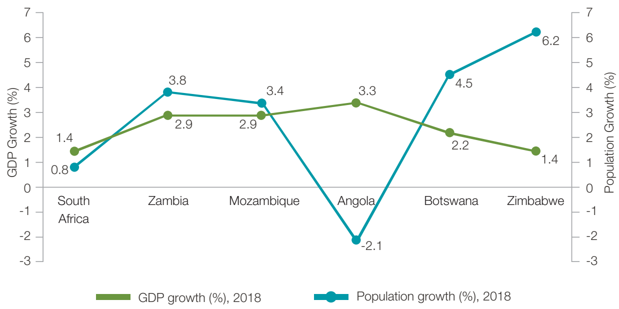
02

02

THE SOCIAL INVESTMENT LANDSCAPE IN SOUTHERN AFRICA

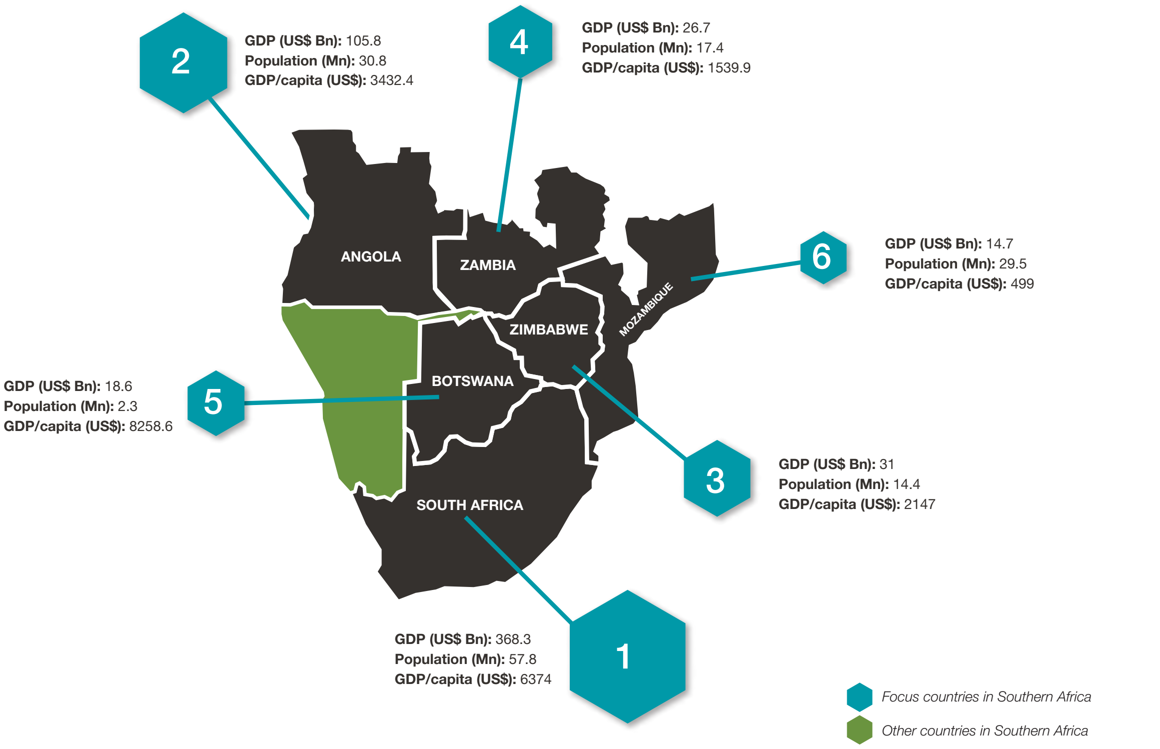
2.1 DEMOGRAPHIC AND SOCIO-ECONOMIC TRENDS IN THE REGION

Southern Africa has experienced one of the lowest and declining economic growth rates in Sub Saharan Africa (SSA) in the last decade, driven by volatility in the extractive sector and recurring natural disasters.



Southern Africa[4] has a fifth of Africa's population and contributes over a quarter of the total gross domestic product (GDP)[5] of Africa. The region is home to about 209 million people, 73% of which reside in the focus countries of this study. *The three largest economies – South Africa, Zambia and Angola- contribute close to 82% of the region's economy*[6]. This dominance puts pressure on other countries to suffer from backwash effects of any regional growth dynamics. Other than Zimbabwe, all the other focus countries have experienced a declining economic growth trend in the last decade. South Africa faces severe unemployment challenges and economic inequality, showcasing the legacy of apartheid. Angola is currently in an economic recession due to the volatility in the international oil market, which is the biggest contributor to its economy. Further, frequent weather events like storms, floods, and cyclones, particularly in Mozambique, continue to suppress regional economic growth. GDP growth in the region fell from 4% in 2010 to 1.2% in 2019 and is expected to decline further due to the ongoing COVID-19 pandemic.

Figure 2: Economic Overview of the Focus Countries



Source: World Bank Development Indicators, 2018

[4] Comprises of 13 countries in total; Angola, Botswana, Lesotho, Mauritius, Malawi, Madagascar, Mozambique, Namibia, Sao Tome and Principe, South Africa, Zambia, Zimbabwe, Eswatini

[5] Southern Africa Economic Outlook 2019: Macroeconomic performance and prospects, AFDB

[6] Southern Africa Economic Outlook 2019: Macroeconomic performance and prospects, AFDB

Moderate performance has been witnessed towards meeting most of the Sustainable Development Goals (SDGs) in the region.

Although the proportion of the population living in extreme poverty dropped by 9% over the past 25 years[7] in the region, the number in absolute terms doubled over the same period. These trends are projected to continue across the region till 2040 and can be attributed to low access to basic infrastructure and social services.

The region has particularly faced challenges in the achievement of SDG 3 (good health and wellbeing), where most of the countries are lagging significantly in the achievement of the targets. Challenges have also been reported for SDG 9 (infrastructure), SDG 16 (peace and strong institutions), SDG 7 (energy), SDG 2 (zero hunger), and SDG 1 (no poverty). Angola is amongst the countries performing poorly with country lagging in 13 SDGs and ranked 38 (of 52) in Africa by the SDG index 2019[8]. Likewise, Mozambique is lagging in most SDGs. South Africa and Zimbabwe are among the best performers in Southern Africa, ranked 10 and 19 in the continent with significant challenges only in 7 of the SDGs.

Socio Economic Status in Southern Africa

Over 45% of the pupulation live on less than US$ 1.25/day - Extreme poverty

45 million people facing hunger due to extreme natural disaster

Double digit unemployment rates in most of the countries

[7] Extreme poverty set to rise across Southern Africa, Institute for Security Studies, 2017
[8] Ranking is out of 52 African countries.

Figure 3: SDG Rating and Trends

SDGs	SOUTH AFRICA	ZAMBIA	MOZAMBIQUE	ANGOLA	BOTSWANA	ZIMBABWE
GLOBAL RANK/162 COUNTRIES	113	139	136	149	120	121
AFRICA RANK /52 COUNTRIES	10	22	30	38	8	19
01 NO POVERTY	Major challenges →	Major challenges →	Major challenges →	Major challenges ↓	Major challenges ↗	Data not available —
02 ZERO HUNGER	Major challenges ↗	Major challenges →	Major challenges →	Major challenges ↗	Major challenges →	Major challenges →
03 GOOD HEALTH AND WELL BEING	Major challenges ↗	Major challenges ↗	Major challenges ↗	Major challenges →	Major challenges ↗	Major challenges ↗
04 QUALITY EDUCATION	Significant challenges —	Significant challenges —	Major challenges →	Major challenges —	Challenges remain —	Significant challenges —
05 GENDER EQUALITY	Challenges remain ↗	Significant challenges ↗	Significant challenges →	Significant challenges →	Significant challenges ↗	Challenges remain ↗
06 CLEAN WATER AND SANITATION	Significant challenges ↗	Major challenges →	Major challenges →	Significant challenges →	Major challenges →	Major challenges ↓
07 AFFORDABLE AND CLEAN ENERGY	Significant challenges ↗	Major challenges →	Major challenges →	Major challenges ↗	Major challenges ↗	Major challenges ↓
08 DECENT WORK AND ECONOMIC GROWTH	Major challenges →	Major challenges ↗	Major challenges —	Major challenges —	Significant challenges ↗	Significant challenges ↑
09 INDUSTRY INNOVATION AND INFRASTRUCTURE	Significant challenges ↗	Major challenges ↗	Major challenges →	Major challenges →	Major challenges ↗	Major challenges →
10 REDUCED INEQUALITIES	Major challenges —	Major challenges —	Major challenges —	Major challenges —	Major challenges —	Major challenges —
11 SUSTAINABLE CITIES AND COMMUNITIES	Significant challenges →	Major challenges →	Significant challenges ↗	Major challenges —	Significant challenges ↗	Significant challenges →
12 RESPONSIBLE CONSUM-PTION AND PRODUCTION	Significant challenges —	Significant challenges —	SDG achieved —	Challenges remain —	Significant challenges —	SDG achieved —
13 CLIMATE ACTION	Significant challenges →	Challenges remain ↑	Significant challenges ↑	Major challenges ↑	Significant challenges ↓	Challenges remain ↑
14 LIFE BELOW WATER	Significant challenges →	Data not available —	Significant challenges ↗	Major challenges →	Data not available —	Data not available —
15 LIFE ON LAND	Significant challenges ↗	Challenges remain →	Significant challenges →	Challenges remain →	Challenges remain →	Significant challenges ↗
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Major challenges →	Major challenges →	Major challenges →	Major challenges —	Major challenges →	Major challenges →
17 PARTNERSHIP FOR THE GOALS	SDG achieved ↑	Significant challenges —	Challenges remain —	Significant challenges —	SDG achieved —	Challenges remain —

MAJOR CHALLENGES · SIGNIFICANT CHALLENGES · CHALLENGES REMAIN · SDG ACHIEVED · DATA NOT AVAILABLE · ↓ DECREASING · → STAGNATING · ↗ MODERATELY IMPROVING · ↑ ON TRACK TO ACHIEVING SDG · — NO INFORMATION

Source: SDG Index and Dashboard

[9] The SDG Centre for Africa: Africa 2030 Sustainable Development Goals, 3-year reality check, 2019

2.2 THE NEED FOR SOCIAL INVESTMENTS IN SOUTHERN AFRICA

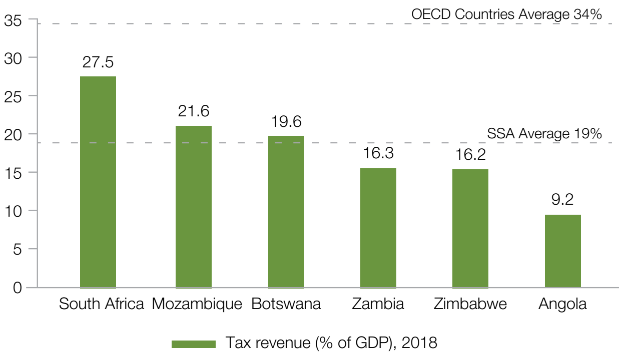
Tax revenue in the region remains inadequate to meet public obligations resulting in high external borrowing.

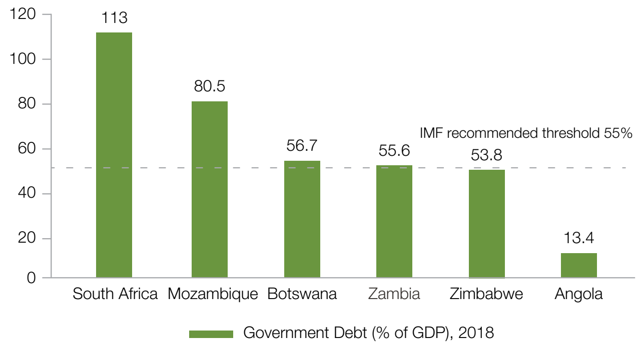
The current annual SDG financing gap across Africa is estimated to be between US$ 500 billion and US$ 1.2 Trillion[9]. Yet, traditional sources of capital in the region such as tax revenue, official development assistance (ODA), foreign direct investments (FDI), and local financial markets remain inadequate to meet the SDG targets, making it necessary for social investors to re-think and redesign their capital deployment strategies.

Although the average tax to GDP ratio (18.4%)[10] is higher than in other SSA regions, it still falls below the OECD countries' ratio (34%) and the SSA average of 19% in some of the focus countries. Further, the tax to GDP ratio has been fluctuating and experienced a declining trend in the last five years in Angola, Botswana, and Mozambique. To supplement their revenue, governments have primarily relied on external borrowing, with five of the focus countries surpassing the International Monetary Fund (IMF) recommended threshold for government debt – making the economies highly vulnerable.

Figure 4: Trends in tax revenue and government debt, 2018

GOVERNMENT REVENUE SOURCES REMAIN INADEQUATE TO MEET GOVERNMENT OBLIGATIONS



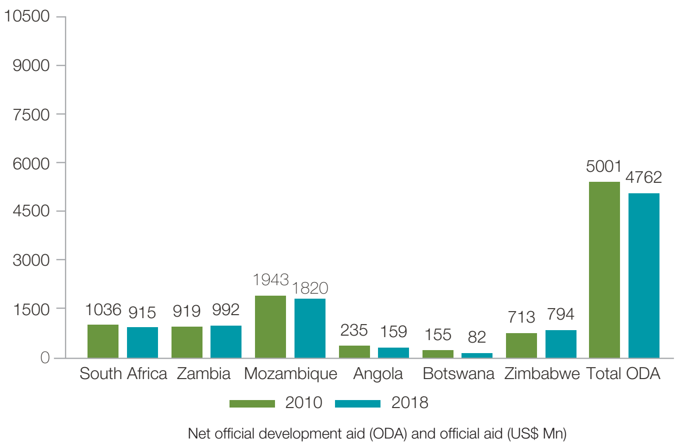


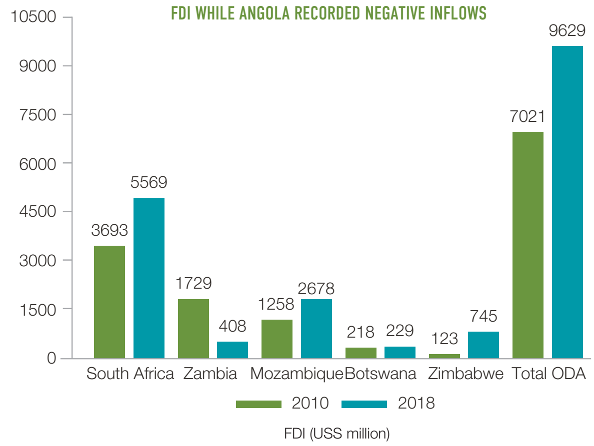
Source: World Bank Development Indicators, OECD Africa Revenue Statistics

At a regional level, Net Official Development Assistance (ODA) has exhibited a slight decline while Foreign Direct Investments (FDI) has been increasing moderately; this, however, varies widely across countries.

Mozambique has been receiving the highest ODA in the region in the last few years, mostly in response to the frequent natural disasters – cyclones, floods, and earthquakes – exposing it to the humanitarian crisis. Donor funding to the region has been exhibiting a declining trend, although not substantially, it is still not sufficient to meet the annual SDG financing targets. FDI to two of the larger economies – Zambia and Angola – declined significantly. In Angola, FDI outflows surpassed inflows as the poor economic performance in recent years has discouraged investors. In Zambia, FDI declined by more than 75% in the last decade due to shocks in the mining sector, which accounted for a large proportion of FDI flow into the country.

Figure 5: Trends in ODA and FDI, 2010 and 2018





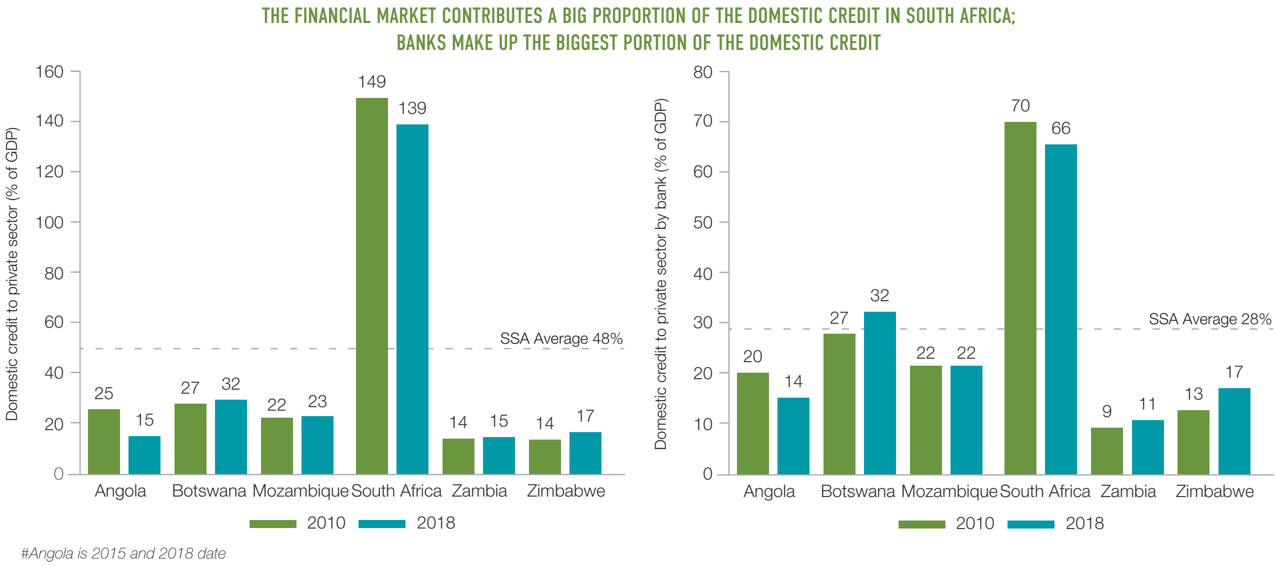
Source: World Bank Development Indicators

[10] World Bank Development Indicators, 2018

South Africa has one of the most advanced domestic credit markets, both at a regional and continent level.

While South Africa has one of the highest domestic lendings to the private sector in the region, majorly from banks, the same has been reducing in the last decade. The availability of financial credit by domestic sector players in other countries of focus remains significantly low. The population in the region has been growing, and consequently, the demand for credit, the domestic credit market is not growing fast enough to meet the demand.

Figure 6: Trends in the domestic credit market, 2010 and 2018



Source: World Bank Development Indicators

2.3 EVOLUTION AND TRENDS IN THE SOCIAL INVESTMENT INDUSTRY AT A REGIONAL AND NATIONAL LEVEL

The social investment space in the focus countries has evolved over the past ten years, with many milestones achieved. The government and the private sector have been at the forefront of launching initiatives to promote the growth of the industry. The region has also witnessed collaboration amongst key investors in the form of social impact bonds launched to solve various social issues.

While growth in the social investment industry was witnessed in the Southern Africa region, the growth has been mainly in South Africa, which has exhibited an increased level of maturity in the ecosystem. In particular, South Africa has one of the most advanced philanthropy ecosystems on the continent.

01 *The philanthropy ecosystem in South Africa exhibits an increasing level of maturity, with the establishment of key ecosystem support organisations (ESOs). The ecosystem is however, still nascent in other countries in the region.*

In response to the increasing philanthropic activities, particularly by corporates, South Africa has witnessed a sprout of sophisticated ESOs offering a diverse set of services specifically to the philanthropic industry. Institutions like Independent Philanthropy Association of South Africa (IPASA), Resourcing Philanthropy, and Centre on African Philanthropy and Social Investment (CAPSI) in South Africa provide networking opportunities for the industry, in addition to much-needed data and research to support decision making. Philanthropy transaction advisors like Elma Philanthropies, FNB Philanthropy Centre, and Citadel wealth management are also unique to the region. These institutions provide much-needed strategy support to individual and institutional philanthropists to maximise impact. They explore funding opportunities, develop program strategies, monitor and evaluate performance, and manage strategic partnerships on behalf of philanthropist.

Further, given their links to various philanthropists, they are able to mobilise funds to different social causes and assist in the design of blended finance structures. Legal, financial and advisory services providers for philanthropists are further organised in networks such as the Philanthropy Service Providers Network for ease of accessibility and engagement with key players. Only a few of these ESOs are, however, established in Zambia and Mozambique.

The establishment of social investments focused institutions such as Bertha Center for Social Investment and Tshikululu Social Investments more than ten years ago, when the concept of social enterprise and impact investing were relatively new, has given a lot leeway to the social investment space in South Africa – catapulting the growth witnessed in social investing over the years.

02 *The establishment of key CSR policies drives the growth and institutionalization of corporate philanthropy, particularly in South Africa; corporates are also playing a key role in venture capital financing.*

Corporate philanthropy in Southern Africa dates back to the 1830s when the Cape of Good Hope Bank established the Cape of Good Hope Trust (currently housed at

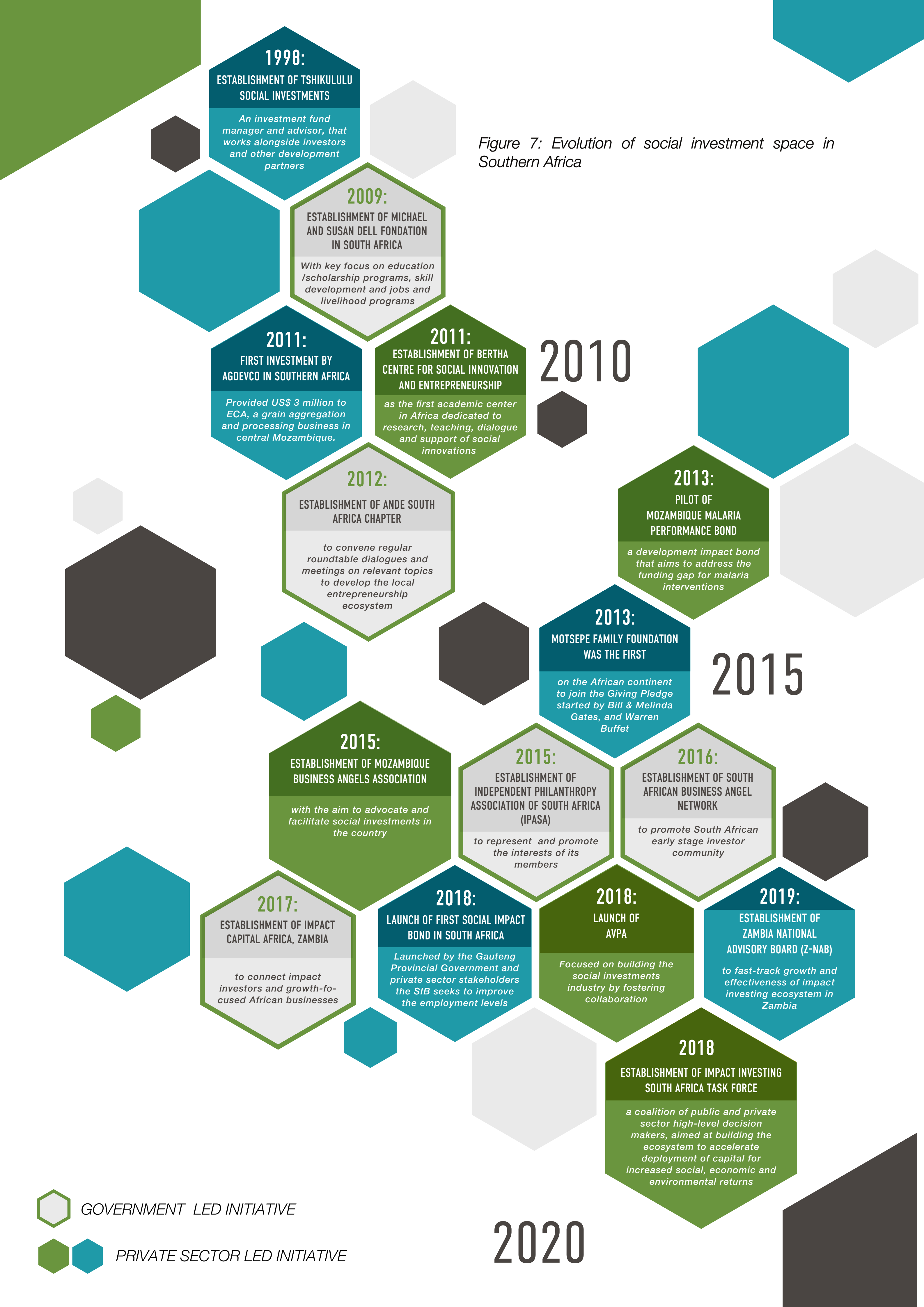


Figure 7: Evolution of social investment space in Southern Africa

Nedbank) as South Africa's first institutionalised charitable grant-making vehicle. Multiple corporates have, over the years, also established corporate foundations. Additionally, South Africa is also well positioned as most global corporates have their foundations headquartered in the country. Our research identified around 30 corporate foundations actively operating in the country. The supporting policy framework has played a vital role in driving corporate giving in South Africa; initiatives such as the Broad-Based Black Economic Empowerment (BBBEE), King II and King III reports encourage corporates to incorporate community-building programs in their operations. CSI expenditures in the country increased by 400% between 2001 and 2019[11] with a prime focus on education – the sector contributed to 50% of CSI expenditures in 2019[12]. Corporate foundations like SAB Foundation, MTN SA Foundation, Telkom Foundation, BMW Foundation, FirstRand Foundation, Standard Bank Tutuwa Community Trust, and Nedbank Eyethu Community Trust have played a pivotal role in the growth of impact investing and blended finance structures. *The FirstRand Foundation (through the RMB Fund), for example, is currently investing in a public private partnership student funding model known as Ikusasa Student Financial Aid Programme (ISFAP)[13].* According to a report by SAVCA, funds sourced from corporate entities contributed 6.5% of the total venture capital (VC) deals and 15.7% of the total VC funds under management in Southern Africa in 2018[14]. Regulations like BBBEE have set a baseline for significant corporate social investment in South Africa. However, much more can be done to move beyond regulatory allocations and strategically leveraging corporate capital for social impact.

03 *Individual philanthropy in the region remains largely informal despite a relatively higher number of family foundations witnessed particularly in South Africa compared to other SSA regions.*

The Southern Africa region boasts of the highest number of HNWIs and the largest wealth market in Africa, with most HNWIs residing in South Africa. The region had more than 53,380 dollar millionaires with a combined wealth of US$ 772 billion in 2018[15]. All the focus countries except Zimbabwe featured in the top 20 wealthiest countries in Africa in the same year. Four of the top billionaires in South Africa made it to the Forbes list of wealthiest people in 2020. *Further, South Africa has over twice as many HNWIs compared to any other African countries and tops the list of wealthy African countries.* Supporting their communities remains a core focus for the HNWIs in the region. This, they do through formal structures – family foundations and trust. The region has around 60 registered family foundations and trusts with the largest proportion (77%) in South Africa[16]. However, even with the large established philanthropy structures, a significant proportion (96%)[17] of people contributing to charity in South Africa do so through informal systems, indicating growth opportunities for formalizing giving.

04 *Angel investing has presented attractive investment opportunities for HNWIs, interested in supporting the flourishing start-up ecosystem.*

HNWIs in the region are also venturing into angel investing to support the growing social enterprise ecosystem and provide funding for early-stage enterprises. Angel investors accounted for 24.7% of total Venture Capital (VC) deals and 4.2% of VC funds under management in Southern Africa in 2018[18]. The region has witnessed a sprout of angel networks – mostly based in South Africa in the last five years - focused on organising the funding activities of the angels, and further promoting the concept of angel investing among HNWIs. Some of the active angel networks in the region include; Jozi Angels, Mozambique Angel Business Association, and Botswana Angels[19]. The region has also witnessed the launch of women-focused angel networks such as Dazzle Angels in South Africa to promote women-owned/led or women-focused businesses.

05 *The increased push for women empowerment in the region has also resulted in more women participating in philanthropy.*

The number of women participating in philanthropic activities –particularly in South Africa experienced moderate growth in the last decade, with the number of women giving to charity increasing from 40% in 2010 to 48% in 2019[20]. This shift is not only an indication that South Africa's gender equality efforts are starting to pay off but also that the philanthropy base is expanding with more women contributing to causes that are close to their hearts.

06 *Southern Africa, while witnessing the establishment of some of the most innovative blended finance structures, lags behind other SSA regions in the number of blended finance vehicles launched.*

Southern Africa accounted for 38% of the total blended finance transactions recorded in Sub-Saharan Africa in the last five years; East Africa leads the number of transactions in Sub-Saharan Africa, followed by West Africa[21]. This is a clear indication of a lower amount of concessional capital and technical assistance (TA) funds, which are

[11] Trialogue: Business in Society Handbook 2019
[12] Trialogue: Business in Society Handbook 2019
[13] More details provided under chapter 6 on education and leadership development
[14] SAVCA: VC Industry Survey, 2019
[15] AfrAsia Bank Africa Wealth Report 2019 Reveals South Africa is the Wealthiest Country in the Region, 2019
[16] Intellecap Analysis
[17] Nedbank: The Giving Report IV 2019
[18] SAVCA: VC Industry Survey, 2019
[19] Information on funding facilitated through these networks and the business models adopted is presented in Chapter 4
[20] Nedbank giving reports, 2010 and 2019
[21] Convergence: Blended Finance transactions in Sub-Saharan Africa, 2020

the most common blended finance structures leveraged in the region. The region has, however, made significant progress in the development and implementation of social impact bonds across various sectors leveraging the government, philanthropy and public sector. Some of the notable SIBs include; Green Outcomes Fund (energy), Impact Bond Innovation Fund (education), Bonds4Jobs (youth employment) in South Africa and Malaria Performance Bond (health) in Mozambique[22]. This research also identified other blended finance structures prominently used in the region, such as credit guarantees. Government institutions such as the Small Enterprise Finance Agency in South Africa and the Zambia Credit Guarantee Scheme (ZCGS) and donor programs such as the Agriculture Loan Portfolio Guarantee (under Development Credit Authority) in Mozambique and the Industrial Development Corporation of South Africa provide credit guarantees to mobilize more capital in the region.

A significant proportion of the interviewees for this study identified blended finance transactions essential to drive the growth of the social investment market, particularly in sectors such as social justice, agriculture, and renewable energy, and highlighted key challenges hindering the development of such structures as described below.

38%

Southern Africa's share of blended finance transactions (216 in total) in the Sub-Saharan Africa (SSA) region in the past five years.

CHALLENGES LIMITING GROWTH OF BLENDED FINANCE TRANSACTIONS IN THE REGION

- Challenges in identifying like-minded partners across the various stakeholders categories.
- Misalignment of objectives between partners as each investor seeks to pursue and drive their own objectives.
- Challenges in designing blended finance structures to ensure maximum impact is achieved.
Insights from stakeholder interviews

Table 4: Blended Finance/Catalytic Financing Structures across Key Development Sectors

TYPES OF INITIATIVE	EXAMPLE OF INITIATIVE AND TYPE OF INVESTOR INVOLVED	OUTCOMES ACHIEVED
Challenge/ TA funds Challenge/ TA funds	**The AlphaCode Incubate initiative in South Africa– Financial inclusion** The initiative, in partnership with Rand Merchant Investment Holding (RMI), Merrill Lynch South Africa and Royal Bafokeng Holdings, identifies South African financial services entrepreneurs with 'extraordinary ideas' and businesses that could impact the financial services industry. Each winning enterprise would receive a package valued at up to US$ 117,000 (2 million Rand), including US$ 58,586 (1 million Rand) in grant funding and US$ 58,586 (1 million Rand) in support services. This includes mentorship, monthly expert-led sessions, and exclusive office space in Sandton, marketing, legal, and other business support services and access to like-minded entrepreneurs, RMI's extensive network of thought leaders, and potential clients and capital.	The Incubate program has disbursed US$ 1.23 million (21 million Rand) in funding to 23 black-owned financial services businesses since it began four years ago.
	Challenge fund for developing an agricultural risk financing tool for Southern Africa – Agriculture Launched in June 2019, the Challenge Fund aims to support Southern African countries to develop innovative agriculture risk financing tools to help inform and support public sector policy and program decision making regarding the allocation of public resources to reduce economic losses, poverty and food insecurity. The	A grant amount of US$ 100,000 - US$ 300,000 to the awardees

[22] Some of these blended finance structures and more are discussed in the table below

TYPES OF INITIATIVE	EXAMPLE OF INITIATIVE AND TYPE OF INVESTOR INVOLVED	OUTCOMES ACHIEVED
	investors include Global Facility for Disaster Reduction and Recovery (GFDRR), the UK Department for International Development (DFID), International Fund for Agriculture Development (IFAD), the Centre for Disaster Protection, and the World Bank's Agriculture Observatory, Disaster Risk Financing and Insurance Program and its London Hub. The World Bank Group and UK-DFID collaborated to provide financing in the form of grants to the finalists.	
Loan Guarantee Scheme	**The Loan Portfolio Guarantee (LPG) facility in Mozambique – Agriculture** The facility is established under the Development Credit Authority (DCA) program and is represented through agreements with five commercial banks for the provision of loans to agribusinesses in rural Mozambique. The project permits partner banks to expand to new geographical areas, helps mitigate the risks of lending to the agricultural sector, and extends loans to new beneficiaries while reducing collateral requirements. Loans are provided across the value chain to farmer groups, associations or cooperatives, producers, processors, wholesalers, retailers and exporters, which are primarily seeking working capital for marketing activities as well as small and medium agribusinesses involved in input supply and trading of agricultural commodities. The project, which was initially funded by USAID, aims to facilitate increased access of financial services to MSMEs in agriculture in targeted areas.	As of November 2019, the DCA program had provided loans to 1,720 private agribusiness enterprises for a total cumulative amount of US$ 17.3 million or 41% of the entire facility.
Blended fund for catalytic capital	**Zambia Renewable Energy Financing Framework (2018-2025) – Energy and Climate Change** The US$ 154 million project supports the Government of Zambia in catalyzing private investment for small-scale renewable energy projects. The investors include Green Climate Fund, African Development Bank (AfDB), Nordic Development Fund. Besides providing the required social capital through grants and debt, the stakeholders also provided technical assistance support to the public sector institutions and did the capacity building of select financial institutions and framework implementers.	This initiative will support the Government of Zambia's Renewable Energy Feed-in Tariff (REFIT) policy to develop 100 MW of renewable projects, mostly solar power, through long-tenor project loans. These projects will offset 4 million tons of CO2 emissions.
Outcomes Fund/ Result Based Financing	**Green Outcomes Fund (GOF) in South Africa – Energy and Climate Change** South Africa's GreenCape and National Treasury's Jobs Fund have launched an approximately US$ 28.6 million (488 million Rand) GOF, which provides outcomes-based matched funding to local investment funds to support investments into green MSMEs that are able to demonstrate a contribution to South Africa's green economy, as well as job and enterprise creation in priority impact areas.	The fund was launched in April 2020, therefore too soon to comment on outcomes.

TYPES OF INITIATIVE	EXAMPLE OF INITIATIVE AND TYPE OF INVESTOR INVOLVED	OUTCOMES ACHIEVED
	The Impact Bond Innovation Fund (IBIF) – Education The IBIF was established following an identified need for better outcomes for early childhood development in low-income families in South Africa's Western Cape province. It seeks to improve the cognitive and socio-emotional development outcomes of more than 2000 children in the low-income communities of Atlantis and Delft, in the Western Cape province of South Africa, over the course of three years.	The transaction will support an existing home visiting program targeting 3 to 5-year-olds. Maximum outcome payments: US$ 1,467,000
	Mozambique Malaria Performance Bond (MMPB) – Healthcare MMPB is a development impact bond that aims to address the funding gap for malaria interventions by increasing funding for, and the efficiency of, malaria interventions through a pay-for-performance mechanism. An initial US$ 25 million bond was piloted in the Maputo Province in Mozambique, funding malaria prevention efforts that later would reach 1.1 million people.	Prevention of over 1 million people from malaria
Corporate Social Initiative, public private partnership	**Ikusasa Student Financial Aid Program (ISFAP) – Education** A ministerial task force was set up by the Department of Higher Education and Training, considering the lack of opportunities to attain tertiary education by youngest South Africans. The work of the task force resulted in the establishment of ISFAP – a funding model to sustainably cater to the higher education needs and costs of South Africa's poor and middle-class students. These include Actuaries, Accountants, Artisans, Engineers, Doctors, Pharmacists, among others	Since its beginning in 2017, ISFAP has helped over 1800 students to attend one of 12 partner institutions. It plans to extend the partnership to all 26 public universities as more funding becomes available
Climate /Green Bond	**Climate Bonds Certified Renewable Energy Bond – Energy and Climate Change** In May 2019, South Africa's Nedbank became the first private sector institution in South Africa to issue a Climate Bond Certified Renewable Energy Bond by issuing US$ 116 million (1.66 billion Rand) in Renewable Energy Bonds, listed on the green segment of the Johannesburg Stock Exchange (JSE).	The bank plans to use the proceeds to finance three solar energy projects and one wind energy project

07 *Digital lending through crowdfunding and peer-to-peer platforms has been on the rise, deploying funding for various social causes through non-profits.*

Africa-based alternative finance (crowdfunding and peer to peer) platforms raised US$ 182Mn in 2016, which was more than 313% increase from 2013[24]. The market is expected to reach an estimated US$ 2.5Bn by 2025[25]. Southern Africa accounted for 28% of the funding, second only to West Africa. Specifically, Zambia and South Africa remain key focus countries on this front – with yearly funding volumes of US$ 40 million and US$ 27 million, respectively[26]. In 2018, South Africa had the highest number of operational platforms (21 out of 57)[27]. NGOs in South Africa receive a lot of fundraising support from these platforms, with 13 locally-based crowdfunding platforms and programs supporting their fundraising efforts in the same year[28]. There have also been some crowdfunding initiatives in Mozambique, although to a limited extent. In 2017, SolarWorks, a solar home system distributor in Mozambique, launched its first crowdfunding campaign on the Netherlands-based debt crowdfunding platform, Lendahand. The campaign, which aimed to raise US$ 118,000 in debt to fund the installation of 1,000 solar home systems to households in Mozambique, achieved its target in just a few hours[29].

Most of the funding provided through crowdfunding platforms however, is still from international sources who account for 89% of volumes raised in 2016.

Source: Cambridge Centre: The 2nd Annual Middle East & Africa Alternative Finance Industry Report, 2018

Table 5: Summary of key social investments trends across Southern Africa

TREND	SOUTH AFRICA	ZAMBIA	MOZAMBIQUE	DESCRIPTION
Establishment of philanthropy advisors				South Africa has one of the most advanced philanthropy support ecosystems, with multiple ESOs supporting the mobilisation and deployment of philanthropy funds. Very few ESOs were however, identified in Zambia and Mozambique.
Increased institutionalisation of corporate giving				South Africa has seen an increase in investment activities by corporates driven by the enabling policy environment. A large number of corporate foundations and corporate investment funds are currently operational in the country. In addition to deployment of grants and donations, corporate social investors have also been participating in innovative finance structures. Corporate Social Responsibility (CSR) activities in the other countries remain largely adhoc, mainly in the mining and oil and gas industry.
Increased formalisation of individual philanthropy				The largest proportion of family offices and trusts have been established in South Africa with more HNWIs engaged in philanthropy. However, giving through the formal structures is still low compared to total philanthropic giving.
Rise of organised angel investments by HNWIs				Angel investors accounted for 24.7% of total Venture Capital (VC) deals in Southern Africa in 2018 reflecting increased participation of HNWIs in angel investments. The largest proportion of angel investor networks mapped were in South Africa with the largest proportion of deals recorded in the country.
Presence of innovative blended finance transactions/ initiatives				The region recorded the lowest number (38%) of blended finance transactions launched in Sub Saharan Africa to date. With the highest number recorded in East Africa followed by West Africa. The region, particularly South Africa has however, been at the forefront in launching innovative impact bonds in social sectors such as education, energy and youth employment.
Women participation in philanthropy				The increased push for women empowerment in the region has also resulted in more women participating in philanthropy particularly in South Africa. Limited information was available in the other countries.
Use of technology (Peer to peer lending/ crowdfunding) platforms				South Africa and Zambia have witnessed increased activities by crowdfunding platforms enabling individuals and organisations like NGOs to fundraise for social causes.

High maturity levels indicated by intensity and sophistication of the activities and number of players

High activities with increasing number of players

Moderate activities and number of players witnessed

Minimal to no activities witnessed

[24] Cambridge Centre: The 2nd Annual Middle East & Africa Alternative Finance Industry Report, 2018
[25] Crowdfunding for NGOs in South Africa – Background, Platforms and Programmes,
[26] Crowdfunding Statistics Worldwide: Market Development, Country Volumes, and Industry Trends, May 2020
[27] Crowdfunding for NGOs in South Africa – Background, Platforms and Programmes,
[28] Crowdfunding for NGOs in South Africa – Background, Platforms and Programmes,
[29] Energy 4 Impact supports Mozambique debt crowdfunding campaign by SolarWorks!, 2017

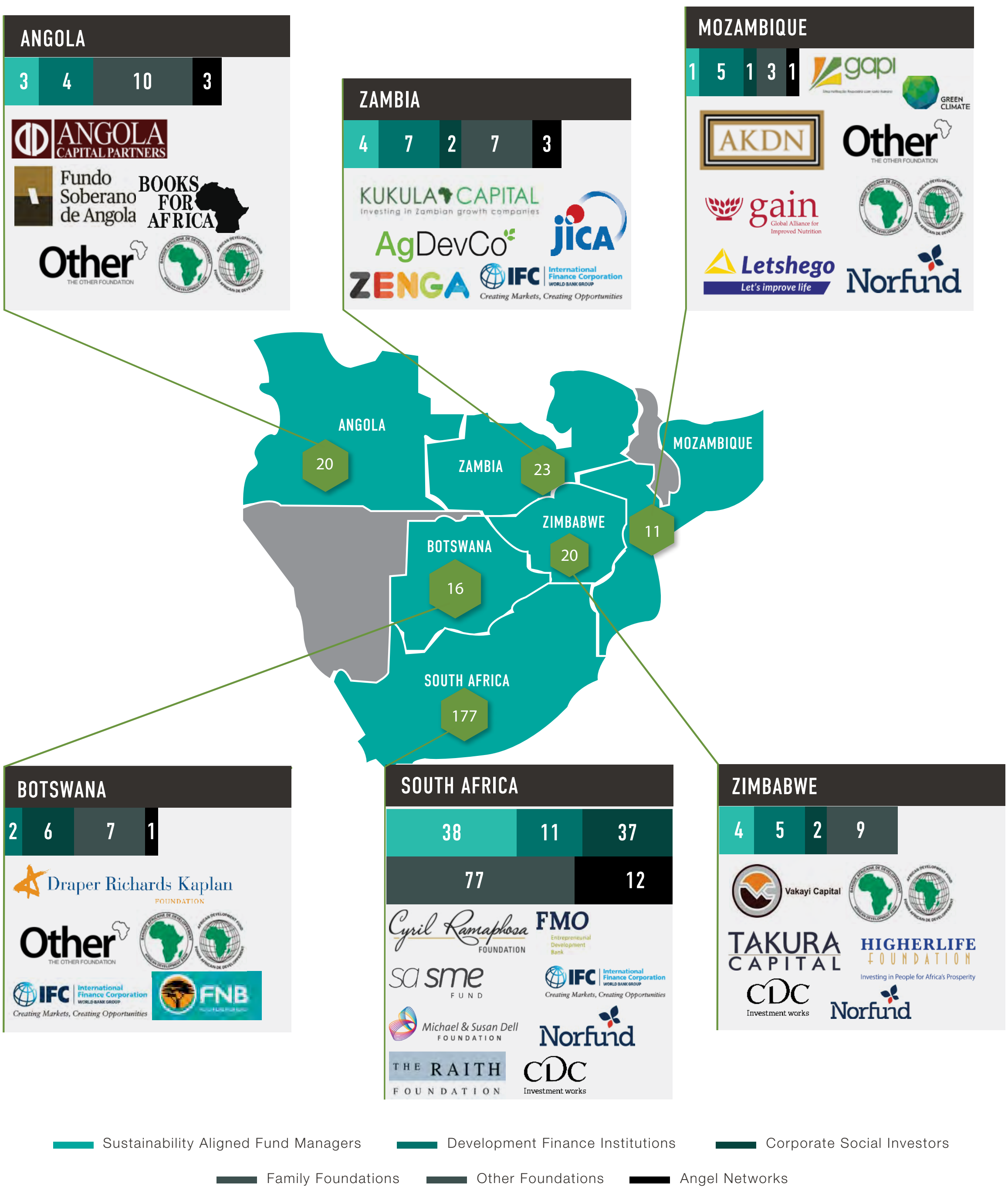
03

03

DEEP-DIVE INTO SOCIAL INVESTORS (SUPPLY-SIDE PLAYERS) IN SOUTHERN AFRICA

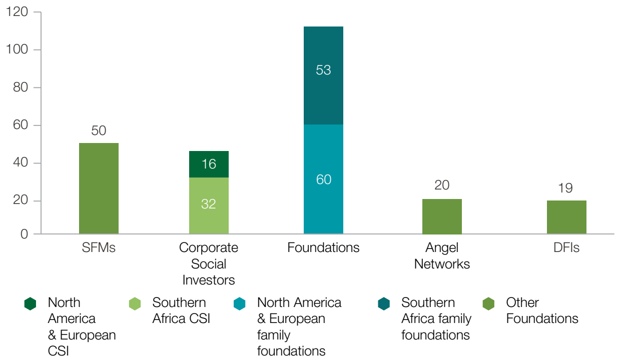
Southern Africa has a diverse mix of international and regionally based investors deploying social capital in the region. This research mapped close to 250 active social investors operating across the focus countries, majorly based in South Africa (71%). The region has a higher number of active regional based family foundations and Corporate Social Investors (CSIs) compared to the West and East Africa regions accounting for 34% of the active social investors identified. On the other hand, the region has a relatively lower number of Sustainability aligned Private Fund Managers (SFMs) than the two regions.

Figure 8: Overview of key social investors in the region



Source: Intellecap database NB: Some investors operate across multiple countries and thus counted in each country

Figure 9: Number of social investors in the region, By type

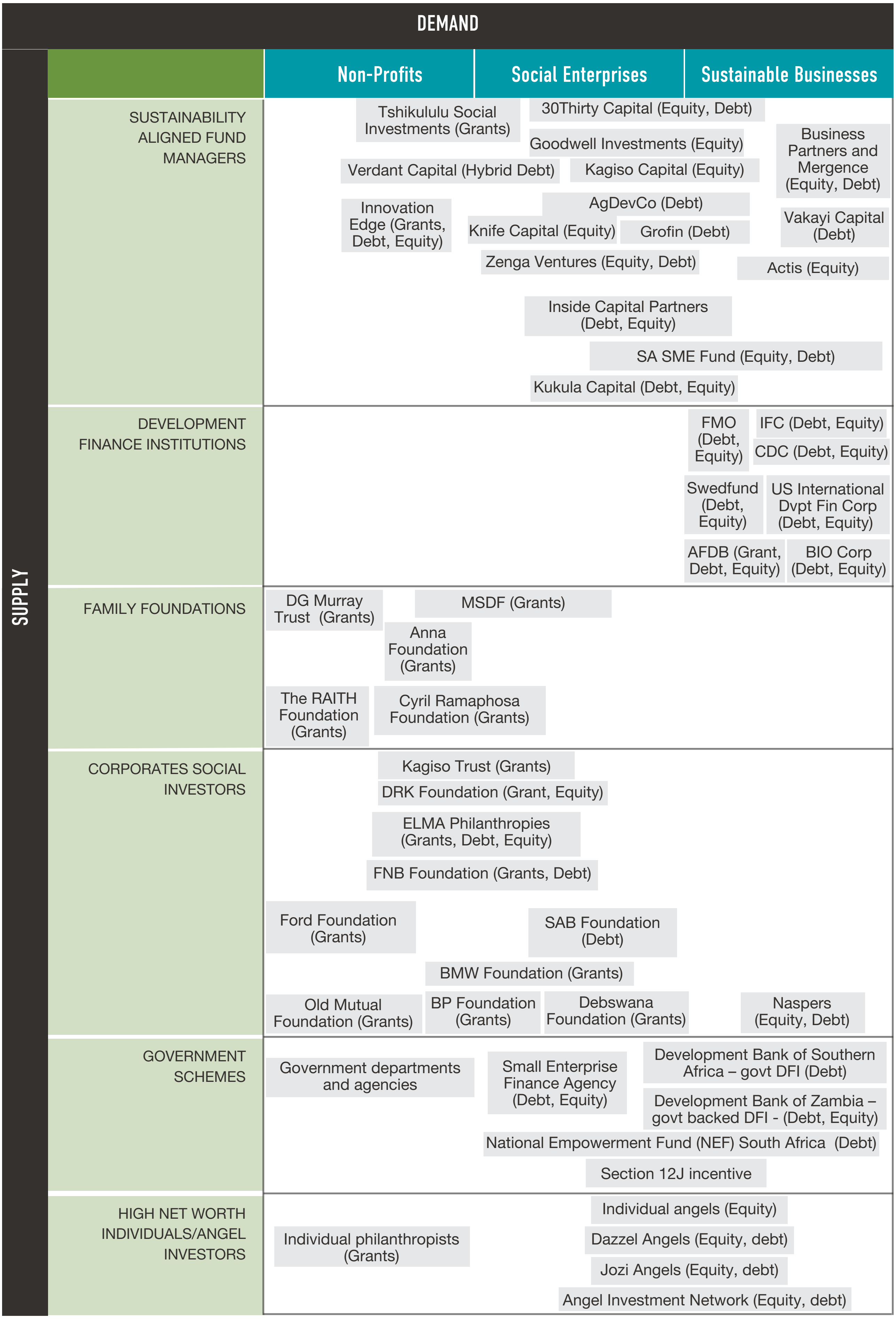


3.1 KEY SOCIAL INVESTOR ARCHETYPES AND THEIR INVESTMENT STRATEGIES

Social investments and venture philanthropy are on the rise in Southern Africa.

Philanthropic investments have historically supported several development sectors in Southern Africa. This is due to the CSR/ BEE regulations and corporates supporting social entrepreneurial activities particularly in South Africa. Foundations – both regional and international, are evolving their strategies to support for-profit entities, rather than traditional grantmaking. Likewise, there is a surge in the number of HNWIs and angel networks investing and contributing to the growth of social enterprises and start-ups in the region.

Figure 10: Selected social investors and their main investment strategies



3.1.1 Development Finance Institutions (DFIs)

SUMMARY OF TRENDS AND OBSERVATIONS ON DFI INVESTMENTS

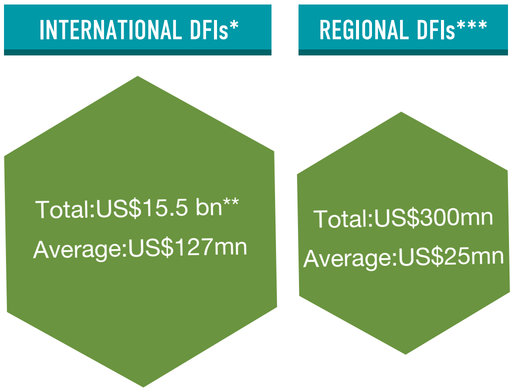
- *19 DFIs invested US$ 15.84Bn in 132 deals between 2015 and 2019.*
- *Regional Southern African DFIs deployed US$ 300 Mn in the region between 2015 and 2019.*
- *Though the number of direct investments outnumbers the indirect investments, the value of indirect investments is almost 10 times the direct investment.*
- *South Africa and Zambia are the preferred investment destination for DFI investments followed by Mozambique, which is emerging as the next preferred investment destination.*
- ***Financial services, energy and agriculture are the dominant sectors in the DFI portfolio.***

OVERVIEW

Regional and international Development Finance Institutions (DFIs) continue to drive the social investing space in Southern Africa.

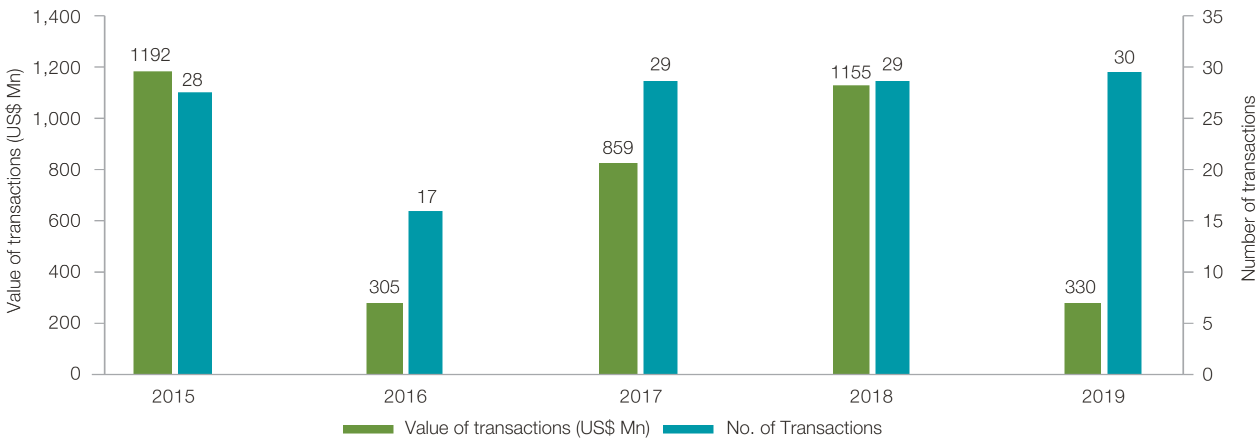
There are currently 19 DFIs active in Southern Africa, including regional and international DFIs, supporting various development sectors. DFIs made over US$ 15.8Bn deployment across 132 deals between 2015 and 2019. A decrease in funding was observed between 2018 and 2019, as most DFIs had not reported the deals at the time of writing the report.

Figure 11: Total funding deployed by international and regional DFIs



Source: Intellecap Analysis
** Across all focus countries*
*** Including outlier(US$ 12.8 billion to finance the energy sector in the region*
**** Across South Africa,Angola,Mozambique,Zimbabwe*

Figure 12: Social capital deployed by DFIs, By Year (2015-2019)



Year	2015	2016	2017	2018	2019
AVERAGE DEAL SIZE (US $ MN)	42.6	18	29.6	39.8	11.0

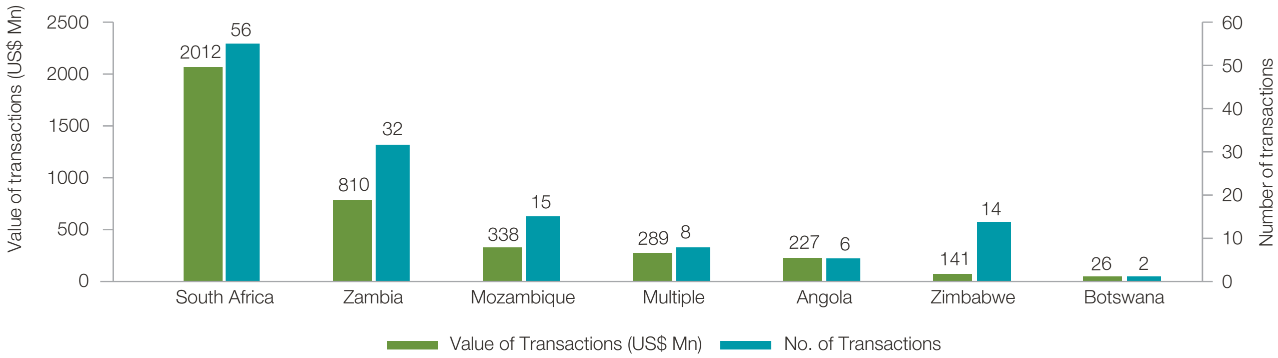
Source: Intellecap Analysis, DFi Websites
NB: 2016 data excludes US$ 12Bn funding to avoid skewing the graph

COUNTRY FOCUS

South Africa, followed by Zambia, continues to be the preferred destination for DFIs.

South Africa accounted for 52% of total DFI investment, and 42% of the total deal count. With the evolving social investment infrastructure, Zambia is becoming the next preferred destination for DFI investments. The country accounted for 24% of the total number of deals and 21% of the total value of capital deployed in the region between 2015 and 2019.

Figure 13: Social capital deployed by DFIs by country (2015-2019)



COUNTRY	SOUTH AFRICA	ZAMBIA	MOZAMBIQUE	MULTIPLE	ANGOLA	ZIMBABWE	BOTSWANA
AVERAGE DEAL SIZE (US $ MN)	35.9	25.3	22.5	36.2	37.8	10.0	12.8

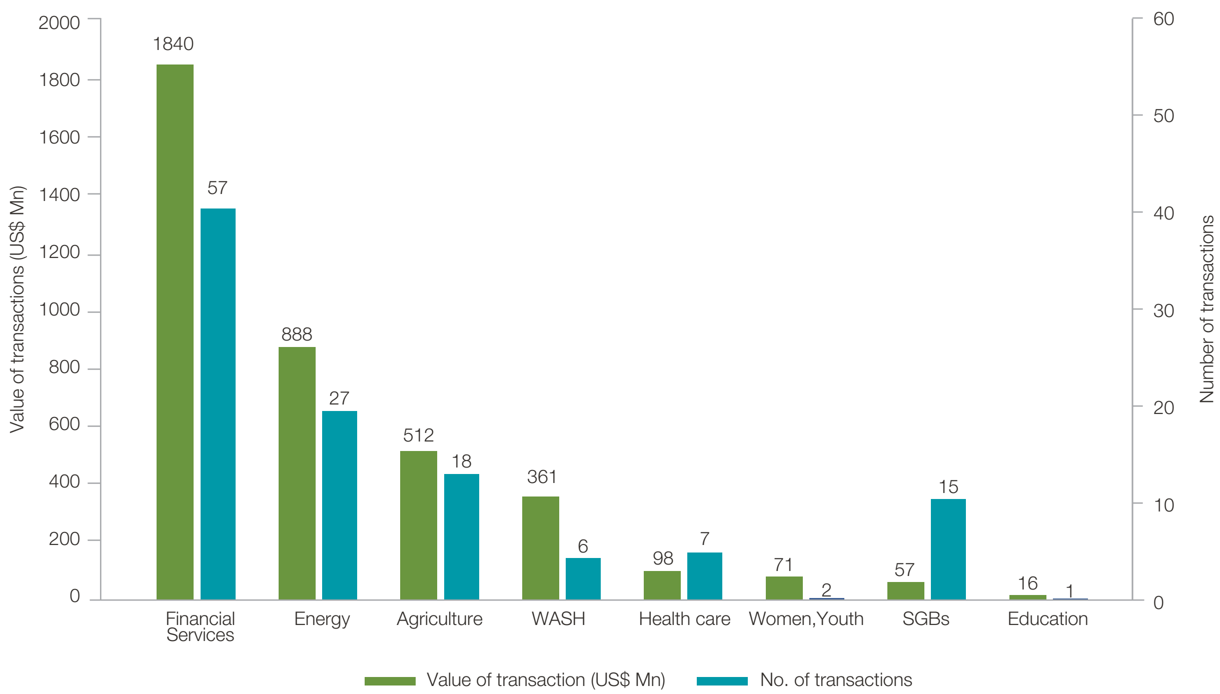
Source: Intellecap Analysis, DFI websites

SECTOR FOCUS

Financial services, agriculture, and energy attracted most of the DFI investment in Southern Africa

The three sectors play a prominent role in the region's economy generating key economic, social and environmental benefits. The sectors have attracted a significant proportion of the DFI funding given the high capital requirements for businesses and projects in the sectors. Financial services sector has further received the biggest focus with funds deployed through financial service providers such as commercial banks and microfinance institutions.

Figure 14: Capital deployed by DFIs, By Sector (2015-2019)



SECTOR	FINANCIAL SERVICES	ENERGY	AGRICULTURE	WASH	HEALTHCARE	WOMEN, YOUTH	SGBs	EDUCATION
AVERAGE DEAL SIZE (US $ MN)	32.3	32.9	28.4	60.2	14.0	35.5	3.8	15.5

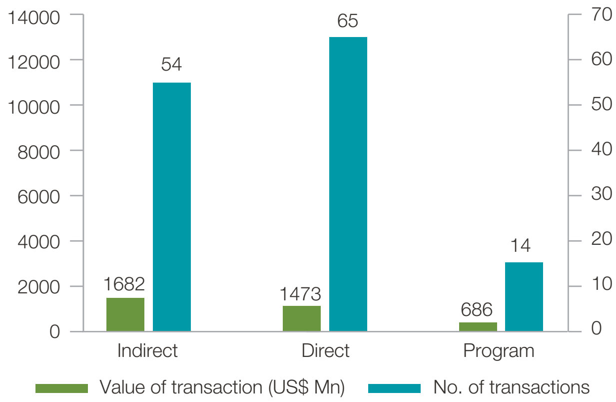
Source: Intellecap Analysis, DFI websites

INVESTMENT STRATEGY

DFIs mostly provide financing through indirect mechanisms; innovative finance structures also remain common among DFIs.

Indirect investments by DFIs, through fund managers, account for the largest proportion (averaging 44% over the study period) of the DFI portfolio. A significant proportion of the DFIs investment is in the form of credit guarantees to financial institutions offered to enhance financing for key segments such as SMEs.

Figure 15: Capital deployed by DFIs, By Investment Mechanism (2015-2019)



Source: Intellecap Analysis, DFI websites
NB: Indirect investments excludes the US$ 12Bn outlier to avoid skewing the chart

Figure 16: Sample recent DFI investment deals

FEI Facility for Energy Inclusion

Energy,Environment and Climate change

The facility for energy inclusion (FEI) is a new Debt Fund for small-scale renewable energy in Africa. The aim is to contribute to the electrification of Africa..

- **Sector:** Clean energy
- **Country:** Pan-Africa
- **Funding Amount:** US$ 500Mn
- **Funding year:** 2019
- **Funding type:** Debt
- **Investors:** African Development Bank (DFI), Norfund (DFI), Lion's Head Global Partners Asset Management (Fund manager)

The fund seeks to alleviate the barrier of lack of access to debt financing faced by small scale renewable energy projects. It intends to do this by supporting small-scale Independent Power Producers (IPPs) to deliver power to the grid, mini-grids and captive power projects.

MEDICAL CREDIT FUND AFRICA

HEALTHCARE

In collaboration with PharmAccess and technical assistance partners, the MCF has developed an extensive training program to improve both business and clinical performance for healthcare SMEs, using internationally accredited SafeCare standards.

- **Sector:** Healthcare
- **Country:** South Africa
- **Funding Amount:** US$ 40 million
- **Funding year:** 2017
- **Funding type:** Debt
- **Investors:** IFC (DFI), CDC (DFI), DFID (Donor), OPIC (DFI), AFD (government financial institution), Calvert Foundation (foundation) and other private investors.

The investment will help MCF increase access to funding for the broader universe of private healthcare SMEs in Africa.

3.1.2 Sustainability Aligned Private Fund Managers (SFMs)

SUMMARY OF TRENDS AND OBSERVATIONS ON SFM INVESTMENTS

- *Between 2015 and 2019, a total of US$ 1.17 billion was deployed into 183 sustainability themed deals by SFMs.*
- *South Africa and Zimbabwe have attracted higher ticket size deals than the other countries. There were no disclosed deals by SFMs in Angola and Botswana.*
- *Financial services has received the highest interest form SFMs in the focus countries evident by the high number and value of deals in the sector. Investments in the sector have been into new segments such as fin-tech involving digital payment solutions, peer to peer lending and insurance, among others.*
- *There was a decrease in number of deals within the US$ 0.5-1Mn ticket range indicating a significant gap for financing of enterprises at the growth stage.*

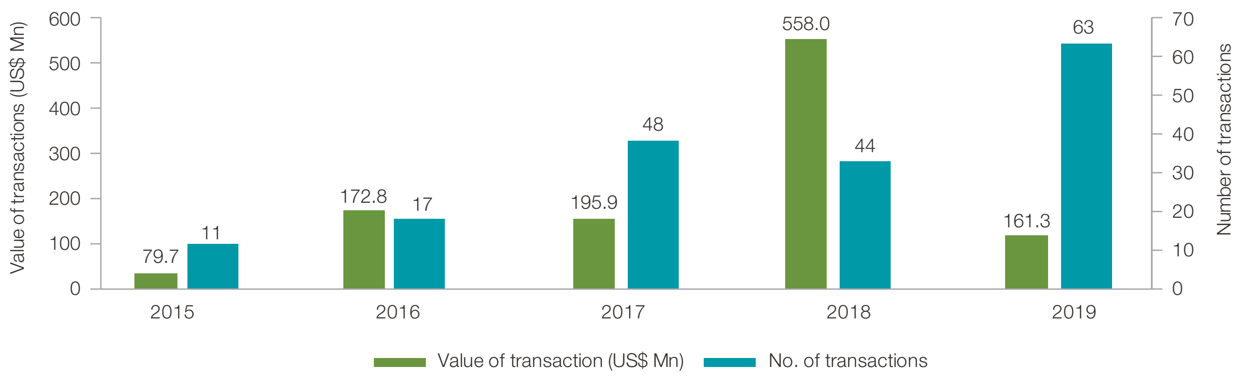
OVERVIEW

The number of SFM deals in the focus countries in Southern Africa was rising steadily till 2018, however, there was a sharp decline in 2019.

Between the year 2015 and 2019, a total of **US$ 1.17 billion** was deployed into over 183 sustainability-themed deals by SFMs. The number of annual investments grew by around 55% between 2015 and 2019, experiencing a dip in the number of transactions in 2018, but again a rise in 2019, exhibiting increasing confidence for the investors to deploy more funds. A large drop in the value of capital deployed in 2019 compared to 2018 can be attributed to lower deal sizes in that year with fewer Series A and Series B deals.

Top 25 deals made by SFMs between 2015 and 2019 accounted for over 83% (US$ 977Mn) of the capital deployed in the region.

Figure 17: Capital deployed by SFMs By Year (2015-2019)



YEAR	2015	2016	2017	2018	2019
AVERAGE DEAL SIZE (US $ MN)	7.2	10.2	4.1	12.7	2.6

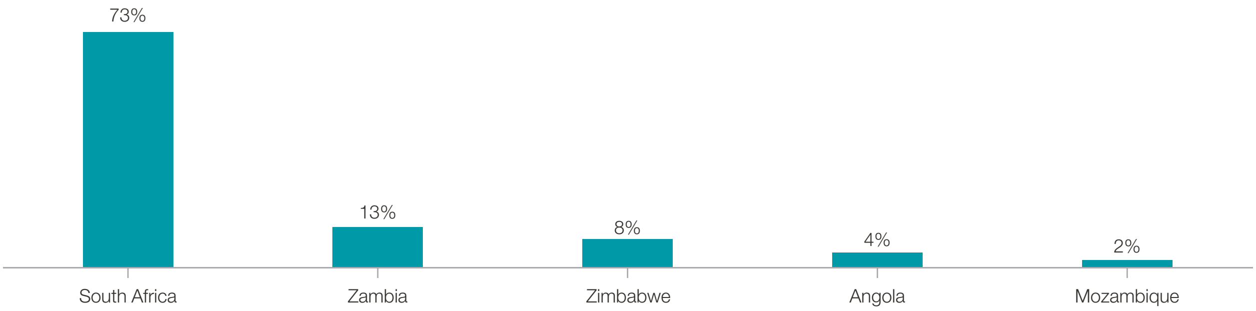
Source: Intellecap Analysis, CrunchBase, Baobab Insights

COUNTRY FOCUS

South Africa is the most preferred investment destination, followed by Zambia and Zimbabwe.

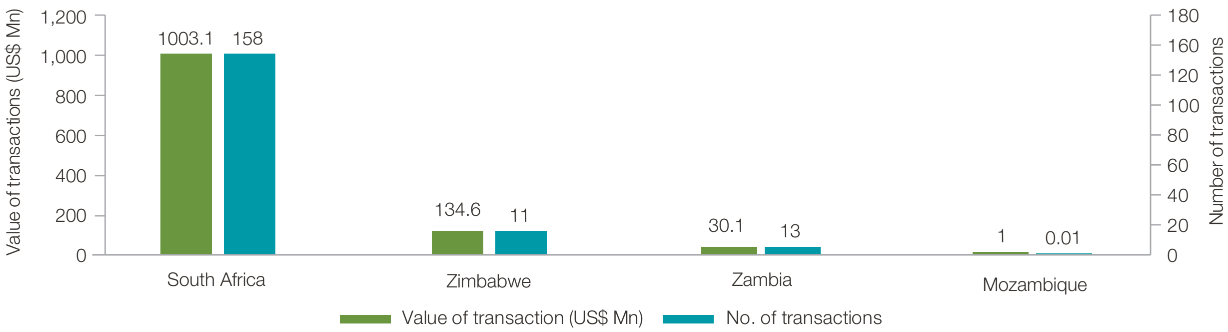
The research identified 52 SFMs actively operating in the focus countries, with most investing in South Africa. Facilitative regulations and the relatively developed social investment ecosystem make these countries favourable for investment, while other countries such as Mozambique and Angola are still suffering and recovering from insurgency and civil war. Nearly 90% of the identified SFMs, focus exclusively on the Southern Africa region, while the rest have either a global or a Pan-African focus, a higher proportion than the West (65%) and East (70%) Africa regions.

Figure 18: Proportion of SFMs By Country



Source: Intellecap Analysis, , CrunchBase, Baobab Insights
N=52 SFMs

Figure 19: Capital deployed by SFMs, By Country (2015-2019)



COUNTRY	SOUTH AFRICA	ZIMBABWE	ZAMBIA	MOZAMBIQUE
AVERAGE DEAL SIZE (US $ MN)	6.35	12.2	2.3	0.01

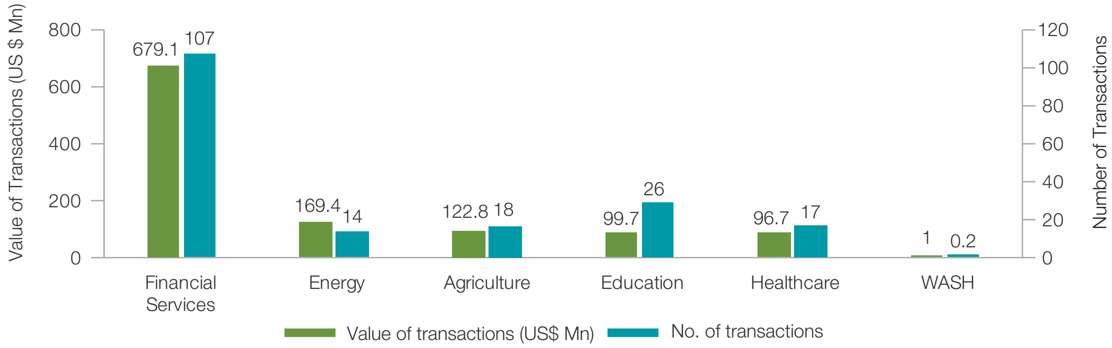
Source: Intellecap Analysis, CrunchBase, Baobab Insights

SECTOR FOCUS

The financial services sector has received the largest amount of funding accounting for 58% of the total value of deals.

The increasing establishment of innovative financial technology based enterprises solving financial inclusion challenges has resulted rising interest by SFMs on the financial services sector. Technology has been a common cross-cutting theme of investment in agriculture and education as well. Zesa Holdings - a Zimbabwe based power company, working to increase electricity generation to meet the unmet electricity demand- attracted the highest amount of capital by SFMs (US$ 81 Mn in 2016) in the form of debt.

Figure 20: Capital deployed by SFMs, By Sector (2015-2019)



SECTOR	FINANCIAL SERVICES	ENERGY	AGRICULTURE	EDUCATION	HEALTHCARE	WASH
AVERAGE DEAL SIZE (US $ MN)	6.3	12.1	6.8	3.8	5.7	0.2

Source: Intellecap Analysis , CrunchBase, Baobab Insights

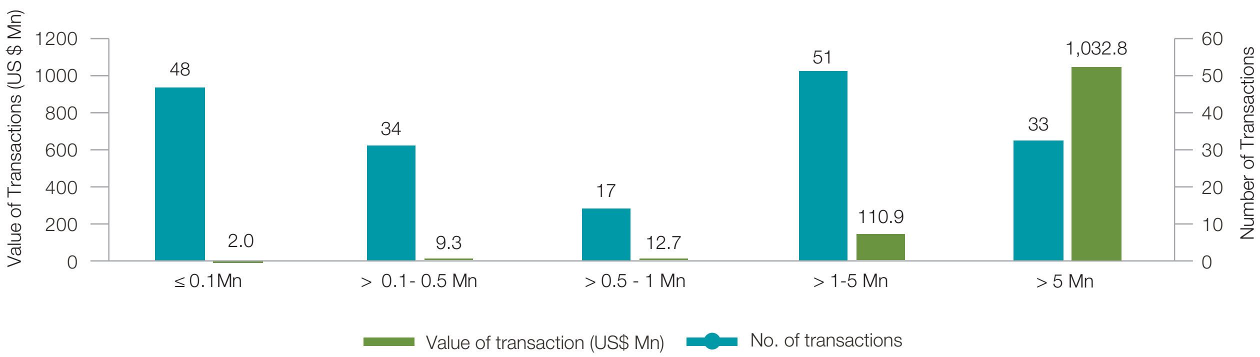
[30] The research identified 325 deals, however funding information for only 183 deals was publicly available

DEAL SIZE

A critical financing gap exists for enterprises raising capital at the growth stages.

The average ticket size of capital deployed by SFMs in the region is US$ 6.38 Mn, while the median is US$ 0.75 Mn. A significant proportion of the deals were made at the early stage as depicted by the lower ticket sizes. However, the number of deals significantly drops at growth stages highlighting the challenges faced by 'missing middle' enterprises in raising subsequent capital after their first raise. As such, there is a need to support enterprises at the growth and pre-growth stage. Catalytic capital through blended finance structures can be used to provide TA support to some of these high impact enterprises assisting them in growing and scaling.

Figure 21: Capital deployed, By Deal Size (2015-2019)



DEAL RANGE (US$ MN)	≤ 0.1MN	> 0.1- 0.5 MN	> 0.5 - 1 MN	> 1-5 MN	> 5 MN
AVERAGE DEAL SIZE (US $ MN)	0.04	0.27	0.75	2.17	31.3

Source: Intellecap Analysis, CrunchBase, Baobab Insights

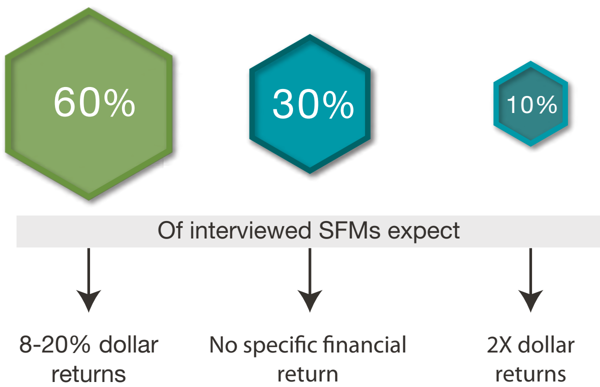
SOURCES OF CAPITAL

Despite a large number of local DFIs and HNWIs present in the region, most of the SFMs in the region rely on international funders to raise capital.

SFMs in the region rely on international development finance institutions, development organisations, foundations, large corporate and private funders/ high net worth individuals (HNWIs) with committed funding to raise capital for their funds. This is despite the fact that the region has several local DFIs (majorly in South Africa) as most (over 60%) local DFIs prefer to invest directly, rather than deploying their capital through fund managers[31] .

SFMs have an extensive range of financial returns expectation; some investors do not expect any return, while others plan to double their investments.

The SFMs interviewed consider the potential to generate financial returns through their investments as a very critical element for their financial sustainability. Financial return expectations range from no expectations (for those SFMs focusing on building the pipeline for later-stage investors and whose main funders are donors), to between 8-20% depending on the composition of Limited Partners (LPs). SFMs are also adopting revenue share models that oblige the SFMs to work with the businesses to increase their revenues.



[31] Intellecap Analysis

Figure 22: Sample recent SFM investment deals

FINANCIAL INCLUSION

Founded in 2010, Rent to own provides affordable financing to high capacity entrepreneurs in rural communities across Zambia.

- **Sector:** Financial Inclusion
- **Country:** Zambia
- **Funding Amount:** US$ 1.12 million
- **Funding year:** 2019
- **Funding type:** Convertible note
- **Investors:** Seed Capital (SFM),DGGF (revolving fund)

The investment will be used primarily as working capital to double the company's portfolio or rural Zambian entrepreneurs. .

HEALTHCARE

Founded in 2017, Healthcent's platform Signapps facilitates collaboration between patients and medical providers through conversations, and sharing medical files from a mobile device, which cuts down on consultation time and cost.

- **Sector:** Healthcare
- **Country:** South Africa
- **Funding Amount:** US$ 565,000
- **Funding year:** 2019
- **Funding type:** Simple agreementfor Future Equity (SAFE) convertible note
- **Investors:** Umkhati Wethu Ventures(SFM),Allan Gray (investment manager)

The investment will propel expansion into SA healthcare environment and will further develop the capabilities of the product.

3.1.3 Corporate Social Investors (CSIs)[32]

SUMMARY OF TRENDS AND OBSERVATIONS ON CSI INVESTMENTS

- *International and local based corporates in South Africa spent US$ 2.7bn between 2015 and 2019 in the country on corporate social investment programs with growth experienced year on year.*
- *Education has been the most preferred sector by corporates in South Africa accounting for 50% of all corporate giving in the country in 2019.*
- *Health, education and economic empowerment are the key social causes of interest for corporate social investors.*
- *Corporate giving in South Africa has largely been driven by corporates in the retail and wholesale, mining and financial services sector accounting for 22%, 19% and 16% of the total CSI spend respectively in 2019.*
- *CSI initiatives in Zambia and Mozambique are largely dominated by corporates in the mining and extractive sectors who support health, education, and community empowerment initiatives*

INVESTMENT STRATEGIES

Corporates in Southern Africa support programmatic interventions that result in larger and sustainable societal and national development.

North American-based corporate foundations are the major contributors to the corporate social responsibility initiatives across Africa – East, West, and Southern. These include MasterCard Foundation, Ford Foundation, Bayer, and the Coca-Cola Foundation, among others. With the mandatory requirement of CSI across all sectors in South Africa and in the mining sector in Zambia and Mozambique, there is a large section of corporates in these countries that has also come up with multiple social initiatives. Some of these include First Rand Foundation, MTN SA Foundation, Old Mutual Foundation, SAB Foundation, Ncondezi Energy, and Glencore among others. Most of these follow traditional philanthropy/grant making although they have gradually been adopting venture philanthropy and ecosystem building initiatives.

Figure 23: Overview of Investment Strategies Adopted by Corporate Social Investors

CORPORATE SOCIAL INVESTORS

	SHARED VALUE APPROACH/ SUSTAINABLE CSR	ECOSYSTEM BUILDING (ACCELERATION/ INCUBATION/ ENTREPRENEURSHIP PROGRAMS)	IMPACT INVESTING	PHILANTHROPY/ GRANT MAKING
DESCRIPTION	Corporates are increasingly considering the shared value collaboration approach to yield both business and social values focusing on longer term strategies	Running entrepreneurship, accelerator and incubation programs to build capacities of enterprises solving social and environmental issues. Also support research for social investment	Operating funds or programs that directly or indirectly (through other funds) invest debt and/or equity in social enterprises and sustainable businesses	Deployment of grants to various recipients such as NGOs, academic institutions, research centers, and government agencies
EXAMPLE OF CORPORATE SOCIAL INVESTORS	ViiV Healthcare ExxonMobil Foundation Motorola Solutions Foundation Timken Foundation of Canton Vodacom Foundation Mozambique Ncondezi Energy Chanel Foundation (Fondation Chanel) Sanofi Espoir Foundation	Praekelt Foundation Mastercard Foundation Ford Foundation Wellcome Trust Nedbank Eyethu Community Trust	The Pfizer Foundation, Inc. Johnson & Johnson Foundation Vitol Foundation Nedbank Eyethu Community Trust Standard Bank Tutuwa Community Trust SAB Foundation	Mastercard Foundation Ford Foundation Bayer Fund The Coca-Cola Foundation Citi Foundation Levi Strauss Foundation Luanshya Copper Mines Glencore Fundacao Vasco Vieira de Almeida (VDA) Hear the World Foundation

[32] Refers to Corporate Foundations, Corporate Funds, and Corporate accelerator/incubator programs
[33] Refers to Corporate Foundations, Corporate Funds, and Corporate accelerator/incubator programs

The various strategies adopted by the corporates in the region are described below:

Philanthropy/ Grantmaking:

Traditional grantmaking is the most prominent approach for corporate investments in Southern Africa. Some of the largest international foundations active in Southern Africa, including MasterCard Foundation, Ford Foundation, and The Coca-Cola Foundation, among others, adopt this approach for their CSR activities. While MasterCard Foundation focuses its philanthropic initiatives towards education, skill and youth development; Ford Foundation supports the reduction of poverty and injustice, strengthening of democracy, and international cooperation; and the Coca-Cola Foundation has been supporting the community impacted by its activities – through water and sanitation initiatives for women[34] and replenishment of water reservoirs[35] in the focus countries such as South Africa and Mozambique.

Shared value approach/Sustainable CSR:

Similar to other Sub Saharan Africa regions, the shared value approach is one of the most common strategies adopted by different corporates in the region. ExxonMobil and Motorola Solutions provide strategic grants while developing strong relationships with the communities and forging innovation along with them and for them. Sanofi, through its materiality assessments, has proven its financial and non-financial impact on the communities[36].

Impact investing and innovative finance:

Corporate investors in Southern Africa have started to engage in impact investment activities. For instance, Vitol Foundation invests in early-stage enterprises; the ticket size of each investment is around US$ 200,000 for 2-3 years, without financial return expectations[37]. Pfizer Foundation has been promoting healthcare research for almost a decade. In 2013, the foundation made an investment of US$ 5 million in a first-of-its-kind fund – Global Health Investment Fund (GHIF) to finance late-stage global health technologies that had the potential to save millions of lives in low-income countries[38].

Corporate trusts and foundations have also been at the forefront of promoting innovative financing structures like social impact bonds. Standard Bank Tutuwa Community Trust, for example, is one of the key investors in two of the SIBs in the country - the Bond4Jobs (youth employment) and the innovation fund impact bond (early childhood). The First Rand Foundation has also collaborated with the government and other corporate foundations to pool funding for student finance. Nedbank on the other hand issued a renewable energy bond in 2019, becoming the first bank to list a green bond in the Johannesburg Stock Exchange (JSE). Corporate entities have also been investing in early-stage businesses as part of their own product/ service expansions with funds sourced from corporate entities contributing 6.5% of the total Venture Capital (VC) deals and 15.7% of the total VC funds under management in Southern Africa in 2018[39].

Ecosystem building:

CSIs in the region are also actively supporting the social investment ecosystem in various ways. FNB Philanthropy Centre, a subsidiary of FNB Bank, offers philanthropy advisory and philanthropy fund management services to institutional and individual philanthropists. MasterCard Foundation focuses its efforts on improving education and youth development initiatives in the region. The foundation provided initial support to Harambee Youth Employment Accelerator in 2015. Nedbank Private Wealth has also been producing annual reports outlining data on the state of giving in South Africa. Absa, Total, AngloGold Ashanti, Assmang, Coronation Fund Managers, Sanlam, Glencore Xstrata, and Investec are some of the active players in entrepreneurship development working with NGOs and other intermediaries to build the capacity of enterprises.

INVESTMENT ACTIVITIES: TRENDS AND FOCUS AREAS

Corporate Social Investors in South Africa

> *With adequate regulations for corporate philanthropy, corporates in South Africa are one of the major contributors to sustainable socio-economic development in the region with US$ 2.7bn CSI spend between 2015 and 2019 in the country.*

A major proportion of corporate philanthropic activities in the region occur in South Africa due to its dominant commercial position. CSI is currently mandatory in South Africa, with the Department of Trade and Industry's BBBEE Codes of Good Practice designed to encourage its business sector to carry out socio-economic development (SED). According to this regulation, companies need to spend 1% of net profit after tax (NPAT) to obtain the required points (5) assigned to SED. For this, 75% of the beneficiaries should be black. Other components include skills development; and enterprise and supplier development.

> *CSI spend in the country has been exhibiting a moderate rise in recent years, primarily driven by sectors such as retail and wholesale, mining and quarrying, and financial services.*

Annual CSI spend in South Africa exhibited considerable growth between 2015 and 2019, driven by the increasing corporate profits. The top contributing sectors to CSI are

[34] Coca-Cola Helps Improve Lives of African Women and Girls
[35] The Coca-Cola Foundation Helps Secure South Africa's Water
[36] Sanofi – CSR Strategy, 2020
[37] Insights from primary discussion
[38] Pfizer Foundation Invests In Global Health Investment Fund, Pfizer, 2013
[39] SAVCA: VC Industry Survey, 2019

also the ones that contribute significantly to the country's GDP and export. For instance, South Africa has the largest reserves of platinum group metals (PGMs) and some of the largest gold, diamonds, chromite ore and vanadium deposits globally. In 2018, the mining sector contributed US$ 20.6 billion to the GDP, and accounted for 25% of the country's total export earnings[40], the sector accounted for 19% of the CSI spend in 2019. Retail and wholesale, which usually features at second or third position, was the the biggest contributor contributor (22%) to the to CSI spend with financial services accounting for 16% of the spend[41].

Brand management is one of the most common reasons for corporate giving, with initiatives in education, community development, and agriculture receiving the largest proportion of the CSI funds.

Most corporates (~86% in 2019)[42] integrate CSI strategies as part of their overall brand management strategy; brand reputation, relationships with business stakeholders, and shared value CSI approach were identified as significant triggers for CSI spend by various corporates. Corporates continue to leverage not-profit organizations (NPOs) as key partners for their CSI activities, given their deep networks in the communities. In 2019, 54% of the total CSI-spend in the country was channelled through the NPOs[43]. Between 2015 and 2019, education remained the most favoured sector by corporates – with an average CSI expenditure of 47% in the sector each year[44]. This was followed by support to social and community development initiatives, food security and agriculture, healthcare interventions, disaster relief and environmental causes.

SPOTLIGHT: CSI INITIATIVES IN THE EDUCATION SECTOR

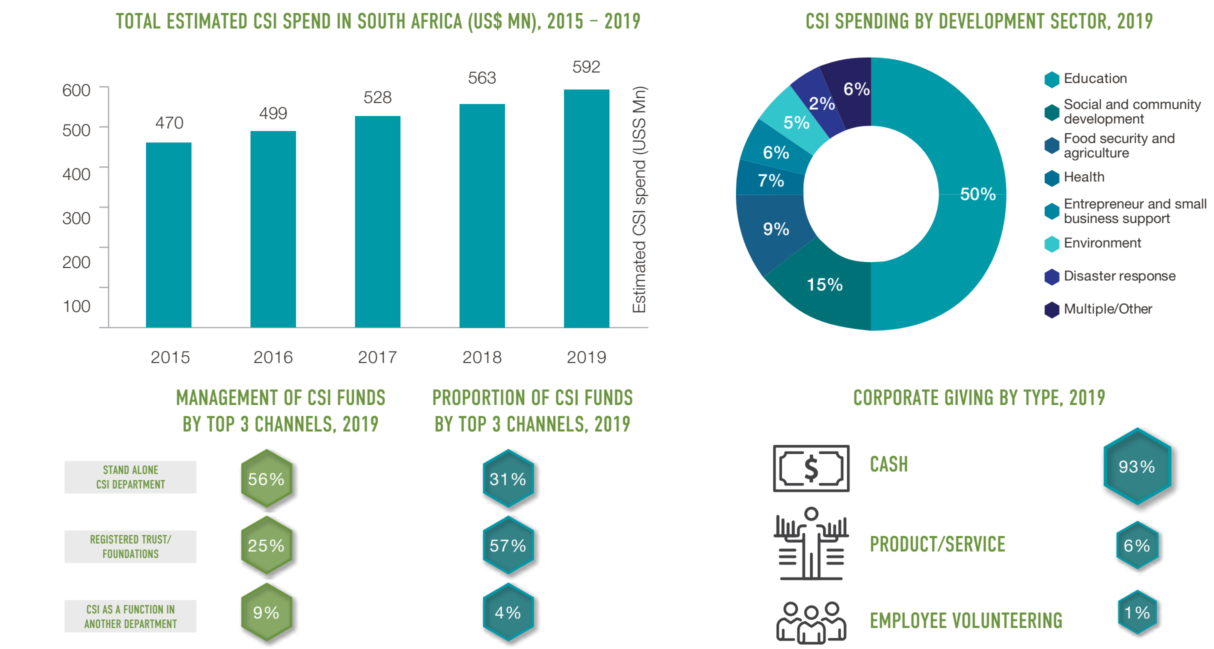
Innovative interventions have been witnessed at the intersection of education and technology to cater to challenges linked to education, skill development and entrepreneurship.

Some of the most interesting and innovative CSI initiatives in South Africa include promotion of coding and robotics at primary and high school levels to promote IT skills by Nedbank; accredited skills program for 17-35 year old students to address dual issues of shortage of data scientists and youth unemployment by Nedbank; Connectivity, Electricity and Education for Entrepreneurship (CE3) project which serves as a catalyst for local economic empowerment, and builds new businesses through provision of affordable electricity by Accenture; and Beyond Painting Classrooms (BPC) – a platform that actively organizes and empowers employee volunteer practitioners to create a volunteering ecosystem to scale and increase the impact of its initiatives by FirstRand.

Most corporates are formalizing their giving, which is mainly deployed through registered trust/ foundations and are mostly in the form of cash donations.

Cash donations have dominated corporate given in the last five years deployed through the corporates trusts/ foundations and CSI departments. Non-cash giving, mainly in the form of products and services decreased over the study period from 10% of total CSI expenditure in 2015 to 7% in 2019[45]. While most corporates manage their CSI funds through a stand-alone CSI department in the company, trusts/foundations account for the largest proportion of the CSI funds deployed.

Figure 24: CSI spending trends in South Africa



Source: Trialogue - Business in Society Handbook, 2015-2019

[40] South Africa Factsheet 2020, Department of Trade and Industry, Republic of South Africa
[41] 2019 Trialogue Business in Society Handbook
[42] 2019 Trialogue Business in Society Handbook
[43] 2019 Trialogue Business in Society Handbook
[44] Intellecap analysis basis data from Business in Society Trialogue Handbooks for 2016, 2017, 2018, 2019
[45] Business in Society Trialogue Handbooks for 2016, 2019

SPOTLIGHT: SAB FOUNDATION

Established in 2010 by South African Breweries Ltd (SAB), the SAB Foundation[46] is an independent trust that supports entrepreneurship development in South Africa. It has as yet invested US$ 16.24 million (280 million Rand) and supported 478 SMEs, contributing to the creation of 800 jobs. The beneficiary demographics comprise 70% women, 42% youth, 4%, with 78% of all these located in rural areas. SAB Foundation partners with academic centers such as Bertha Centre[47] and Gordon Institute of Business Science[48]; business advisory organisations such as Fetola[49] and Impact Amplifier[50]; and network organisations such as Open Africa[51], to support the SMEs in different aspects related to understanding and developing market strategy, access networks, and assist them in becoming independent businesses.

Corporate Social Investors in Mozambique

> *With the absence of guidelines and policies to encourage corporate giving, CSI activities in Mozambique remain nascent.*

CSI projects and activities in Mozambique encompass education programs, including the development of education infrastructure, healthcare programs such as awareness campaigns for HIV/AIDS, distribution of contraceptives, local infrastructure, and community development programs primarily in the areas located near or impacted by the mining operations. Though there are numerous NGOs in Mozambique that engage or can potentially engage in CSI, there is no systematic approach, transparency, or co-ordination between government authorities or the private sector to carry out these projects effectively. CSI in Mozambique is mainly motivated by corporates' own needs, driven by the potential to create positive impact on companies' financial performance and for internal risk management.

> *Corporate philanthropy in Mozambique is mainly driven by the mining sector.*

There is an absence of an overarching CSI regulation governing all sectors CSI in the country. However, since 2014, mining companies operating in the country are mandated to contribute to community interventions given the environmental, health and social challenges arising from mining activities. Yet, even amongst the mining companies, only very large projects have dedicated CSI departments and budgets. Some of the other large corporate investors with notable involvement in social investment space include Mozal, Coca-cola Sabco, Cervejas de Moçambique (CDM)[52], Colgate-Palmolive, Hidroelétrica de Cabora-Bassa, and British Petroleum Mozambique, among others[53]. ExxonMobil Foundation has also been addressing community issues in the country – in 2016, the foundation partnered with Opportunity International to launch the Projecto para Empoderamento das Mulheres e Desenvolvimento da Agricultura (PEMA) program to expand economic opportunities for women farmers in the country[54].

> *CSI initiatives in Mozambique have focused on health, education and community development initiatives.*

While there is limited information available on the value of CSI transactions in the country across different sectors, most of the corporate philanthropy interventions identified are around health, education and community development. Some of these include contributions to HIV/AIDS Program by Motorcare; and the development of education infrastructure, environmental and cultural development projects by MCEL.

SPOTLIGHT: VODACOM FOUNDATION MOZAMBIQUE

To keep the businesses, government and communities connected, the continent's major telecom player, Vodacom, has launched various technological innovations in several countries across Africa. In Mozambique, Vodacom is providing free connectivity to ministries, airports, and NGOs. Also, Vodacom Mozambique is in discussions with the Ministry of Health to offer support for geo-data tracking and big data analytics. Some of the other social responsibility initiatives of the corporate in Mozambique over the last decade include the upgradation/ painting of the Lhanguene Complete Primary School through employee volunteerism; and preventative measures to combat malaria in Marracuene district through the distribution of hundreds of mosquito nets in the community[55].

---

[46] The SAB Foundation holds 8.4 million SAB Ltd shares and applies the dividend and special dividend income received from these shares for the benefit of the wider South African community. The Foundation was also the first organisations in South Africa to received tax exemption and is registered as a tax exempt Small Business Funding Entity under section 10(1)(cQ) of the Income Tax Act.
[47] https://www.gsb.uct.ac.za/berthacentre
[48] https://www.gibs.co.za/Pages/default.aspx
[49] https://fetola.co.za/
[50] https://www.impactamplifier.co.za/
[51] http://www.openafrica.org/
[52] A local brewery company
[53] UN Global Compact Country Report Mozambique, Corporate Social Responsibility
[54] Strategic community investment, ExxonMobil, 2019
[55] Vodacom Mozambique, Social Responsibility

SPOTLIGHT: NCONDEZI ENERGY

Ncondezi integrates environmental, health and safety responsibilities in all aspects of its business. The company's corporate social responsibility (CSR) policy has been designed to promote social development projects that facilitate sustainable development and focus on community involvement. Ncondezi, as part of a public-private partnership (PPP), implemented a US$ 2 million, 3-year social development plan (SDP), which benefitted the local communities at the Ncondezi Project, the Moatize District, and selected other communities in Tete and Mozambique[56].

Corporate Social Investors in Zambia

> *Similar to Mozambique, Zambia also lacks specific guidelines and policies to encourage corporate giving; external investors are the main drivers of CSI activities in the country.*

The Government of the Republic of Zambia regulates mining companies' actions, but it has not passed any legislation that addresses the social responsibilities of businesses in local communities. Laws such as The Mines and Minerals Development Act of 2015 states that a mining company will be able to get a license if it confirms that its mining activities would not cause any adverse socio-economic impact or harm to human health, however, these have not been extended to ensure that mining companies are supporting the communities. In addition, there is a lot of external investment, especially in the mining sector from China. The Chinese companies follow their home country's CSI strategies in other countries of operation, including Zambia.

> *The mining sector is the most active sector in the CSI front, deploying funds largely to health interventions.*

The mining sector, which is one of the prime contributors to the country's exports (70%)[57], creates severe environmental and health degradation by destroying agricultural land to create and expand mines and the emission of toxic chemicals. In addition to the damage caused by mining, Zambia has other endemic health issues such as HIV/AIDS and Malaria, which can be exacerbated by unhealthy environmental factors. Therefore, most of the mining companies focus on healthcare and community development projects.

SPOTLIGHT: LUANSHYA COPPER MINES

Luanshya Copper Mines (CLM) invests in various CSI activities related to health, education, and employment through sports, infrastructure development, and agriculture. With 60% CSI-spend directed towards healthcare, CLM runs the Luanshya mine hospital and six other clinics. Some of its other programs include the prevention of mother to child HIV transmission and distribution of contraceptives. Furthermore, CLM is engaged in initiatives to combat diseases such as malaria, Ebola and cholera. CLM has embarked on 27% CSI-spend for education – it operates Luanshya Craft Training School (tertiary education institution) and Luanshya Trust School (primary and junior secondary education). Nearly 10% of CSI-spend was directed towards the Roan United Football Club – providing the monthly wages for the club and logistics support. CLM also constructed Zaone market, improved the road network that leads to the mine, refurbished play parks, and developed a modern gym and a swimming pool for the youth[58].

SPOTLIGHT: GLENCORE

Glencore has a major share in Mopani Copper Mines. In its sustainability report, the company outlined its workplace health and strategic safety priorities for 2015-2020. Overall, Glencore has a three-step process to tackle health concerns in local communities, including assessing, monitoring, and controlling community health risks, and contribute to the wellbeing of the community. Glencore has seven clinics, five first aid centers and two hospitals surrounding its mines in Zambia. To address HIV/AIDS, Glencore claims that it offers testing, and has helped increase access to antiretroviral treatment and HIV care. In addition, it also sponsors two cervical cancer screening centres.

[56] Ncondezi Energy, CSR, Mozambique

[57] Corporate Social Responsibility in Zambian Copper Mines: An Analysis of Mining Corporations' Health Initiatives and Their Effects on Mining Communities, SAIPAR, 2019

[58] Corporate Sustainability Performance: An Approach to Effective Sustainable Community Development or Not? A Case Study of the Luanshya Copper Mine in Zambia, MDPI, 2019

3.1.4 Family Foundations/Trusts/Endowments

SUMMARY OF TRENDS AND OBSERVATIONS ON FAMILY FOUNDATIONS

Southern Africa family foundations

- *This research mapped US$ 319.5Mn deployed across 30 transactions by Southern Africa based family foundations in the region between 2013 and 2020.*
- *Healthcare is the main focus area for regional foundation accounting for 61% of the total funding.*
- *Most of the family foundation's funding has been deployed through the government indicating a close working relationship.*

North American family foundations

- *US$ 545.4Mn was deployed in form of 830 grants during the period between 2015 and 2019 by North American foundation.*
- *North American family foundations' activities are dominated by Bill and Melinda Gates Foundation (BMGF) accounting for 59% of total funds deployed.*
- *North American family foundations have supported various initiatives in the region, with most of the funding focusing on healthcare and education (together accounting for 74% of the funding between 2015 and 2019.*

INVESTMENT STRATEGIES

Family foundations active in Southern Africa largely adopt the grantmaking and donations based approach for their capital deployment.

Family foundations are most prevalent in South Africa; apartheid practices in the country had resulted in several development issues that require support and funding from philanthropists. A number of regional family foundations have existed for over several decades. These were primarily grantmaking institutions but have recently started to adopt alternative investment approaches. Some of the most active international family foundations in the region, including BMGF, MSDF, Ford Foundation, Segal Family Foundation, and The Andrew W Mellon Foundation, also primarily adopt the grant-making strategies for capital deployment in the region.

The family foundations in the region have a main focus on healthcare and education-related initiatives.

The regional family foundations have a broader developmental agenda aiming to solve several development challenges, including education, health, environmental sustainability, and social justice. An illustration of solving multiple issues through a single initiative is the recent funding provided by the Gray philanthropy ecosystem in South Africa, which has provided US$ 10.5 million (180 million Rand) to support economic, educational and medical requirements occasioned by COVID-19 crisis[60]. The larger international foundations are noted to allocate a huge chunk of their funding to the healthcare sector. These institutions mostly cater to HIV/AIDS, TB, and child and maternal care.

Table 6: Summary of social investment approaches adopted by select family foundations

#	Foundation Name	Headquarter	Acceleration/ Incubation support	Impact Invest-ing	Venture Philanthropy	Grants/ philanthropy	Description
1	Bill and Melinda Gates Foundation (BMGF)	United States	✓	✓		✓	The foundation largely deploys grants to various sectors working with the government agencies and NGOs. The foundation has also been engaged in promoting innovative financing models such as volume guarantees particularly in the health sector. Further, the foundation has also promoted social investment ecosystem growth through the engagement in the global development incubator programmes focusing on the financial services and agriculture sector.

[59] Insights based on primary interviews
[60] Covid-19: Gray philanthropy ecosystem responds to crisis with R180 million in funding, 2020

#	Foundation Name	Headquarter	Acceleration/ Incubation support	Impact Investing	Venture Philanthropy	Grants/ philanthropy	Description
2	Michael and Susan Dell Foundation (MSDF)	United States		✓		✓	MSDF funds projects and programmes that contribute to the achievement of SDGs both through scholarship programmes, grants and mission-related impact investments. Under impact investment, the foundation uses financial tools and structures to support work in education, health, and family economic stability.
3	Segal Family Foundation	United States	✓	✓		✓	Segal Family Foundation has provided grants and engaged in impact investing in several countries in Southern Africa such as South Africa, Zambia, and Malawi. Over the past decade, the foundation has evolved its business model from supporting community based organizations to supporting scalable for-profit models. The organization believes that there is need and relevance of both types of organizations[61]. In 2016, the foundation also launched a social impact incubator programmes in southern Africa, specifically in Malawi, to promote systems strengthening, and address organizational and leadership needs. It has also worked with AgriBioTech NPC in South Africa, an organisation that nurture, mentor, train and incubate agripreneurs in the value-adding to biological resources space
4	The Andrew W Mellon Foundation	United States				✓	The foundation has been providing grants for over 3 decades in South Africa, primarily supporting the universities to address key national challenges. In 2015, it provided US$ 3.84 million – the largest grant for a single program to accelerate the development of a black South African humanities professoriate[62].
5	Oak Foundation	Geneva				✓	The foundation engages in strategic grant-making approaches focusing on various sectors such as healthcare (primarily HIV/AIDS), WASH (rural water supplies), Education (special needs), and services that help vulnerable women, children and elderly. In Zambabwe the foundation also funds local organisations involved in serving the disadvantaged and vulnerable sections of the society.
6	The RAITH Foundation	South Africa				✓	RAITH Foundation, has heavily adopted a grant-making approach. The Foundation has funded university scholarships and provided grants in non-developmental projects. Over the years, with evolved strategy, the foundations is one of the few that focuses its initiatives on matters of social and environmental justice.
7	Cyril Ramaphosa Foundation	South Africa	✓			✓	The foundation was established 15 years ago with a broad vision to work towards inclusive society to help deal with inequality and poverty. Its main focus areas have been education and small business development because these were the main issues in South Africa. The foundation provides grants to these sectors and also supports entrepreneurship development and business incubation programmes under its umbrella - Shanduka Black Umbrellas (SBU). Through the SBU, the foundation connects participants to potential collaborators, mentors and even investors. Over 1900 businesses have been incubated since inception.

[61] Insights based on primary interviews
[62] Mellon Foundation, 30 years
[63] Leading South African research centres join forces, Wellcome, 2016

#	Foundation Name	Headquarter	Acceleration/ Incubation support	Impact Invest-ing	Venture Philanthropy	Grants/ philanthropy	Description
8	Wellcome Trust	United Kingdom				✓	The Wellcome Trust provides grants in support of innovative healthcare initiatives, especially research centres. For instance, in 2016, it supported Africa Health Research Institute (AHRI) and KwaZulu-Natal Research Institute – focused on developing interventions to manage HIV/ AIDS and TB disease burden in KwaZulu-Natal province – the highest in South Africa[63].
9	LGT Venture Philanthropy	Switzer-land			✓		LGT venture philanthropy deploys philanthropic growth capital through an entrepreneurial venture philanthropy approach. It primarily supports organizations in emerging markets, focusing on high-impact sectors, including education, health, and environment. It invests into for-profit and non-profit social enterprises. In South Africa, LGT has invested in mothers2mothers (m2m), an organization that aims to eliminate paediatric AIDS and keep mothers alive.
10	Rockefeller Foundation	United States	✓	✓		✓	The foundation supports various initiatives in the global impact investing space. The foundation has as awarded both grants and program-related investments (PRIs). In South Africa, the founda-tion has worked with the Harambee Youth Employment Accelerator in 2015 to support in scaling a demand-driven model for training high potential but disadvantaged youth, and placing them in digital jobs in the retail, business process outsourcing and financial services sectors in South Africa.

INVESTMENT ACTIVITIES

Southern Africa based family foundations

Southern Africa has several active local family foundations, addressing the inequalities and basic services gap since the apartheid times.

Our research identified over 60 family foundations based in Southern Africa, the majority of which are based in South Africa. Many of South Africa's modern philanthropic institutions were founded to address inequality rooted in the apartheid era. Zimbabwe also has several family foundations supporting the promotion of equality and social justice. For instance, the Oak Foundation pursues rights and gender equality approaches – while contributing to social and environmental concerns, especially impacting the disadvantaged.

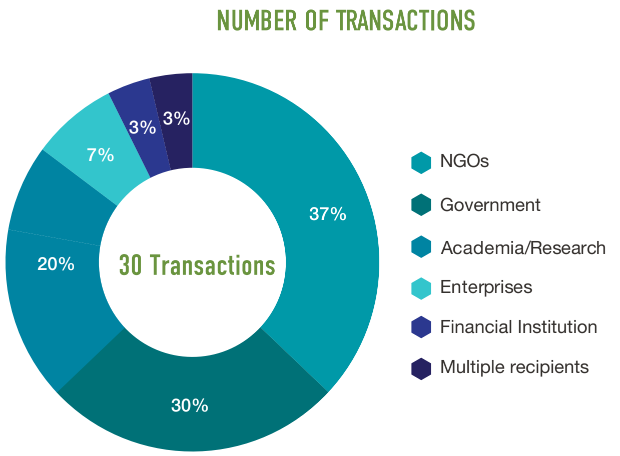
Similar to other geographies in Sub Saharan Africa, family foundations in Southern Africa are very discrete regarding the financial support they provide, especially with respect to the transaction amount. Most of these work as operating foundations implementing various programs on behalf of the philanthropists in addition to raising external financing. The new generation of HNWIs spearheading the family foundations in the focus countries allocate separate resources towards philanthropic initiatives and do not tend to merge the investment practices with the main family business. This separation of profitable and philanthropic activities ensures sustainability and scaling of both wealth creation and philanthropy initiatives.

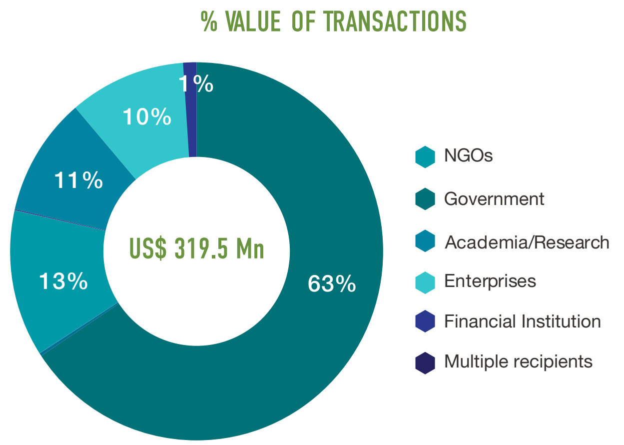
Regional based family foundations in Southern Africa largely deploy their funding through government and NGOs.

This research mapped US$ 319.5Mn deployed across 30 transactions by Southern Africa based family foundations in the region between 2013 and 2020. Cash donations remain the most preffered form of giving with the largest proportion of transactions deployed through NGOs. Government however, account for the largest proportion of value of funding by family foundations. Albeit, in low proportion, a number of family foundations transactions were also made into enterprises majorly as grants.

[63] Leading South African research centres join forces, Wellcome, 2016

Figure 25: Giving by Southern African family foundation, By Recipient Type (2013-2020)



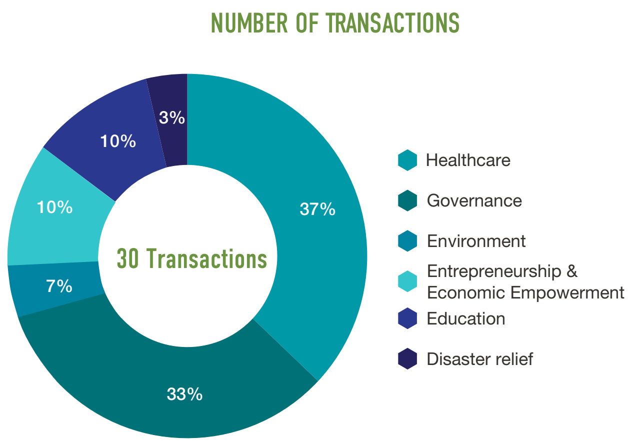


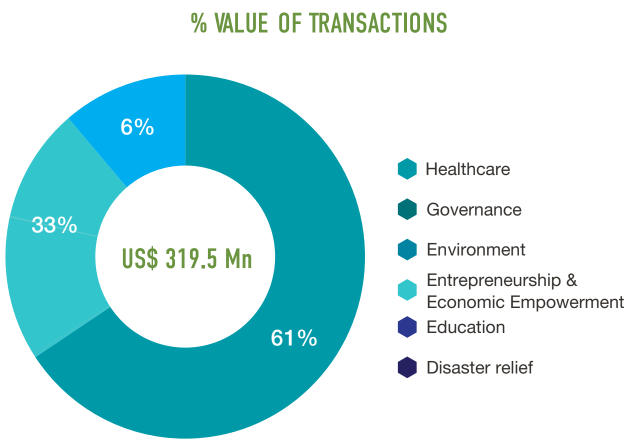
Source: Intellecap Analysis

> *Most of the Southern Africa family foundations have focused on interventions in the health sector, and economic empowerment.*

Unlike the corporate social investors that have largely focused on promoting education initiatives, family foundations region have deployed funds to enhance provision of healthcare services, accounting for 61% of the funds deployed. These foundations have continued to play a key role in response to the COVID-19 health crisis. The Gray philanthropy in South Africa, for example, provided funding worth US$ 10.5 million (180 million Rand) to assist with the economic, educational and medical shortages created due to the COVID-19 crisis[64].

Figure 26: Giving by Southern African family foundation, By Area of focus (2013 – 2020)





Source: Intellecap Analysis

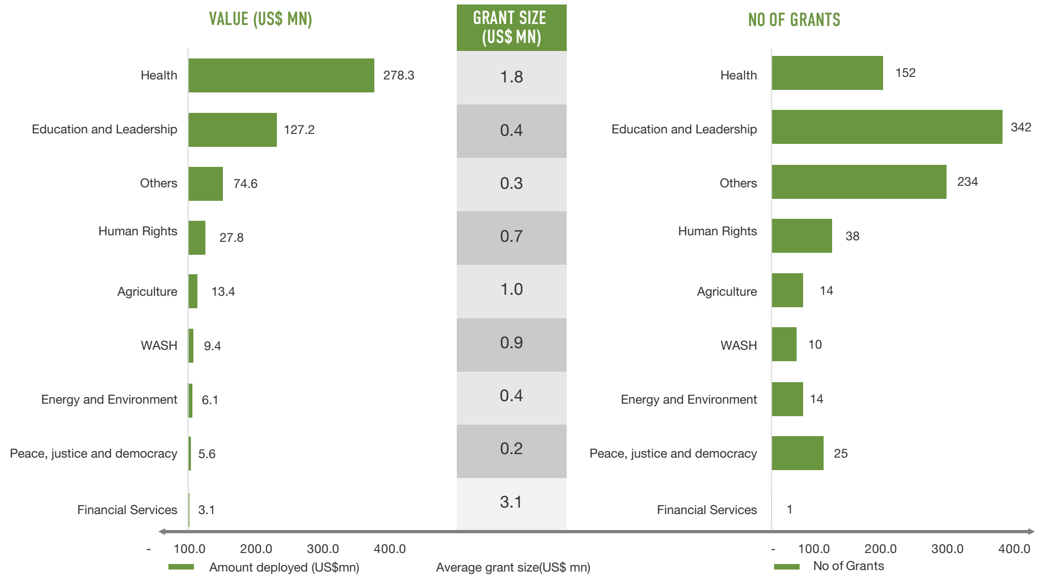
North America based family foundations

> *The healthcare sector constitutes the largest proportion of North American family foundations' funding in the region.*

The research mapped 830 grants valued at US$ 545.4 Mn deployed by North American based family foundations between 2015 and 2019. The healthcare sector constitutes 51% of total funding provided by the North American family foundations in Southern Africa, highly skewed by the largest foundation - BMGF. The foundation focuses on solving healthcare issues, especially those linked to HIV/AIDS, child and maternal care, among others. BMGF followed by Wellcome Trust, and the Leona M. and Harry B. Helmsley Charitable Trust are the top contributors to healthcare. The top sectors, healthcare and education/ university grants, accounted for almost 73% of the funding by North American family foundations between 2015 and 2019.

[64] Covid-19: Gray philanthropy ecosystem responds to crisis with R180 million in funding, 2020

Figure 27: Capital Deployed by North American Family Foundations, by Sector (2015-2019)

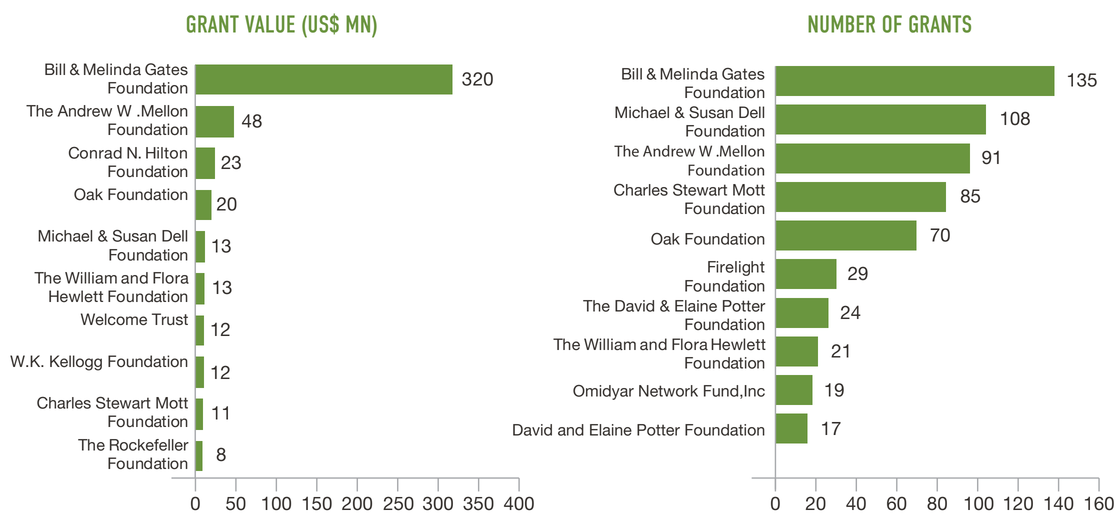


Source: Intellecap Analysis, Foundation Centre

The top three foundations – BMGF, Andrew W. Mellon, and Conrad N. Hilton Foundation – accounted for over 76% of the North American family foundations grant value between 2015 and 2019.

The top three foundations have actively engaged in the region, working with the local organisations to implement some of the initiatives. BMGF, which accounted for the largest proportion of grants (62%), worked with several national and international stakeholders primarily in the healthcare and education sectors. The Andrew W. Mellon Foundation has been active for three decades in South Africa, primarily supporting universities to address key national challenges.

Figure 28: Top North American Family Foundations Active in the Region, by Number and Value of Grants (2015-2019)



Source: Intellecap Analysis, Foundation Centre

Other family foundations active in the region

Unlike East and West Africa, there are very few European family foundations operating in Southern Africa. Those present include Belgium based King Baudouin Foundation (KBF Foundation) that runs an annual prize known as 'King Baudouin Prize for Development in Africa'. The prize recognises individual and organisational level contributions across several African countries, including Mozambique and Botswana in Southern Africa. Switzerland based LGT Venture Philanthropy that provides tailored support, including philanthropic capital, business management support, technical and strategic advice, among others has supported the Harambee Youth Employment Accelerator through grant – to further its impact in ensuring that the vulnerable people are able to access economic opportunities.

3.1.5 Multilateral and Bilateral Donors

SUMMARY OF TRENDS AND OBSERVATIONS ON SOCIAL INVESTING BY GOVERNMENTS IN THE REGION

- *USAID accounted for the largest proportion (41%) of donor funding in the region in 2018. In the past 2-3 years, there has been a decline in funding due to changing strategies of the donor.*
- *Health, education and skill development have been the priority sectors for donors in the focus countries in Southern Africa.*

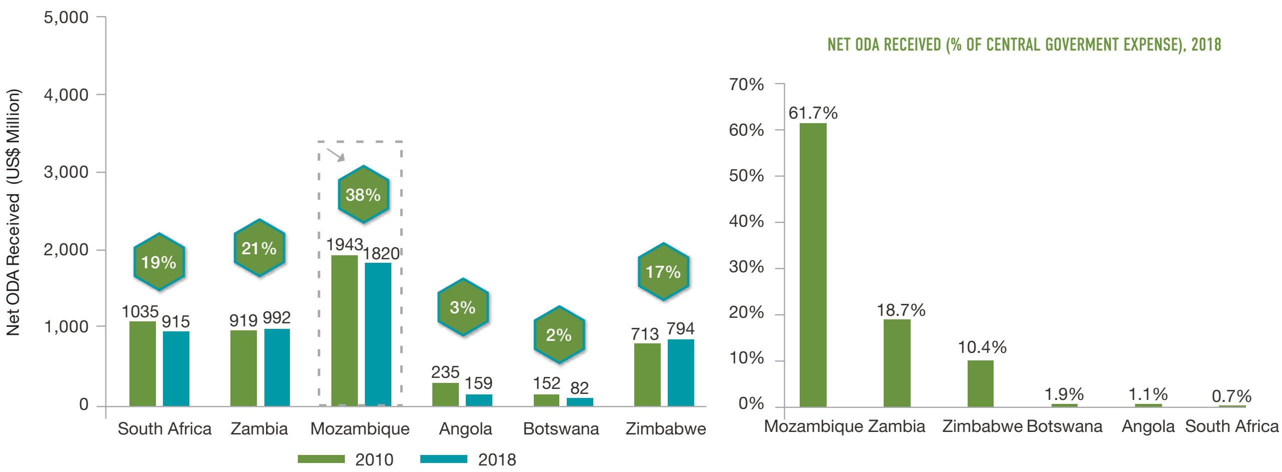
COUNTRY FOCUS

Social investment support through Official Development Assistance (ODA) varies widely across Southern Africa countries; ODA to the region also decreased between 2010 and 2019.

ODA account for a substantial proportion (61%) of government expenditure in Mozambique given the frequent natural disasters that face the country that has seen it receive significant humanitarian assistance from the donor community. ODA contribution is lowest in South Africa, Angola and Botswana. Total ODA funding to the region experienced a 5% decline between 2010 and 2019. This can be attributed to several political reasons, including evolving relationships between the governments and the international community (donors), and their strategies of fund deployment.

Total ODA to the region was US$ 4.76Bn in 2018 with the United States Agency for International Development (USAID) accounting for 41% of the donor funding.

Figure 29: ODA trends across the focus countries (US$ million), 2010 vs. 2018



Source: World Bank Development Indicators
NB: Circle represent share of total ODA to the focus countries (2018)
Regional Total - 2010: US$ 5.97 billion; 2018: US$ 4.76 billion

SECTOR FOCUS

Donors in the region have placed a big emphasis on the health, education and skill development sectors through programmatic interventions.

Southern Africa has been the epicenter of several diseases, including HIV/ AIDS. There is a dearth of child and maternal care facilities contributing to high rates of maternal and infant mortality. In addition, with inadequate sanitation facilities, several water-borne diseases such as cholera further increase the disease burden. Education and skill development are not in tandem with the skill set required by employers. Along with the government and a few other social investors, donors prefer supporting health and education initiatives in the region[66]. Nearly 43% of the investment has been in the health sector and around 24% in education[67].

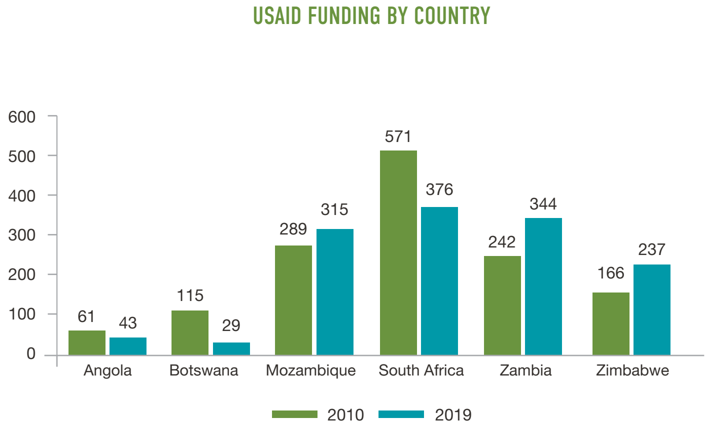
[65] World Bank Development Indicators
[66] Development aid at a glance, Africa, OECD, 2019
[67] Intellecap analysis.

Major donors in the region are undergoing significant transitions necessitating the need for innovative strategies to leverage more private sector capital.

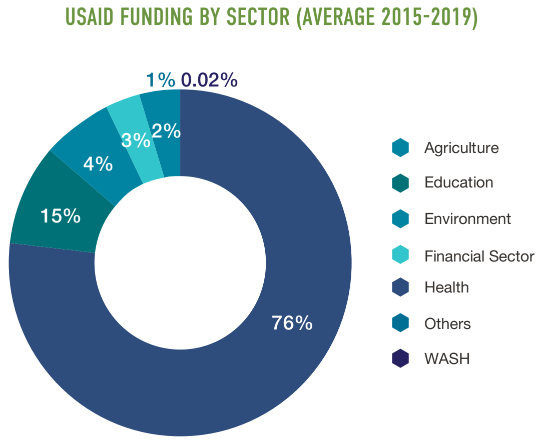
- DFID was recently merged with the Foreign and Commonwealth Office (FCO) to form the Foreign, Commonwealth and Development Office. It is expected to impact funding for addressing social challenges in developing countries as FCO has traditionally focused on advancing security and diplomatic issues rather than poverty-reducing projects.
- The adoption of the United States Better Utilization of Investments Leading to Development (BUILD) Act that and the establishment of the U.S. International Development Finance Corporation (DFC) as the US government's DFI. DFC combines the activities of Overseas Private Investment Corporation (OPIC) and some components of USAID. This shift is expected further to reduce the already declining USAID donor funding to the region, disrupting the implementation of key development programmes – USAID funding to the focus countries reduced by 31% between 2018 and 2019.

Figure 30: Snapshot of USAID funding trends in the region

USAID funding saw sharp decline in South Africa and Botswana between 2010 and 2019



USAID programes are more focussed on health intervention, followed by WASH,sustainable agriculture and education



Source: USAID Funding database

Figure 31: Select Donor Interventions across the Focus Countries

THE WORLD BANK

YOUTH EMPLOYMENT AND ENTREPRENEURSHIP

The World Bank Group launched XL Africa, a five-month business acceleration program designed to support the 20 most promising digital start-ups from Sub-Saharan Africa. Start-ups will receive mentoring from global and local experts, learn through a tailor-made curriculum, increase their regional visibility, and get access to potential corporate partners and investors. It collaborated with prominent African investment groups, including the African Business Angel Network (ABAN), AngelHub Ventures, Goodwell Investments, Knife Capital, Nest Africa, Silvertree Capital, Singularity Investments, South African Business Angel Network (SABAN), TLcom Capital, Zephyr Acorn and 4Di Capital, and corporate partners, such as Orange, Eco, Ringier, and Thomson Reuters. The XL Africa supported 20 selected start-ups with early stage capital between US$ 250,000 and US$ 1.5 million.

- **Sector:** SME Development
- **Country:** South Africa
- **Funding Amount:** Between US$ 0.25Mn and US$
- 1.5Mn
- **Funding year:** 2017
- **Funding type:** Debt
- **Investors:** World Bank, governments of Finland, Norway, and Sweden
- **Implementing Partners:** IMC Worldwide, VC4A, and Koltai & Co.

THE WORLD BANK

EDUCATION AND LEADERSHIP DEVELOPMENT

The World Bank, through the Girl's Education and Women's Empowerment and Livelihoods Project for the Republic of Zambia (GEWEL) supports the Government of Zambia to increase access to livelihood support for women and access to secondary education for disadvantaged adolescent girls in extremely poor households in selected districts. The project targets women aged 19 to 64 years old who are fit for work and adolescent girls aged 14 to 18 years old living in extremely poor households in rural areas; and aims to support women's livelihoods, keep girls in school, and support institutional strengthening and systems building.

- **Sector:** Education
- **Country:** Zambia
- **Funding Amount:** US$ 65 Mn
- **Funding year:** 2015
- **Funding type:** Debt & Grant
- **Investors:** World Bank
- **Implementing Partners:** The Government of Zambia

THE WORLD BANK

HEALTHCARE

The World Bank approved $122 million worth of financial assistance to tackle the scourge of Tuberculosis (TB) in some of Southern Africa's high burden TB countries --Lesotho, Malawi, Mozambique and Zambia.

The project, under the name Southern Africa Tuberculosis and Health Systems Support Project targets mining communities, regions with high TB burdens or HIV/AIDS, transport corridors, and cross-border areas of the four target countries. The primary beneficiaries are TB-affected individuals and households in line with the World Bank Group's goals to support the most vulnerable as part of its thrust to ending extreme poverty and promoting shared prosperity in the world. Key information about the deal.

- **Sector:** Healthcare
- **Country:** Mozambique, Zambia, Lesotho, and Malawi
- **Funding Amount:** US$ 122 Mn
- **Funding year:** 2016
- **Funding type:** Debt & Grant
- **Investors:** World Bank
- **Implementing Partners:** Respective country governments

IFAD INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

FINANCIAL INCLUSION

The World Bank, through the Girl's Education and Women's Empowerment and Livelihoods Project for the Republic of Zambia (GEWEL) supports the Government of Zambia to increase access to livelihood support for women and access to secondary education for disadvantaged adolescent girls in extremely poor households in selected districts. The project targets women aged 19 to 64 years old who are fit for work and adolescent girls aged 14 to 18 years old living in extremely poor households in rural areas; and aims to support women's livelihoods, keep girls in school, and support institutional strengthening and systems building.

- **Sector:** Financial Inclusion
- **Country:** Zambia
- **Funding Amount:** US$ 8.42Mn
- **Funding year:** 2013-2022
- **Funding type:** Concessional
- **Investors:** IFAD
- **Implementing Partners:** Co-financiers (International) - Spanish Fund US$ 11.99 million; Co-financiers (Domestic) - Domestic Financing Institutions US$ 3.3 million; National Government US$ 2.61 million

3.1.6 Angel Investors and Angel Networks

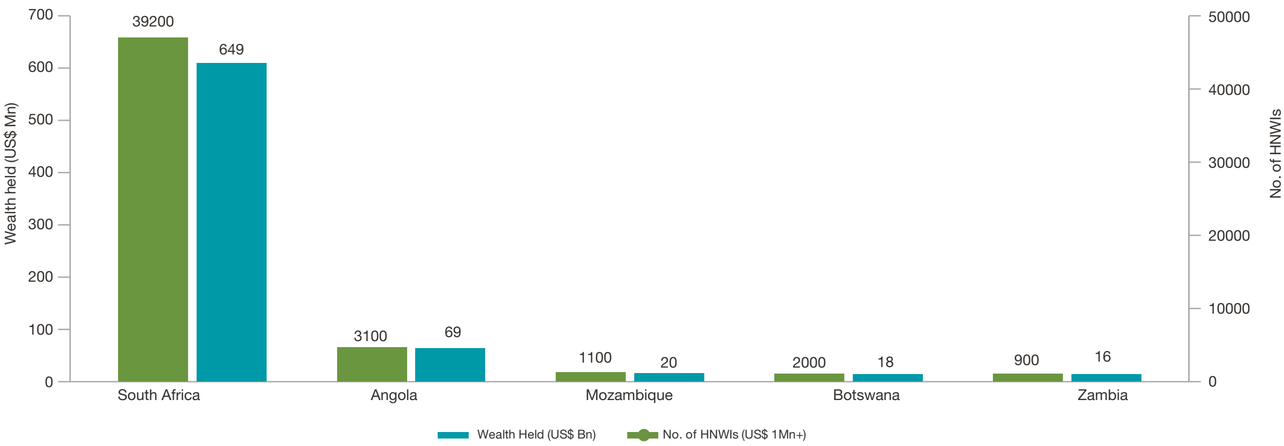
SUMMARY OF TRENDS AND OBSERVATIONS ON ANGEL INVESTING

- *Most of the angel investor networks have been established in the last 4-5 years and thus are still in nascent stages of operation with minimal investment activities recorded for most of these networks*
- *Angel Investments in the region increased from US$ 2.6Mn in 2015 to US$ 12.9Mn in 2018.*
- *Angels prefer investing in innovative business models such as block-chain, and other technology based enterprises such as fintech, e-commerce and software*

Southern Africa is home to some of the wealthiest individuals in SSA, with five of the focus countries ranked top 20 wealthiest countries in Africa[68].

South Africa is Africa's wealthiest country and home to the highest number of HNWIs (39,200) – more than double the number in Egypt (the second wealthiest country in the continent). In 2018, the country accounted for over 85% of the wealth held by dollar millionaires in the region.

Figure 32: Number and amount held by HNWIs in Southern Africa, 2018

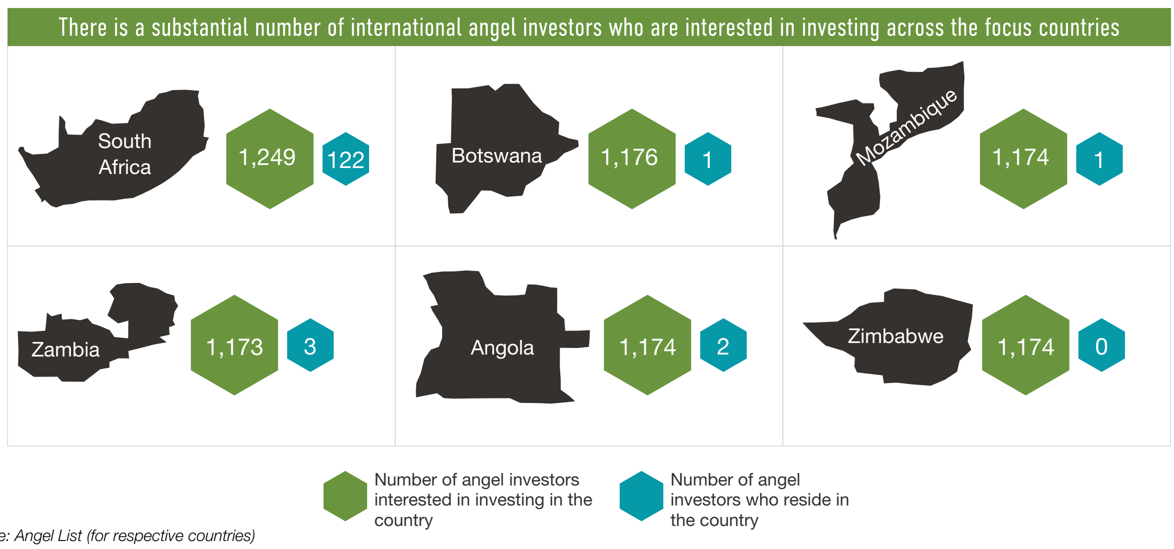


Source: AfrAsia Bank Africa Wealth Report, 2019

More angel networks are being established as angel investors become a significant source of venture capital finance in the region; with higher number in South Africa compared to the other countries.

Several HNWIs have ventured into angel investing, providing much needed early-stage finance for innovative businesses in the region. In 2018, Angel investors accounted for 24.7% of total Venture Capital (VC) deals and 4.2%[69] of VC funds under management in the region. Angel Investments in the region increased from US$ 2.6Mn in 2015 to US$ 12.9Mn in 2018[70].

Figure 33: Number of angel investors interested in the focus countries in Southern Africa



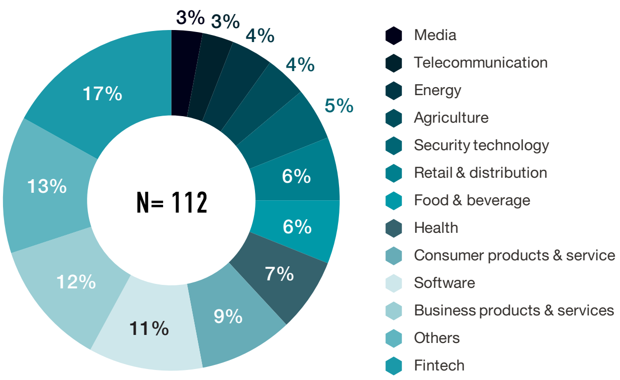
Source: Angel List (for respective countries)

[68] Africa Wealth Report 2019, AfrAsia Bank
[69] SAVCA: VC Industry Survey, 2019
[70] SAVCA: VC Industry Survey, 2017 and 2019 reports

Technology-based innovations requiring seed or start-up capital have attracted the most interest from angel investors in the region.

In 2017, a survey by the Southern Africa Venture Capital and Private Equity Association (SAVCA) showed that 3 of the top 5 sectors receiving most deals were leveraging technology in their business models. The main sectors receiving angel investments included; fintech, software and e-commerce. Most of the angel investments were deployed at start-up and seed funding levels, with 54% of the angel investment deals in the region for ticket sizes smaller than US$ 28,560[71]. Most angel investors have an average of 6 deals in their portfolios.

PROPORTION OF ANGEL INVESTMENTS BY SECTOR, 2017



Source: SAVCA Venture Capital 2017 industry report

The region has witnessed an increase in the number of angel networks operating in the country.

There are more than 15 angel networks currently operational in the region, with the majority (60%) in South Africa. Most of these angel networks engage in partnerships with other networks providing a range of ecosystem support services along with initial funding, business planning and business development support. Some of the most active angels (investing through angel networks) in the region include Brett Dawson, who has invested around US$ 3.55 million in 2018-19 in tech-based enterprises such as Gather Online, and Wrapistry through Campa; Michael Jordan, who invests in both development and non-development sectors such as financial inclusion, education, mobility, telecom[72] through Montegray Capital, and has invested US$ 7.4 million between 2014 and 2019; and Llew Claasen and Vinny Lingham who invest in Blockchain-based enterprises such asWala, BitGo, SA Florist, WumDrop, SweepSouth through Newtown Partners.

The region has also witnessed the rise of peer to peer lending platforms linking angel investors and early-stage businesses such as the Angel Investor network that has so far facilitated close to US$ 236Mn[73].

Table 7: Funding activities by top angel networks across the countries

#	Name	Year of establish-ment	Amount (US$)	Country	Sectors of focus	Example of investees
1	Jozi Angels	2015	US$ 354,675 (2015 – 2019)	South Africa	15 investments including tourism platform, media and advertising, social marketplace, and market research	Tour 2.0, Geist, Momslist, Neural Sense
2	Mozambique Business Angels Associations	Est. 2015, started operations in 2019	Did not disclose[74]	Mozam bique	Tourism, Food supply chain	Did not disclose[75]
3	Ngwana Enterprises	2009	Not available	Botswana	Education, Agriculture, Technology	Not available
4	Silicon Cape	2019	Not available	South Africa	Tech-based enterprises	Neural Sense, Guardian Gabriel, Timbuktu Travel

[71] SAVCA: VC Industry Survey, 2017
[72] in enterprises such as Bank Zero, GoMetro, Rain, Snapplify.com
[73] Angel Investor Network website
[74] During primary interview
[75] During primary interview

3.1.7 Faith-Based Giving

Faith-based philanthropy in Southern Africa is rooted largely in principles of Christianity as the region's dominant religion, and driven by large-scale individual and institutionalized giving.

Christianity is the dominant religion in most of the focus countries, with about 80% of the population in the region following the religion[76]. Most churches tend to adhere to the biblical principle of tithing, which enforces a 10% mandatory contribution from an individual's gross income. In South Africa, support to churches is the second most important causes supported by around 50% of population in 2018[77]. In Zambia, a declared Christian country, the Joint Country Program (JCP) of Christian Aid was established almost a decade ago (in 2011) along with Dan Church Aid and Norwegian Church Aid to manage the structural barriers to development and protect the human rights for all Zambians. Such large scale programs are managed by local civil society organisations (CSOs) such as Council of Churches in Zambia (CCZ) and the Zambia Conference of Catholic Bishops (ZCCB) (previously known as the Zambia Episcopal Conference).

Faith Based Organisations (FBOs) in the region play a critical role in addressing critical developmental challenges such as skill development, health, and poverty in the focus countries.

Unemployment has been besetting the economic growth in several focus countries, especially South Africa, Botswana, Zambia and Angola. Along with other social investors such as corporate foundations and international foundations, faith-based organisations also focus on addressing these issues across different countries in Southern Africa. For instance, in South Africa, the Motsepe Foundation and the 33 Religious and FBOs have been working together for several years and established a "job creation fund" to create sustainable jobs and provide skills and training to youth. FBOs have played an instrumental role in advancing development in Zambia and reaching places that are challenging and the government has not effectively reached. FBOs can potentially play an important role in HIV prevention throughout the region because of their focus on health care provision and deep operational reach into rural areas.

SPOTLIGHT: THE ROLE OF FAITH IN FINANCING SDGS – INSIGHTS FROM A SESSION AT SANKALP AFRICA 2020 SUMMIT

During the recently concluded Sankalp Africa summit, key stakeholders from various religious affiliations were brought together to discuss the role played by the church in the financing of the SDGs and discuss potential innovative strategies going forward. It was clear that there is an increasing shift in the way religious institutions are financing social good. Pope Francis,for example, advocates for an impact investment strategy for the Catholic Church; Jewish Law instructs followers to provide loans to those in need to build up their capacity for growth rather than to give gifts; and the Zakat Fund (an Islamic form of philanthropy that obligates eligible Muslims to donate at least 2.5 percent of their accumulated wealth to charitable causes.). Faith-based institutions play a critical role towards the achievement of SDGs. Pooled funds under the Zakat Fund, for example, had been used to support farmers in Kenya to purchase inputs (seeds) while the Jewish community ran agricultural centres, which gave extension services to farmers.

Key takeaway from the session was that more structured mechanisms need to be formulated to tap into the vast resources held by the religious institutions towards the financing of the SDGs.

3.2 SOCIAL INVESTOR ROLES IN THE CONTINUUM OF SOCIAL IMPACT CAPITAL

The different social investors play different roles across the continuum of capital and present significant potential to scale impact. Donors, international foundations and governments have a medium to high-risk tolerance and can be leveraged for catalytic capital attracting more funding from SFMs and DFIs with low-risk tolerance. The continuum of capital presents immense opportunities for collaboration amongst the investor categories. Innovative finance, however, has currently not been fully leveraged amongst the investor categories, particularly the regional social investors.

[76] Except Mozambique where around 56% follow Christianity, 18% follow Islam, and the remaining other/ no religion
[77] South Africa Giving, Charities Aid Foundation, 2019

Table 8: Social Impact Potential by Social Investor Category

Social Investor Category	Capital Scale (US$)*	Type of Capital deployed	Patient Capital?	Innova-tive Finance?	Risk Tolerance	Geographic Reach	Dominant Sectors	Potential for Social Impact
Development Finance Institutions (DFIs)	Billions	Equity Debt Guarantees	LIMITED	✓	Low	**Moderately Concentrated** (South Africa, Zambia, few large deals in Mozambique)	Financial Services, Energy, Agriculture and Food	Large capital base can be used to catalyse more innovative finance structures in more sectors Longer term financing to cover short term financing by SFMs, corporate social investors
Sustainability Aligned Fund Managers (SFMs)	Hundreds of Millions	Equity Debt	LIMITED	LIMITED	Low	**Moderately Concentrat-ed** (South Africa)	Financial Services, Health, Agriculture and Food	Through engaging with grant makers using innovative finance structures
Family Foundations (North America and Europe HQ)	Hundreds of Millions	Grants Debt Equity	✓	✓	Medium - High	Across all countries	Education, Health	Large capital base, flexible, can drive innovative finance e.g. payment of outcomes for social impact bonds
Family Founda-tions (Southern Africa HQ)	Hundreds of Millions	Grant Debt	✓	✗	Medium - High	**Highly concentrated** (South Africa)	Education, Health	Limited capital but opportunity to lead local venture philanthropy practice
Corporate Social Investors	Hundreds of Millions	Grants (Primarily) Equity, Debt	✓	LIMITED	Medium - High	**Highly concentrated** (South Africa)	Education, Health, Community Development	Potential to mainstream impact through corporate sustainability
Faith-Based Giving	Hundreds of Millions - Billions	Grants	✓	✗	Medium - High	Across all countries	Education, Health	Large capital base and geographic reach, enormous catalytic capital potential
Angel Investors	Tens of Millions	Equity Debt	✗	✗	High	**Highly concentrated** (South Africa)	Fintech, Software & ICT, Consumer Goods	Supporting early stage commercial social enterprises
Government Schemes	Hundreds of Millions	Debt Guarantees	LIMITED	✓	Medium	**Moderately Concentrated** (South Africa, Zambia, Mozambique)	Agriculture and Food, Economic Empowerment/Entrepreneurship/SMEs	Large capital base, can be leveraged for innovative finance like SIBs
Donors	Billions	Grant Debt	✓	✓	Medium - High	Across all countries	Agriculture and Food, Health	Large capital base can be used to catalyse more innovative finance structures in more sectors e.g. in form of DIB

Billions · Hundreds of Millions - Billions · Hundreds of Millions · Tens of Millions

LIMITED Limited · ✓ Yes · ✗ No · High · Medium - High · Medium · Low - Medium · Low

Financial Services · Energy · Agriculture and Food · Health · Education · Economic Empowerment/Entrepreneurship/SMEs

Consumer Goods · Community Development · Software & ICT · Fintech

**Capital Scale = range of capital deployed annually in the region as a group.*

04

04

DEMAND FOR SOCIAL CAPITAL IN SOUTHERN AFRICA

The lack of innovative capital in the region continues to strain the growth of the entrepreneurship ecosystem.

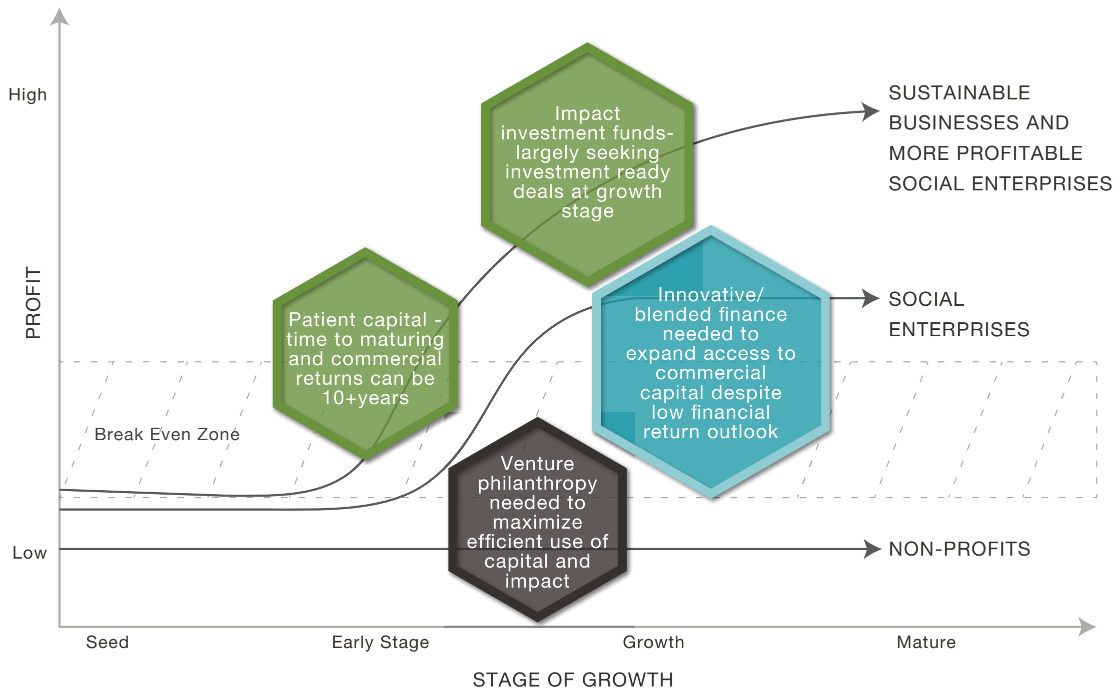
In South Africa, only 7% of the population is engaged in entrepreneurship, compared to 25% entrepreneurship rate in other countries on the continent[78]. This is partly due to financing challenges facing young entrepreneurs, with the majority of them opting to seek employment in the formal sector. The persistently high unemployment rate in the country, however, necessitates more funding to be directed towards building enterprises that can result in job creation. In Zambia and Mozambique,most businesses are in the early-stages with very few venture-stage or mature businesses. For these businesses, the traditional financial service providers (banks, MFIs) are the primary sources of capital. Yet, these providers impose high collateral requirements and interest rates that hinder the businesses from accessing the capital, thereby limiting the growth of such enterprises. Further, as highlighted in previous chapters, the supply of capital for the early-stage businesses is low, with only a handful of deals recorded at the pre-seed and seed level.

Declining funding for the non-profit sector from international sources is necessitating the development of more sustainable and innovative financing mechanisms for NGOs.

Non-profits/non-governmental organisations (NGOs) across the region rely almost exclusively on funding from international sources. Besides, the available funding has primarily been focused on supporting programmatic interventions with significant funding gaps identified for capacity building and general administration support to the NGOs. These challenges, augmented by the absence off funders' approach to providing longer-term support to NGOs, hinder the effective implementation of social and developmental programs by the NGOs. There is thus a need to leverage more sustainable approaches, such as venture philanthropy, for deploying both local and international capital to non-profits. Such approaches can create significant social impact by providing long-term funding and support.

Venture philanthropists can leverage the core strengths of non- profit organisations including reach into rural areas, broad community networks and understanding of local context while addressing their capacity challenges particularly in financial management, strategic planning and impact measurement in order to scale the impact created by their capital.

Figure 34: Type of financing requirements for various types of organisations at various stages of growth



Social enterprises and non-profits have different capital needs throughout their growth stage, with many of these not being met by traditional financing structures, as highlighted in the previous paragraphs.

This calls for usage of venture philanthropy and innovative financing structures in the region, as shown in the diagram above.

4.1 TRENDS AND DEVELOPMENT IN THE SOCIAL ENTERPRISE AND START-UP LANDSCAPE IN THE REGION

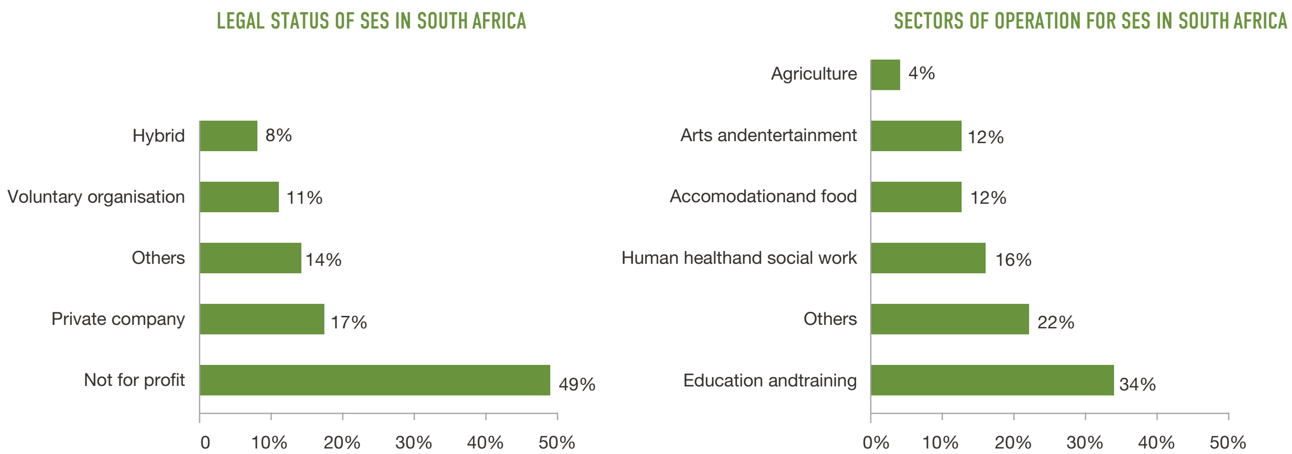
The Southern Africa countries are at varying stages of growth in regards to the social enterprise (SEs) ecosystem.

South Africa has one of the most vibrant social enterprise ecosystems in the region, with over 33,700[79] social enterprises currently operating in the country. A significant proportion of these enterprises operate as non-profits, majorly working at the community level and focusing on education, health, accommodation and food security sector. Data on the number and profiles of SEs in Zambia and Mozambique remains inadequate. However, according to a World Bank report[80], only a small number of organisations in Zambia fit the definition of social enterprise. The social enterprises currently operating in Zambia are primarily working in the energy and health sectors, while faith-based SEs[81] are particularly active in the health sector.

Although only a small proportion of the population is engaged in entrepreneurship, South Africa has maintained its position as the top start-up[82] ecosystem in Africa, with several innovative businesses focused on solving development challenges, particularly in the financial inclusion space.

South Africa is among the best-placed countries for the start-up ecosystem in Africa, ranked 52 in the Start-up Ecosystem Ranking[83] 2020. The country boasts of a well-developed ecosystem comprising of investors, accelerators, incubators, and other support agencies. Cape Town, which is home to 60% of all South African start-ups, is amongst the top 150 cities, ranked 146; while Johannesburg leaped 88 spots as compared to 2019, and is ranked 160[84]. In Africa, these two cities were ranked 3rd and 4th, respectively[85]. Cape Town remains an important hub for financial services, retail, and tourism and has experienced significant progress with the emergence of technology-based solutions such as mobile payment apps and online learning platforms. Johannesburg's start-up ecosystem has become financial inclusion hub with 30% of the start-ups in the city operating in fin-tech space. Only two other countries in the region - Botswana and Zambia appeared in the 2019 ranking at the position 90 and 92 respectively but did not feature in the 2020 ranking[86], an indication of the nascent start-up ecosystem in the region.

Figure 35: Legal status and sectors of operation for SEs in South Africa, 2018



Source: Gordon Institute of Business Science, South Africa: SE report, 2018

79 GIBBS: Social Enterprises in South Africa Report, 2018

80 World Bank: Emerging Social Enterprise Ecosystems in East and Southern Africa countries, 2017

81 Refers to Faith Based Organisations who serve the community based on religious motivations and with the objective to increase social and environmental impact.

82 Some startups are classified as Social Enterprises; detailed segmentation and classification of the same however does not exist

83 Startup Ecosystem Ranking Report, 2020, Startup Blink

84 Startup Ecosystem Ranking Report, 2020, Startup Blink

85 Startup Ecosystem Ranking Report, 2020, Startup Blink

86 Startup Ecosystem Ranking Report, 2020, Startup Blink

Figure 36: Global and Africa Start-up ecosystem ranking

START-UP ECOSYSTEM RANKING, 2019

	AFRICA RANK	GLOBAL RANK
South Africa	1st	51st
Kenya	2nd	52nd
Nigeria	3rd	56th
Egypt	4th	60th
Rwanda	5th	64th

START-UP ECOSYSTEM RANKING, 2020

	AFRICA RANK	GLOBAL RANK
South Africa	1st	52nd
Kenya	2nd	62nd
Rwanda	3rd	65th
Nigeria	4th	68th
Egypt	5th	81st

Source: Startup Blink – Startup Ecosystem Ranking report

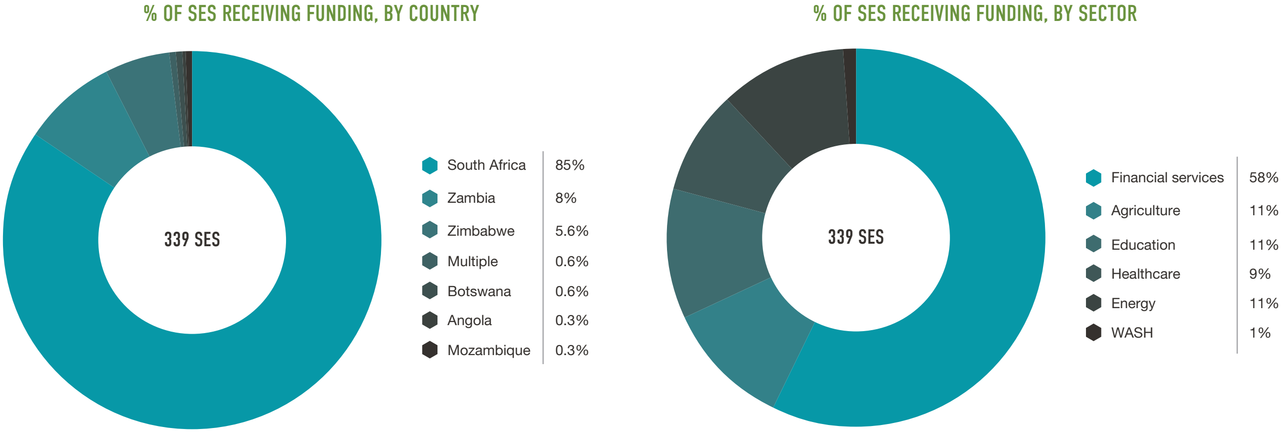
> *Social investors in the region prefer funding for-profit social enterprises with a proven business model, particularly in the financial services sector.*

The digital era has resulted in a fundamental shift in the economy of Southern Africa, resulting in the upsurge of enterprises using technology for addressing the social and environmental challenges. Our research identified over 339[87] social enterprises in the region that received funding from social investors between 2015 and 2019. Most of these enterprises focused on addressing challenges in financial inclusion, healthcare and education sectors.

Further, as highlighted in earlier chapters, the number of deals decreased significantly between the <US$ 0.1Mn and US$ 0.5-1Mn ticket sizes indicating challenges in accessing finance for scaling up businesses.

[87] SEs where deals (debt, equity) were mapped by research team as covered in previous sections of this report

Figure 37: Overview of social enterprises that received funding, By Country and By sector (2015-2019)

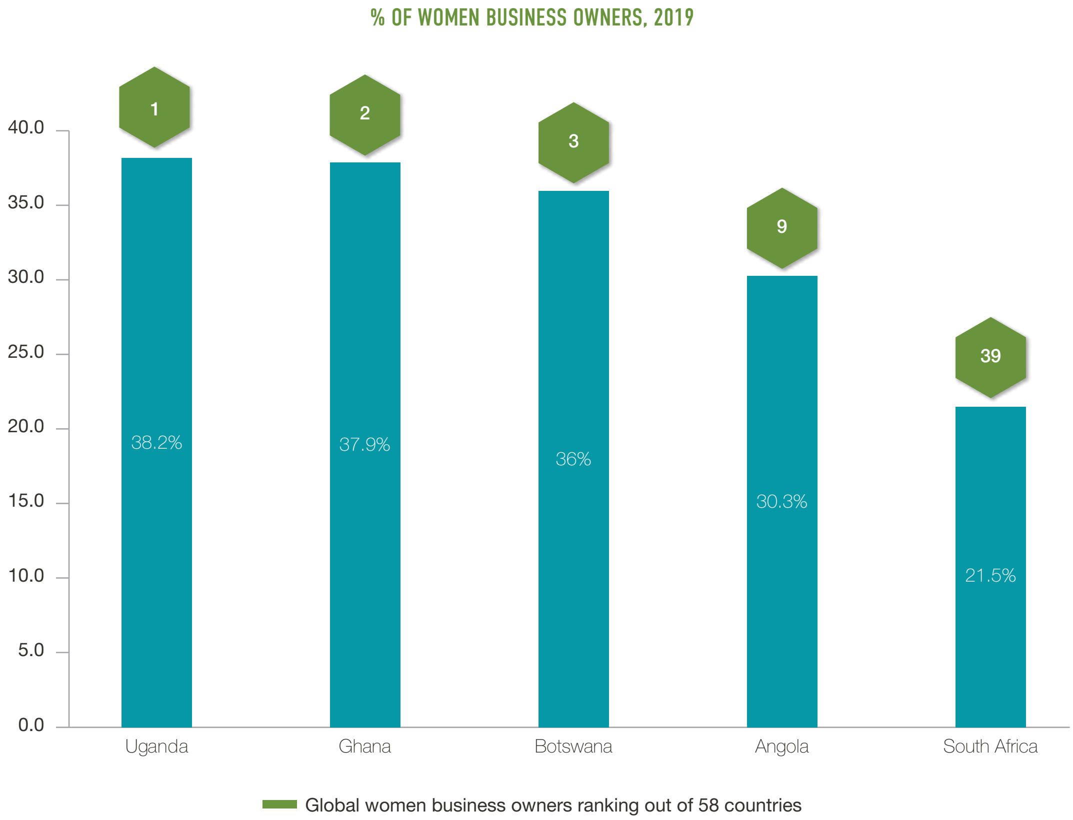


Source: Intellecap Analysis based on transaction/deal data collected

Women-led enterprises, especially in the technology domain, are increasing; however, they continue to face more challenges when compared to their male counterparts.

Southern Africa, like other regions in the continent, is observing a slow but increasing growth of female-run businesses with Botswana and Angola ranked top 10 in the global ranking of women entrepreneurs in 2019[89]. Approximately 36.0% and 30.3% of businesses were owned by women in these two countries, respectively[90]. However, similar to other parts of the world, women-led and owned enterprises in the focus countries are strapped for funds in comparison to male businesses with male-owned enterprises receiving six times more capital than female-owned enterprises in South Africa[91]. According to a study by VentureBurn, only 4.5% of all disclosed tech start-up deals by VCs and angels in South Africa went to women-led start-ups in 2019[92].

Figure 38: Top African countries in the global ranking of women business owners, 2019



NB: Other focus countries did not appear in the ranking
Source: MasterCard Index of Women Entrepreneurs

[88] Data collection methodology section in Chapter 3
[89] The MasterCard Index of Women Entrepreneurs, 2019
[90] The MasterCard Index of Women Entrepreneurs, 2019
[91] World Bank: Profits from parity – unlocking the potential of women's businesses in Africa
[92] VentureBurn Article: What percentage of VC and angel investing goes to SA startups with women founders, 2019

The small market size and low purchasing power in some focus countries create challenges for growth and scale-up of social enterprises and sustainable businesses.

Except for South Africa and Angola, the other focus countries have a relatively smaller size of the economy. These countries also have low purchasing power and high poverty levels. Zambia and Mozambique, for example, have a per capita income less than that of the average for Sub-Saharan Africa[93]. In the same vein, the population living below the poverty line is as high as 58%[94] in Zambia and 46%[95] in Mozambique. Enterprises that engage in providing non-essential services or products cannot survive in such socio-economic conditions as the purchasing power for such services and products is very limited. This indicates a need for hybrid financing and operating models in these countries for achieving the SDGs.

A significant proportion of the enterprises have sprung up out of necessity and lack innovation resulting in high failure rate.

With the burgeoning issue of unemployment that the region is facing - the youth unemployment rates are as high as 21% in Zambia and 56% in South Africa[96]. - youths have been establishing social enterprises/start-ups to earn an income and support their livelihoods. Business models of such enterprises however, have minimal innovation and result in many similar types of businesses competing with each other. Without a competitive edge, such businesses are not able to scale and fail within the first few years of their establishment. In South Africa, for example 70-80% of the businesses fail in the first 3 years and only about half survive in the next five years[97]. In Zimbabwe, small businesses and startups account for 94% of the total businesses. Still, they contribute only 15% to the country's economy because of the high failure rate in the first five years of establishment[98].

SOUTH AFRICA	ZIMBABWE
85-90% of enterprises in South Africa fail within the first five years	Small businesses make up 94% of total businesses and only contribute 15% to the country's economy due to high failur rate
Source: OECD financing SME's and entrepreneurs 2020	*Source: Barbra sibanda walden university - sustainability of small businesses in Zimbabwe*

A large amount of aid money in key social sectors makes it difficult for profit-making SEs/Start-ups to scale business models that can compete with subsidized products and services in those sectors.

Owing to the high poverty levels in Zambia (57.5%) and Mozambique (62.9%) as well as frequent natural disasters facing these countries, donors continue to play a vital role in providing aid for solving development challenges, particularly in the health, agriculture, energy, and education sectors. Most of this funding is in the form of grants to non-profits, which provide the related products and services either at subsidized rates or for free. In such cases, for-profit social enterprises/ start-ups find it very difficult to compete with the NGOs in a financially sustainable manner. This reiterates the need for hybrid models to support the development of the NGOs and social enterprises in such less developed markets.

4.1.1 CHALLENGES FACED BY SOCIAL ENTERPRISES IN THE REGION

Social enterprises in the region face multiple challenges that hinder their scale-up with most failing within the first few years of establishment, as previously highlighted. Some of the critical demand, supply and ecosystem challenges facing enterprises are discussed below;

Figure 39: Top challenges to the growth of social enterprises in Southern Africa

KEY CHALLENGES FACED BY SOCIAL ENTERPRISES		
Poor macroeconomic performance	Inadequate access to funding sources	Lack of recognition of social enterprises in policies and regulations
Limited access to information, networks and support infrastructure	Poor understanding of sophisticated financial terms and lack of tailored financial products	Inadequate and costly infrastructure

[93] World Bank Development Indicators, 2018
[94] World Bank Development Indicator
[95] World Bank Development Indicator
[96] World Bank Development Indicator
[97] Organisation for Economic Cooperation and Development (OECD): Financing SMEs and Entrepreneurs, 2020
[98] Sustainability of Small Businesses in Zimbabwe During the First 5 Years,, Barbra Sibanda Walden University, 2016

a) **Macro-economic challenges plaguing the growth of SEs/start-ups:** Several focus countries in the Southern Africa region have faced poor macro-economic performance due to factors such as natural disasters, over-dependency on the oil and mining industry, currency depreciation, and insurgency, among others. In Zambia, for example, economic growth has slowed in the past years due to the reduction in mining activities, in turn resulting in the decrease in export credits for the country. Mozambique recently suffered from a debt crisis and cyclones Idai and Kenneth in 2019, which had devastating effects on its economy. The country has also been facing a growing insurgency. Angola, on the other hand, is still suffering the effects of lower oil prices and production levels. These macro-economic challenges significantly impact the performances of businesses in the region.

b) **Inadequate access to funding sources:** Other than in South Africa, domestic credit provided to the private sector as a proportion of GDP remains lower than the SSA average[99]. This means that small businesses are often locked out of the formal financial system, given the inherent challenges associated with lending to such businesses. Interest rates are also significantly high in some countries - 19% in Mozambique and Angola and 16% in Zimbabwe in 2019[100]. Social enterprises continue to rely on donations/grants, particularly from corporate and corporate foundations in South Africa and donors in Zambia and Mozambique.

c) **Lack of recognition of the concept of social enterprises:** None of the focus countries has policies and structures explicitly regulating social enterprises. The closest structure to an SE that exists in South Africa is a Non-Profit Company (NPC)[101]. NPCs can qualify as Public Benefit Organisation (PBO) and thus can be eligible for tax incentives. In Zambia and Mozambique, SEs can either register as NGOs or as businesses. Clearly defining and developing regulatory frameworks for SEs, as has been the case in developed countries like the United Kingdom,fosters multiple benefits for the SEs.

d) **Limited access to information, networks and support infrastructure:** Similar to other SSA regions, ecosystem support for social enterprises is concentrated in major cities – Cape Town and Johannesburg in South Africa, Lusaka in Zambia and Maputo in Mozambique. Rural based enterprises thus face challenges accessing the information on funding opportunities, networking with potential investors, and capacity-building support. Further, most of the ecosystem support is primarily geared towards tech-based enterprises.

e) **Poor understanding of sophisticated financial terms and lack of tailored financial products:** Understanding of financial terms and instruments such as mezzanine debt, equity and blended finance remains low among social enterprises. Additionally, investors haven't developed many customized financing products that can mobilize more capital for these enterprises.

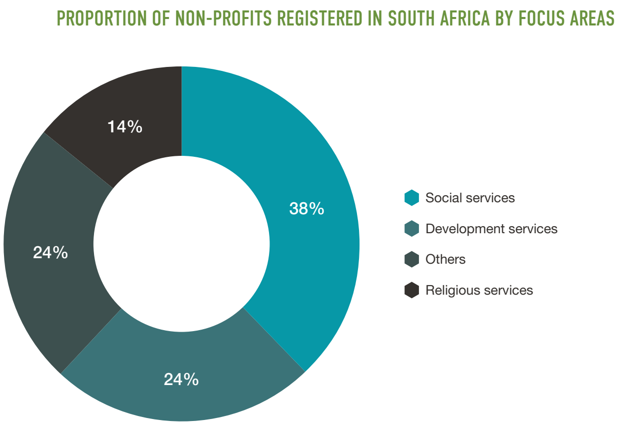
f) **Inadequate and costly infrastructure:** While South Africa has more advanced infrastructure compared to other countries in the region, the cost of accessing electricity and telecommunication services still remains quite high. For example, the country has one of the most expensive internet in the world, with an average price of 1GB data at US$ 4.3 compared to US$ 1.1 in Kenya and US$ 1.4 in Nigeria. The internet cost is also quite high in the other focus countries; US$ 13.9 in Botswana, US$ 5.3 in Angola, and US$ 3.3 in Mozambique[102].

4.2 TRENDS AND DEVELOPMENT IN THE NON-PROFIT LANDSCAPE IN THE REGION

The non-profit sector across the focus countries plays an integral role in solving societal and development challenges evident through an increase in the number of NGOs over the recent years.

In South Africa, voluntary community- based organisations make up 93% of the non-profit sector while non-profit organisations and trusts make up the rest[103]. NGOs play a crucial role in driving the development agenda of the country and have been highlighted as key government implementation partners in the country's 2030 National Development Plan. Notably, the NGOs have played a significant role in promoting the quality of education in the country. Most of the non-profits registered in the country operate in social services sector, such as education, health and employment sector.

Figure 40: Proportion of non-profits registered in South Africa by focus area



Source: USAID/FHI: CSO Sustainability Index report, 2018

[99] World Bank Development Indicators: Domestic Credit to the private sector as a proportion of GDP

[100] World Bank Development Indicators, 2019

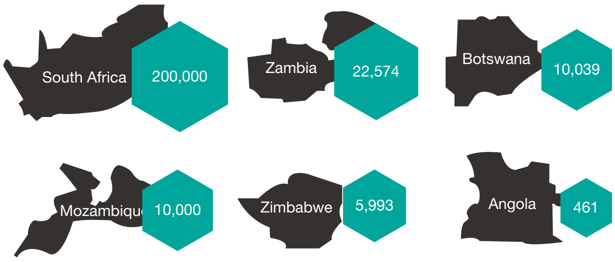
[101] An NPC is defined in South African law as "a company incorporated for public benefit or other object relating to one or more cultural or social activities, or communal or group interest".

[102] Cable.co.uk: Worldwide Mobile data pricing

[103] USAID/FHI: CSO Sustainability Index report, 2018

In Zambia and Mozambique, NGOs/Civil Society Organisations (CSOs) operate with limited support and engagement with the government and primarily focus on areas such as advocacy, provision of health services (particularly HIV/AIDs) and economic empowerment. With low number of social enterprises active in these countries, NGOs/CSOs remain a critical stakeholder for solving societal and development challenges. The number of CSOs has been growing in the region. An estimated 20,000 – 30,000 CSOs are registered in South Africa annually while the number of CSOs grew by more than 85% between 2017 and 2018 in Zambia[104].

Figure 41: Number of CSOs registered across the focus countries, 2018

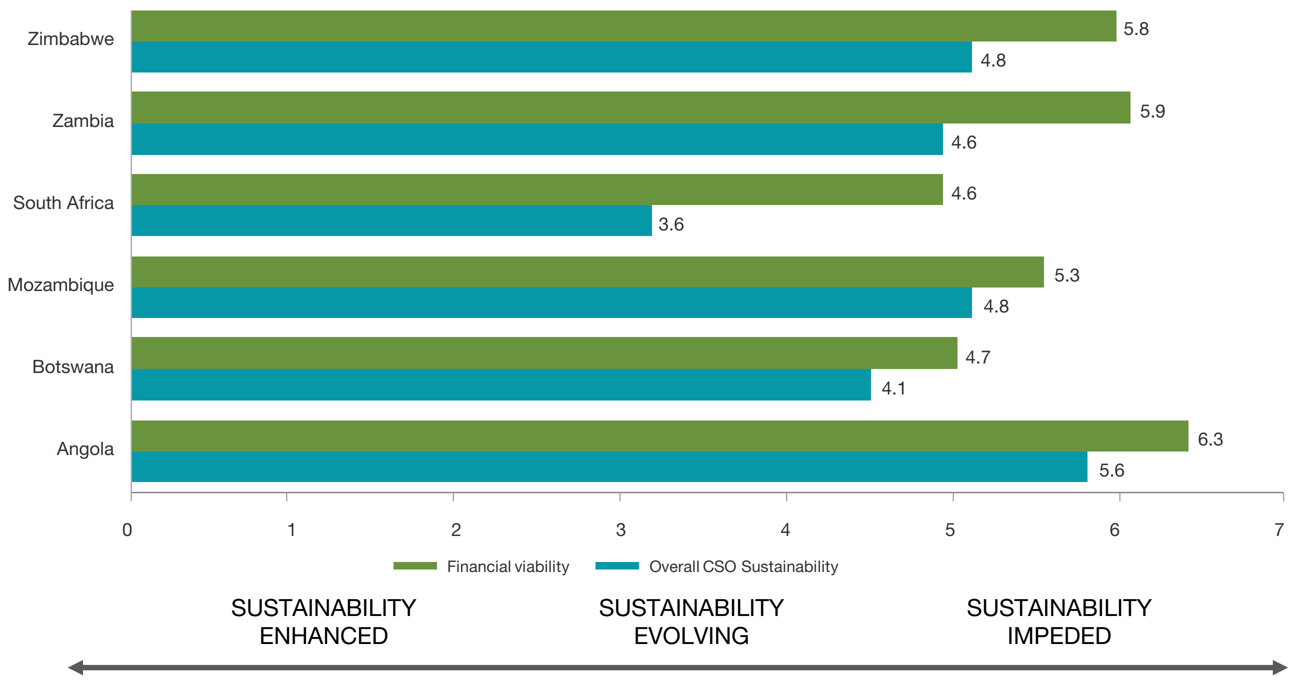


Source: Civil Society Organisation Sustainability Index, 10th Edition, 2019

The overall CSO sustainability index across most of the countries has shown minor improvements; the financial viability score has, however, been deteriorating for most of the countries.

The CSO sustainability index measures the performance of CSOs in seven key dimensions including; legal environment, organisation capacity, financial viability, advocacy, service provision, sectoral infrastructure and public image. CSOs' financial viability has deteriorated in Zambia, Mozambique, Zimbabwe, and Angola due to declining support from donors who are their main funders in these countries. In Zambia, the shift in the country's status to lower middle income has seen several donors reducing their funding to the country with major donors such as Embassies of Norway and the Netherlands closing their funding programs completely. The same was the case in Mozambique, where several non-profits closed in 2018 due to reduced foreign funding. High dependency on donors prevents CSOs from quickly responding to emerging needs as donor funding usually has limited flexibility.

Figure 42: CSO Sustainability score, 2018



Source: FHI 360/USAID CSO Sustainability report, 2018
NB: 7 is the maximum positive score given by the index

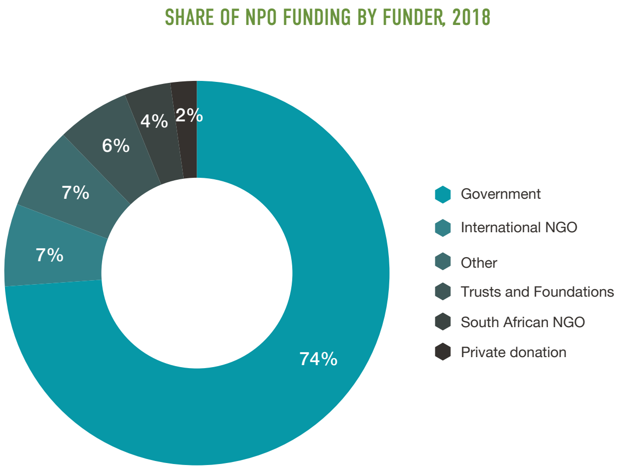
Unlike in other countries, the government is a key partner for NGOs in South Africa, not only providing the largest proportion of funding for NGOs but also providing capacity-building support.

The government's funding to the non-profit (NPO) sector in South Africa not only accounts for the largest proportion of funding but has also been exhibiting an increasing trend over the past years. Government funding stood at 74% of total NPO funding in 2018, a substantial increase from 39% in 2012[105]. Governments, however, rely largely on international capital from donors and international foundations to fund the activities of the NPOs. Post the

[104] USAID/FHI: CSO Sustainability Index report, 2018
[105] NPO Accountability in a disconnected and divided South Africa, 2018

apartheid period, a significant amount of international funding was redirected away from the non-profit sector and towards the government agencies through bilateral aid. The government then leverages this funding to fund non-profits. In addition to being the main source of funds, the government also supports organisational development through training workshops and other capacity building initiatives delivered through the Department of Social Development (DSD).

Figure 43: Share of NPO funding in South Africa by funder, 2018

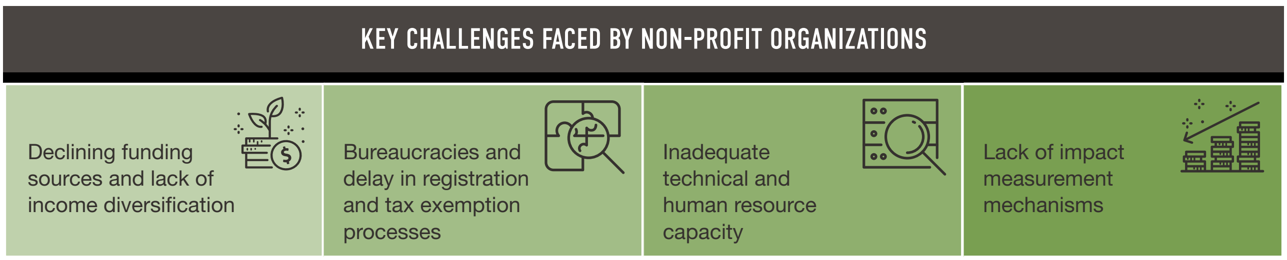


Source: NPO Accountability

4.2.1 CHALLENGES FACING NON-PROFITS IN THE REGION

The Non-profit sector in the focus countries faces multiple challenges in various areas, including; funding, institutional technical and human capacity, and legal and regulatory challenges.

Figure 44: Key challenges faced by Non-profits



a) **Declining funding sources and lack of income diversification:** As indicated previously, CSOs in most of the focus countries are facing challenges in seeking funding as the biggest proportion of their funding comes from international sources – majorly donors. Local philanthropic organisations such as family foundations and trust and corporate social investors were active investors for the CSOs and NGOs only in South Africa but also to a limited extent. Trusts and foundation, for example, only accounted for 6% of CSO funding in South Africa[106]. The decline in the financial viability score for CSOs and NGOs in most of the focus countries indicates their increased vulnerability. While certain regulations in these countries allow NGOs to participate in income-generating activities, they lack skills to do so and thus shy away from the same. Further, the NGOs are allowed to bid for government contracts in many countries in the region, but they rarely do so, assuming that they have no chance of winning the contracts.

b) **Bureaucracies and delays in the registration and tax exemption processes:** CSOs in most countries cite challenges and bureaucracies in the legal processes, particularly in the application for registration and tax exemptions. In Zambia, for example, it is reported that while the law provides for exemptions on excise duties, value-added tax, and income tax for all non-profit making entities, it is mostly international CSOs that are able to receive the exemption. Local CSOs lack access to required information on the process and are unable to get such exemptions. In Mozambique, on the other hand, CSOs registered as public utility institutions receive tax exemptions and deductions on income from grants, but only 5%[107] of CSOs in the country have public utility status as most organisations are not aware of this possibility or are overawed by the intricacies of the application process.

c) **Inadequate technical and human resource capacity:** High staff turnover is a major challenge for CSOs across all the focus countries. Only well-resourced national and international CSOs are able to retain qualified staff with smaller and less-resourced CSOs, often losing their staff members to the government and private sector, which offers better remuneration and job security. Declining funding from donors has also resulted in CSOs not being able to maintain adequate human resources or pay them well and thus primarily rely on volunteers. Most CSOs identify inadequacy of staff in technical areas such as leadership, financial management, monitoring and evaluation, and project management as a key challenge for their growth and sustainability.

d) **Lack of impact measurement mechanisms:** While most local NGOs/CSOs continue to have a positive impact on their communities, they rarely develop mechanisms to measure and manage the impact generated. Only a few large local NGOs/CSOs review their programs regularly and engage independent evaluators to assess their impact either voluntarily or at donors' directive.

[106] NPO Accountability in a disconnected and divided South Africa, 2018
[107] USAID/FHI: CSO Sustainability Index report, 2018

05

05

ENABLING ENVIRONMENT FOR SOCIAL INVESTMENT IN SOUTHERN AFRICA

5.1 OVERVIEW OF THE POLICY AND REGULATORY ENVIRONMENT FOR SOCIAL INVESTMENTS IN THE REGION

Overall, the Southern Africa region boasts of a stable business and investment regulatory environment making it an attractive destination for investments.

South Africa, Zambia, and Botswana are among the top 10 African countries in terms of ease of doing business ranking. These countries are particularly ranked high in regulations and guidelines of protecting minority investors, paying taxes, and resolving insolvency.

Figure 45: Ease of doing business ranking, 2020

Source: World Bank Ease of Doing Business Rank, 2020

Existing regulations in some of the countries, however, hamper the growth of social investments.

While the overall investment environment in the region has been deemed favorable, some investors, particularly in Zambia, highlighted challenges such as high and double taxation and the need to get approval from Central Bank before deploying international funding in the country. In Mozambique, investors are not allowed to invest as a consortium unless they form a financial institution; this is a significant barrier that discourages co-investments.

"Taxes are high in Zambia, while the formal taxpayers base is low which strangles capital".

SFM in Zambia

"The major roadblock in Mozambique is existing laws around investment – one can make a direct investment in business, however for a consortium, you need to become a financial institution"

ESO in Mozambique.

South Africa has made notable progress in developing regulatory frameworks to boost the supply of social capital -it can provide benchmarks for other countries.

Overall, the region lacks overarching frameworks for social investments, particularly in impact investing and venture philanthropy. South Africa has, however, put in place regulations to encourage Environmental, Social and Governance (ESG) based investments. These include; the Code for Responsible Investing in South Africa (CRISA) providing guidance on how to incorporate effective governance in executing investment analysis and activities, the Pension fund regulations that promote consideration of ESG factors in investment facilitation, as well as the Venture Capital Company (VCC) tax regime seeking to mobilize local capital from corporates and trusts.

Further, CSR activities in the country are formalised under CSR policy that requires companies particularly listed on the Johannesburg Stock Exchange (JSE) to implement a triple bottom approach. Besides, the BBBEE Act of 2003 requires companies to spend 1% of their net profit after tax on CSR activities. There are no mandatory CSR regulations in Zambia and Mozambique, and while CSR activities have been recorded particularly in the mining and oil sectors, these are at the discretion of the companies.

Across the focus countries, there is a lack of specific regulations on the registration and operation of social enterprises.

In South Africa, while a dedicated legal structure for social enterprises does not exist, the current structures allow for significant flexibility where SEs can either register as a non-profit or for-profit business. Non-profits in the country need to apply for non-profit organisation (NPO)[108] or public benefit organisation (PBO)[109] status to gain benefits such as tax exemptions. Hybrid structures are also allowed in South Africa. An organisation operates dual for-profit and non-profit models to reconcile conflicts between sources of funding associated with the two legal structures. For-profit SEs can also easily access funding

SPOTLIGHT: CSR POLICIES IN SOUTH AFRICA

South Africa has a well-established CSR policy, according to which all the listed companies on Johannesburg Stock Exchange (JSE) and all other big players, are required to implement a triple bottom line approach. This has driven large corporate contributions particularly in the education sector. Moreover, there are regulations around Broad-based Black Economic Empowerment (BBBEE) to manage imbalances cause by Apartheid. According to the BBBEE Act, companies need to spend 1% of net profit after tax, and at least 75% of the CSR activity to benefit historically disadvantaged South Africans referred to in the Act. As of 2017, the value created for charitable recipients through BEE deals including community trusts, existing charities and newly established foundations was almost US$ 3 billion (51.6 billion Rand). Nearly US$ 1.9 billion (32.6 billion Rand) is held by foundation established as a result of BEE deals that will support charitable activities on a perpetual basis; and US$ 1.1 billion (19 billion Rand) has been generated in contributions to public benefit beneficiaries.

However, the BBBEE regulations presents a number of challenges and barriers for multinational corporations e.g. multinationals loose on B-BBEE scorecard points when there is no black ownership. Some companies have also been reported to use black people to front for BBBEE status.

under the B-BBEE provided they meet the set turnover threshold and have majority black ownership. Given the low levels of recognition and acceptance of the SE concept in the other focus countries, the legal frameworks for SEs are non-existent.

> *Tax incentives have been established to encourage local giving; however, bureaucratic and lengthy processes discourage organisations from applying for the same.*

In South Africa, tax benefits are given to individuals and organisations donating to a registered PBO through tax deductions and exemptions (usually between 20-25% of total donation). Further, the country set up the Venture Capital Company (VCC) tax regime, which gives up-front tax deduction to companies and trusts to motivate domestic investments. The VCC aims to invest in SMEs in South Africa, addressing the large funding gap for SMEs in the country.

DIFFERENCES BETWEEN THE FOR-PROFIT AND NON-PROFIT LEGAL FORMS FOR SOCIAL ENTERPRISE

A for-profit structure gives SE flexibility in terms of funding sources and private ownership. It is, however, likely to face challenges in accessing charitable donations and grants, which are vital in the formative stages of the business. Further, they are not exempt from taxes. On the other hand, SEs with non-profit structures are tax-exempt and can easily attract donor funding, while revenue/profit has to be re-invested into the business. They are however, more restricted by ownership and governance regulations.

[108] NPO status enables the SE to obtain funding from the state and other charitable foundations.

[109] PBO status grants tax exempt status to the approved activities of the PBO

Table 9: Overview of existing 'Tax Incentives for Philanthropy/Charitable giving' across the focus countries

SOUTH AFRICA	ZAMBIA
Individuals and corporations may deduct up to 10% of their taxable income for donations to PBO	Any goods purchased for use in donor-funded projects are zero-rated for VAT
100% tax deduction on the amount invested in the Venture Capital Company (VCC)	PBO and educational institutions of a public character are exempt from tax
	15% tax deduction on donations made by individuals and corporations to eligible organisations
MOZAMBIQUE	**ANGOLA**
VAT exemptions for non-profit organisations or public entity services and goods	Non-profit entities that are considered "Permissible Beneficiaries" (public or private non-profit entities of recognized public interest) are exempt from income tax
No provision for tax exemption or deduction for individual donations	40% of the respective value of the donation made to permissible beneficiaries is deductible from the tax base for corporate tax purposes
Corporate donations up to 5% of taxable income for the prior year may be excluded from income to certain approved social entities	
Corporates are exempt from income expenses incurred in maintaining libraries, schools and medical care	
BOTSWANA	**ZIMBABWE**
Income from any charitable, religious or educational institution or a trust established for public purposes under the category of "company" under the Income Tax Act, is taxable only if it is business income or disposal gains and has not been applied / utilized for public objectives	The tax laws in the country provide tax deductions for donations to charitable organisations. There are however, no exemptions particular to non-profits
Exemption to grants from government under the VAT Act	The country permits deductions for corporate donations to non-profit institutions.
	Deductions for donations up to US$ 100,000 to schools, medical centers, and research institutions are allowed.
	No provision for tax exemption or deduction for individual donations

Source: Charities Aid Foundation – A Global Philanthropy Legal Environment Index

5.2 OVERVIEW OF THE BUSINESS SUPPORT SERVICES IN THE SOCIAL INVESTMENT SPACE

This section outlines the business support ecosystem for social enterprise and non-profits and discusses the impact measurement practices adopted by the various investors.

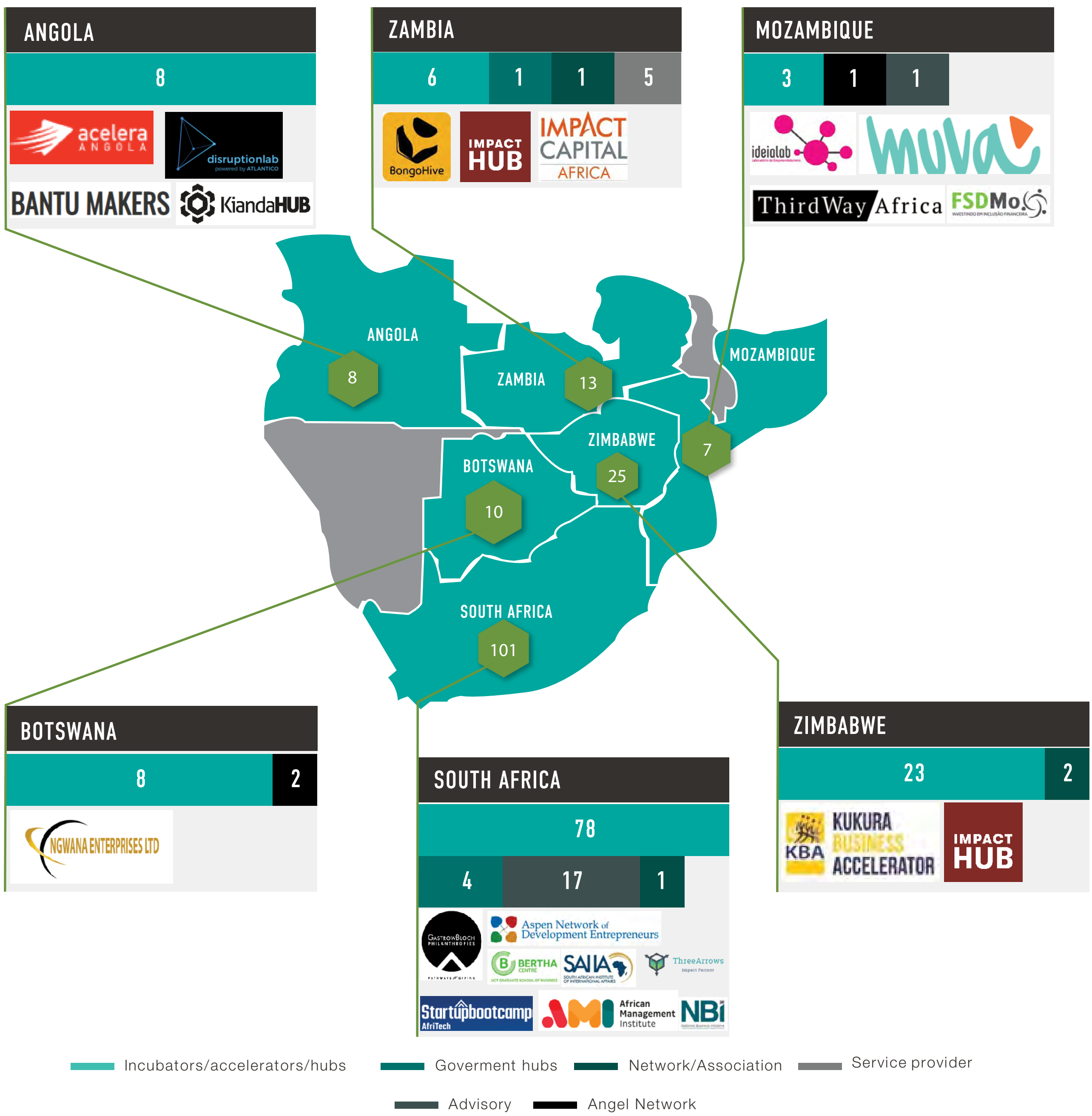
5.2.1 BUSINESS SUPPORT ECOSYSTEM FOR SOCIAL ENTERPRISES

> *Overall, the region has a relatively lower number of innovation hubs in comparison to the other well developed social enterprise ecosystems; these are also concentrated mainly in South Africa.*

Compared to the East and West African focus countries, the Southern Africa region has a relatively lower number of ecosystem support organisations. Zambia, the second-largest impact investing and social entrepreneurship market in the region, has only six innovation hubs. Of the more than 133 hubs operational in the region in 2019, more than 75% were based in South Africa[110]. However, even in South Africa, most of these ecosystem players have their presence and services limited to the urban locations such as Cape Town and Johannesburg, limiting the growth of enterprises in the peri-urban and rural locations.

> *"Innovation hubs are important as they help build the social entrepreneurship ecosystem; there is however, a scarcity of such innovation hubs in Zambia"*
>
> *ESO in Zambia*

Figure 46: Map of ecosystem players in Southern Africa



[110] Building a conducive setting for innovators to thrive, Afrilabs, October 2019

Academic institutions are at the forefront of building the social investment and entrepreneurship sector in the region.

Several universities have established entrepreneurship development centers to provide support to social enterprises/startups at various stages of their development. Most of these centers are funded by corporate and international foundations that focus on improving livelihood opportunities through entrepreneurship development. Some of these institutions, such as the Bertha Centre, have been pioneers in promoting social investments and entrepreneurship in the region as well as on the continent.

> *"The center wanted to contextualize business courses, and conduct research on social innovation models, especially on the pressing challenges in the continent such as those related to health, unemployment. These are the issues that been grappling for a very long time."*
>
> *Bertha Center for Social Innovation and Entrepreneurship*

Figure 47: Sample of education centres promoting social investments and entrepreneurship

BERTHA CENTRE – UCT GRADUATE SCHOOL OF BUSINESS	Gordon Institute of Business Science – University of Pretoria
University of Cape Town's Bertha Center for Social Innovation and Entrepreneurship	University of Pretoria's Gordon Institute of Business Science's (GIBS) Entrepreneur Development Academy (EDA) providing a year-long Social Entrepreneurship Program
UNIVERSITY OF JOHANNESBURG – JBS JOHANNESBURG BUSINESS SCHOOL	UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG
University of Johannesburg's Centre for Entrepreneurship – It is funded by the Raymond Ackerman Academy, Thebe Foundation and Shell Downstream South Africa. It has a Small Business Enrichment Program for more established SMEs	University of Witwatersrand (Wits) providing a Master's Program in entrepreneurship

Most support activities in the ecosystem in the region are geared towards early-stage enterprises leaving a large gap for growth and mature stage companies.

The majority of incubators and accelerators in the region support enterprises at the seed stage and early stage, leaving a void for medium stage enterprises. At the later stages of growth, enterprises require more customized support than what is provided to the early-stage businesses; however, customized support is costlier and challenging to deliver. Some ESOs have recognised the need to support SMEs. The research and advisory service providers such as Three Arrows Impact Partner and NextGen support the funders to get investment ready pipeline. In this process, they also support enterprises in corporate governance, finance management, HR and technical support, among others.

> *"There is need for capital and business support of growth stage businesses as these are largely not catered for by the incubators and other ecosystem support organisations in the country."*
>
> *ESO in Zambia*

Sector-specific practitioner networks and training providers have increased in the last few years.

The region has witnessed a rise in the number of impact investing, social entrepreneurship, and social investing focused Technical Assistance (TA) providers and practitioner networks. These have been at the forefront of building industry knowledge, developing frameworks and influencing policy. Such include; Social Enterprise Academy South Africa (SEASA), UnLtd South Africa, Greater Good South Africa, the Bertha Foundation, and the International Centre for Social Franchising among others. These organisations often have strong international links with global social enterprise organisations and networks. For example, SEASA is an affiliate of the Social Enterprise Academy Scotland, while Centre for Social Entrepreneurship and the Social Economy (CSESE) was launched with support from the ILO. Additionally, Ashoka and Endeavor are also global networking platforms aiming to support the sector. Endeavor, which has been operating in the region since 1997, for example, offers business mentorship support and connects enterprises to international business schools such as Harvard, Stanford, and MIT. The Impact Investing task forces in South Africa and Zambia have also been instrumental in the growth of impact investing sector in the region.

Donors are the main source of funding for ESOs, however, corporates are becoming an alternate source of funding.

While fees for TA providers are mostly paid directly by various investors (corporates, donors, international foundations), incubators and accelerators largely depend on donor/grant funding for implementing specific programs. Corporate funding has also been identified as a major source of funding for the ESOs. A major ESO in Mozambique, for example, outlined that 60% of its funding is from the private sector including banks, oil and gas companies that fund its business incubation and acceleration programs. Likewise, Impact Africa Zambia, and African Management Initiative South Africa also rely on corporates to fund some of their activities.

Three key TA models have emerged, with investors in the region increasingly bundling financial and non-financial support for their investees.

Most of the social investors interviewed as part of the research in the Southern Africa region provide technical support to their potential investee companies. Non-financial support is an integral part of most SFM and DFI deals. Non-financial support is provided through different models – some are high-touch in which the investors provide strategic support and also occupy a board seat. Others are low-touch where need-based TA support is provided to investee companies. Investors provide the support either by using their own team members or by hiring external TA providers; in either case, TA costs are mostly borne by the investors. Most of this support is in terms of general business management, such as understanding financial statements, making financing projections, and ensuring adequate governance mechanisms, among others.

Figure 48: TA Funding Models in Southern Africa

5.2.2 ECOSYSTEM SUPPORT FOR NON-PROFITS AND PHILANTHROPY

Ecosystem support for philanthropy and the non-profit sector is well established in South Africa, but completely nascent in other countries.

South Africa has established several forums, networks, and membership organisations working to boost the philanthropy sector. Such organisations help foster collaboration and networking opportunities for various philanthropists, advocate for favorable philanthropy policies and support in research and data gathering for the sector. While in South Africa, institutions such as IPASA, Resourcing Philanthropy and CAPSI exist, they are almost non-existent in the other focus countries, highlighting a key gap.

Further, the country has seen an establishment of philanthropy advisors who operate as intermediaries between the demand and supply of philanthropic capital. These advisors engage with institutional and individual philanthropists to advise and direct their deployment strategies and deploy the funds on behalf of the philanthropists. This is particularly important for the sector as more funds can be mobilized and pooled from various philanthropists and directed to a common social cause to achieve more impact. Some examples include; FNB Philanthropies based in South Africa which advises its clients (including individuals, corporates, family foundations) fulfil their social obligation by linking social investment directly with company strategy. Likewise, The ELMA Philanthropies, also based in South Africa develops program strategies, identifies and explores investment opportunities, monitors and evaluates investment performance, and manages strategic partnerships for the ELMA Group of Foundations.

Structured and customized capacity-building support for non-profits is currently inadequate, especially for organisations transitioning into hybrid for-profit / non-profit operating models.

Non-profits in the region face challenges in accessing customized capacity-building support. With the increasing push for the sustainability of non-profits and the need to establish innovative and alternative revenue models, more specific ecosystem support is needed to support NGOs. Such ESOs are needed to advise on potential models, prototyping of business models, strategy development and implementation and investment readiness support.

Further, with the increasing adoption of hybrid models that operate at the nexus of for-profit and non-profit business models, more tailored Technical Assistance (TA) services are required. Currently, most of the TA providers are focused on providing business support for either of the business models; thus, TA providers also need to build their capacities in this area.

South Africa has witnessed establishment of philanthropy advisors/fund managers focused on strategically mobilizing and deploying philanthropy funds.

Table 10: Overview of ecosystem trends across the focus countries

ECOSYSTEM CATEGORY	SOUTH AFRICA	ZAMBIA	MOZAMBIQUE	DESCRIPTION
Incubators and early-stage support				Incubators are largely concentrated in two main cities in South Africa – Cape Town and Johannesburg. A few incubators are available in other countries.
Accelerators and TA providers				Limited support exists for growing ventures/SMEs with few affordable accelerators and TA providers operating across the countries.
Networks and platforms				There are several growing and well-established networking platforms aiming to promote impact investing and social entrepreneurship such as ANDE, National Advisory Body for Impact Investments, amongst others. These are, however, mainly based in South Africa.
Knowledge and research				The Southern Africa region has several well-established organisations supporting the social investment industry through research, data and tools for decision making. These are however, largely based in South Africa with limited research existing in the other countries.
Ecosystem support for philanthropy				South Africa has a mature ecosystem support for philanthropy with several organisations supporting the mobilization and deployment of philanthropic funds. The country also has established philanthropy platforms and networks such as IPASA that bring together stakeholders.

High maturity levels indicated by intensity and sophistication of the activities and number of players

High activities with increasing number of players

Moderate activities and number of players witnessed

Minimal to no activities witnessed

SPOTLIGHT: BERTHA CENTRE FOR SOCIAL INNOVATION AND ENTREPRENEURSHIP

The Bertha Centre for Social Innovation and Entrepreneurship (Bertha Centre) at the University of Cape Town Graduate School of Business (GSB) was established in 2011 as the first academic centre for social innovation and entrepreneurship in Africa. The academic centre is dedicated to research, teaching, dialogue and support of social innovations that positively change and challenge rules, policies, technologies, structures, beliefs and institutions.

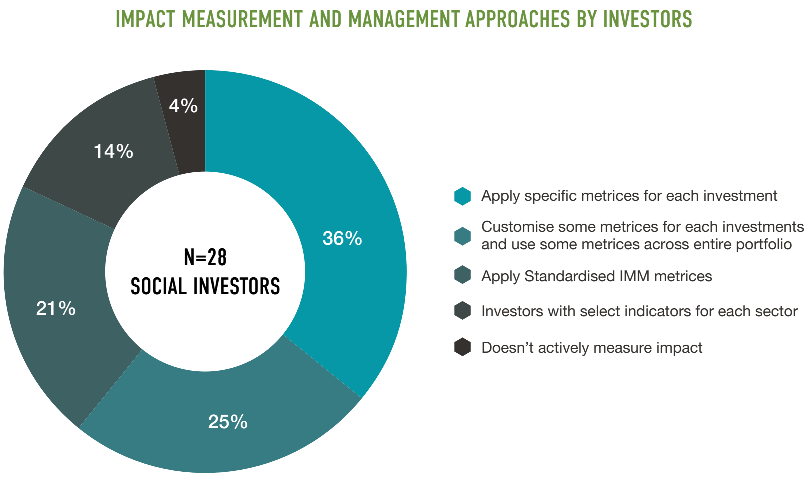
The centre has been supporting the development and implementation of public-private partnerships (PPP) initiatives in education and health e.g. through development of innovative financing mechanisms, and undertaking inclusive innovation studies. The centre creates an environment for multidisciplinary teams to find new and future-focused practical solutions for market or social challenges in Africa, and local and civil-led solutions, among others.

5.2.3 IMPACT MEASUREMENT AND MANAGEMENT PRACTICES FOR SOCIAL INVESTMENTS IN THE REGION

Different sets of social investors recognize the importance of impact; however, adopt different impact measurement approaches.

Various impact measurement and management standards, frameworks and tools have been adopted by different investors in the region. The most common are global tools and frameworks such as the IFC's guidelines and World Bank environmental safety guidelines, Impact Reporting and Investment Standards (IRIS), and the Sustainable Development Goals (SDGs) metrices. Most of the DFIs interviewed apply the global standard metrices and tools. The AfDB, for example follows the IFC guidelines and looks at various Environment, Social and Governance (ESG) parameters such as gender equality, empowerment, and job creation. The investee is required to submit detailed Environmental Impact Assessment (EIA) report. On the other hand, most of the SFMs leverage global frameworks to customise impact metrices to each investee depending on the sector of operations. The SFMs usually adopt a high touch model, by being in constant contact through weekly/ fortnightly meetings. Foundations and other grant makers in the region also rely on evidence-based framework for monitoring and evaluating program performance to understand the impact created by various programmes with most having internal developed monitoring and evaluation (M&E) tools. Further, while traditionally only information on outputs such as number of people impacted has mainly been collected some investors are also focused on collecting outcome data e.g. percentage increase in income of beneficiaries. For instance, South Africa based Kagiso Capital has introduced social return on investment methodology, to measure the impact.

Figure 49: Impact Measurement and Management Approaches by Investors



Source: Primary interviews and Intellecap analysis

06

06

RECOMMENDATIONS FOR FOSTERING THE SOCIAL INVESTMENT INDUSTRY

6.1 KEY RECOMMENDATIONS FOR FOSTERING SOCIAL INVESTMENT INDUSTRY

The section outlines the key recommendations on interventions needed to boost the social investment industry. These are grouped into three sections; recommendations to catalyse a diverse and innovative pool of social capital, recommendations to empower organisations delivering social change, and recommendations to develop enabling environment and infrastructure for social investment industry.

Table 11: Summary of key recommendations

	Recommendations For SI Stakeholders	Priority Level
Recommendations to catalyse a diverse and innovative pool of social capital	Enhancing the role of government in social investments	High
	Mobilizing and enhancingthe use of concessional/catalytic capital for financial inclusion	High
	Developing issue-based platforms	Medium
	Promoting education and awareness creation on social investment practices	High
	Increasing awareness on Gender Lens Investing (GLI)	Medium
	Building SIB/DIB champions and developing SIBs/DIBs beyond South Africa	Medium
Recommendations to empower organisations delivering social change (demand-side players)	Promoting alternative funding models for NGOs	High
	Developing TA toolkit for NGOs	Medium
	Promoting human capital development for SEs and NGOs	Medium
	Offering tailored TA to support post-investment monitoring and value creation	High
Recommendations to develop enabling environment and infrastructure	Data building and development of knowledge tools	High
	Improving the legal and regulatory frameworks	Medium
	Developing intermediaries that connect philanthropic capital with impact capital to drive shared value collaboration	High
	Enhancing ecosystem support to enterprises outside the main cities	Medium
	Promoting sustainable funding to ESOs	Medium

6.1.1 RECOMMENDATIONS TO CATALYZE DIVERSE AND INNOVATIVE POOL OF SOCIAL CAPITAL

- **Enhancing the role of government in social investment space:** The role of government in providing funding and building the ecosystem infrastructure is crucial for the growth of the social investment space in the region. In South Africa, the government has increasingly played a role in promoting blended finance structures. For instance, the Gauteng Provincial Government is participating as an outcome funder in the Bonds 4 Jobs SIB. There are also several domestic DFIs established and funded by the South African government, including the Industrial Development Corporation (IDC), National Empowerment Fund (NEF), and the Development Bank of South Africa (DBSA). However, in Zambia and Mozambique, government participation in the space remains very low. One of the key challenges highlighted is the lack of understanding of social investing terminologies by government officials, with these terms commonly being confused with 'grant/free' money given to solve social problems. It will thus be important to showcase opportunities on how they can participate in the sector and build their capacities for active participation. The governments could participate in the space through the provision of funds to fund managers, promotion of angel investing, and directly making impact investments into required causes/projects.

Example: Ghana Venture Capital Trust Fund (VCTF) – Established in 2004 by the government of Ghana, VCTF aims to enhance financing for SMEs in the country. It works as 'fund of fund' providing debt and equity to SME focused funds. The fund also runs technical assistance programmes to train and build the capacity of VC fund managers and other investment professionals. To date, it has deployed close to US$ 20Mn in 6 funds with about 10 exits so far working with fund managers such as; Oasis Capital Ghana, Mustard Capital Partners and Gold Coast Fund Management. VCTF has also been supporting in market-building activities such as support in the establishment of the Ghana Alternative Market (GAX) in 2013 – an alternative listing on Ghana's stock market established for companies with significant growth potential; Ghana Angel Investor Network (GAIN) – launched in 2014 as the first angel network in the country to invest in and mentor entrepreneurs, the network has about 36 HNWIs; Impact Investing Ghana (IIGh) – VCTF was one of the founding members of IIGh as the national platform for promoting impact investing in Ghana.

- **Mobilizing and enhancing the use of concessional/catalytic capital to address financing barriers for SMEs and social enterprises:** Apart from South Africa, credit by traditional financial providers (banks, MFIs) to the private sector remains low – ranging between 11and 22% of GDP[111]. Financial institutions are largely risk-averse and continue to charge high-interest rates in some of the countries (Mozambique, Angola and Zimbabwe) ranging between 16 to 19%[112]. This locks out many businesses from accessing financing as the requirements set are impractical. Specifically, financial institutions do not cater to the needs of small and medium enterprises (SMEs) with an even lesser focus on social enterprises. Catalytic capital can, however, be leveraged to enhance financing by these financial institutions to impact-focused businesses. In essence, concessional/catalytic capital structures can de-risk and pump prime lending, encouraging banks and other lenders to explore new opportunities in a sustainable way, in which risks are appropriately shared. Donors and foundations can for example, use their capital to provide credit or first loss default guarantees to cover the downside risk for commercial lenders – this would ensure more debt capital flowing to early-stage businesses as well as the missing middle. Alternatively, they can also assist in developing structures for receivables-based financing instead of collateral-based financing – a major roadblock again for MSMEs in the region.

Example: Catalytic Capital Consortium – Launched in 2019 by MacArthur Foundation, in partnership with the Omidyar Network and the Rockefeller Foundation, the Catalytic Capital Consortium is an investment, learning, and market development initiative seeking to mobilize catalytic capital. As part of its commitment, MacArthur aims to deploy up to US$ 150Mn in investments on a matching basis to funds or intermediaries that demonstrate the powerful use of catalytic capital across sectors and geographies. The foundation's initial investment was a US$ 30Mn to expand and accelerate The Rockefeller Foundation's Zero Gap initiative - a collaborative investment with the Rockefeller Foundation that also invested an additional US$ 30Mn into the initiative. This investment aims to catalyse at least $1 billion in new capital to help meet the SDGs.

- **Developing issue-based platforms:** Several cross-cutting themes affect social investors as well as social enterprises and NGOs. One such critical theme is gender; for instance, gender biases are observed both at supply and demand of social capital, hindering the flow of capital to women businesses. The other prominent issues in the region include climate change, food insecurity etc. Ecosystem facilitators could, therefore collaborate with the right set of social investors (to ensure uniformity in strategy alignment) and other stakeholders to develop such issue-based platforms.

Example 1: Asian Venture Philanthropy Alliance (AVPN)'s issue-based platforms – AVPN has several issue-based platforms such as Gender, Early Childhood Education, Climate Action, and Health, among others. The latest addition to this is COVID-19 platform, which provides a one-stop shop for all relevant stakeholders engaged or planning to contribute in some manner to the cause. It lists the requirements and opportunities for collaboration.

Example 2: Generating Evidence and New Directions for Equitable Results (GENDER) – Launched in January 2020, GENDER is CGIAR's new platform designed to put gender equality at the forefront of global agricultural research for development. The Platform builds on a wealth of research and learning generated by the previous CGIAR Gender Network and the Collaborative Platform for Gender Research (2011–2019).

- **Promoting education and awareness about other social investment practices beyond impact investing:** The past decade has witnessed a revolution in ecosystem development and education on impact investing with frequent gatherings held to discuss advancement in

[111] World Bank Development Indicators, 2018
[112] World Bank Development Indicators, 2018

the sector. South Africa and Zambia have also recently launched the local National Task Force for Impact Investing (an initiative of the Global Steering Group for Impact Investing) to further drive the growth of the sector. On the other hand, awareness of the methodologies and practice of venture philanthropy, particularly amongst the philanthropy community and corporates, remains significantly low. More engagement is thus needed to engage and educate these players and guide them in aligning and revising their strategies as well as creating shared value collaboration amongst the different investors. Structured events on social investments should thus be organized in the region, bringing together multiple players including the social enterprises, investors and philanthropists.

"There should be a chapter for impact investing and blended finance for Portuguese speaking countries".
ESO in Mozambique

Example : *The Sankalp Africa Summit – organized annually, the summit is one of the leading events on social entrepreneurship and impact investing. It seeks to bring together investors, donors, development institutions, ecosystem support organisations and entrepreneurs. The event attracts more than 1,000 participants from all over the continent. To date, the summit has showcased and discovered 1,800+ entrepreneurs through 22+ editions of its flagship summits and has connected them to 600+ investors. Sankalp has enabled entrepreneurs to raise over US$ 270 million in funding and disbursed US$ 870 thousand in cash grants. Over the past two years, Sankalp has witnessed an increase in attendance by philanthropists and NGOs seeking to understand the impact investing space. Sankalp thus presents a great avenue for engagement between the different social investors through dedicated sessions seeking to drive discussions amongst social investors in the continuum of capital. During the 2020 summit, for example, AVPA brought together major corporates in the East Africa region to identify ways of collaborating across the different corporate programs towards achievement of the 2030 goals. Similar sessions can also be explored during the summit in 2021. Further, local chapters of Sankalp can also be held across the countries to ensure key considerations such as language are taken into account.*

- **Increasing awareness about Gender Lens Investing (GLI)** – According to a study by International Finance Corporation (IFC), between 2012 and 2017, only US$ 30-million of investment went to female founders in Africa . Though anecdotal evidence from GLI investors suggests that female borrowers make diligent repayments, women entrepreneurs still face severe challenges to access to finance. Creating adequate awareness regarding the criticality of gender lens investing and generating data-based evidences can be a game-changer for all stakeholders involved. At present, there is a limited understanding of GLI amongst the broader investor community, while a few of them have been making an unintentional positive impact by investing in segments such as microfinance institutions (MFIs). There is a need to celebrate every GLI success story and encourage women-focused intermediaries to support women entrepreneurs in building investable and sustainable businesses.

Example : *Women's World Banking (WWB) – It designs and invests in the financial solutions, institutions and policy environments in emerging markets to create greater economic stability and prosperity for women, their families, and their communities. With a global reach of 53 partners in 32 countries serving more than 30 million women clients, WWB drives impact through its scalable, market-driven solutions, gender lens private equity fund; and leadership and diversity programs.*

- **Building SIB/DIB champions and developing SIBs/DIBs beyond South Africa** – South Africa has, in recent years, seen an increase in the number of SIBs to solve development challenges in the areas of youth employment, green economy and education. Early learning from the SIBs launched in the country can be leveraged in other sectors. Government involvement has played a crucial role and has also been advocated as a key consideration for developing successful innovative structures like SIBs. High-level government as well as development stakeholders can thus be used as champions for SIBs, helping to build confidence in the structures amongst private investors and for demonstrating government's buy-in and support. Key learning from the SIBs in South Africa can also be leveraged to launch similar initiatives in the other focus countries that have witnessed a low level of similar activities.

Example : *Christian Paradis as a champion for blended finance - Canada has been leading by example in terms of blended finance since 2015. Christian Paradis, then Canada's minister of international development and Minister for la Francophonie, has been a champion for blended finance, both in Canada and abroad. He was the chair of the Re-Designing Development Finance Initiative of the World Economic Forum and the Organisation for Economic Cooperation and Development (OECD). He has actively endorsed*

[113] The underserved market in venture capital: women, AppsAfrica, 2018

capacity building within Canada's Department of Foreign Affairs, Trade and Development (DFATD), enabling Canada to develop a strong development financing team, and also completed a development finance toolkit and introduced reimbursable grant instruments that are stirring add-ons to the typical donor menu of financing mechanisms. This kind of championship builds awareness of blended finance, sparks the interest of diverse investor groups, and supports the building of government capacity to co-invest effectively with the private sector.

6.1.2 RECOMMENDATIONS TO EMPOWER ORGANISATIONS DELIVERING SOCIAL CHANGE (DEMAND-SIDE PLAYERS)

- **Promoting alternative funding models by NGOs/CSOs:** International sources account for the largest proportion of funding to NGOs in the region. While the South African government is the main source of financing for NGOs, the government also depends on bilateral aid from donors to fund NGOs. With the declining donor funding to NGOs/CSOs in the region, new and innovative models need to be leveraged to raise and attract more funding to support their activities. Several funding models can be explored leveraging internal sources (models such as; consultancy fees, asset building, event organisation, and membership fee among others) and external sources (models such as; crowdfunding, microfinance, incubation, social/ green bonds among others).

  Example : *The Moroccan Centre for Innovation and Social Entrepreneurship (MCISE) –MCISE is a non-profit organisation established in 2012 to support entrepreneurial and innovative solutions to social challenge in Morocco. Through their Dare Inc. Programme, they select innovative projects and support them with seed funding. In return, MCISE generates revenue in two ways – they can either get back 2% of the profits generated by the social enterprise over five years or get 5% equity participation from supported companies that have reached maturity.*

- **Establishment of a technical assistance toolkit and on-site training for NGOs:** One of the critical challenges facing NGOs is the inadequate skills in areas including strategy, financial management, program management, among others. Most of the funders mainly focus on program funding with a minimal amount allocated to provide technical assistance to the NGOs. Most NGO support organizations also rely on funding from international sources to finance the services offered to NGOs (some who are unable to pay for such services). As such, development of a readily accessible toolkit providing information and training on various operational areas can help improve the capacities of the NGOs. Such a toolkit can be developed by TA providers and shared through a virtual platform. An ideal toolkit will address the issues and gaps that are very specific to the NGOs in the region. Additionally, TA providers can leverage the toolkit to provide on-site training to the NGOs at their convenience.

  Example : *NGOConnect.net – An initiative of the Strengthening Civil Society Globally (SCS Global), NGOConnect.net seeks to enhance the accessibility of technical assistance support to civil society organisations by developing and deploying easily accessible toolkits and manuals.*

- **Promoting human capital development for SEs:** Most early-stage enterprises need support in establishing human resources (HR) structures and processes as well as for continuous capacity building of their staff. However, financial constraints prohibit them from hiring the right talent or up-skilling their current talent. Sourcing qualified personnel in key positions is a challenge for most enterprises. In order to build the HR capacities of enterprises, social investors could develop interventions such as subsidizing HR costs of enterprises or supporting ESOs that specifically run leadership and management programs.

  Example : *African Management Institute (AMI) – The AMI, launched in 2014, provides formalised training to empower managers and entrepreneurs in the region. AMI has specifically developed several modules and tools in collaboration with leading business schools and global experts on adult learning to transforming business learning and development. Some of the programmes include the leadership development programme, youth employment accelerator programme, agribusiness entrepreneurship, and training on how to start and grow businesses.*

- **Offering tailored TA to support post-investment monitoring and value creation:** Most incubators and accelerators in the region support early-stage enterprises. However, there is meagre support for later stage or relatively mature enterprises. This limits their ability to adequately scale, resulting in fewer deals at Series A and Series B stages. Social investors can therefore, collaborate to develop a model in which tailored TA support is provided to the selected high potential enterprises from their early to growth stages.

  Example : *Between 2014 and 2016, Open Capital Advisors worked with impact investors to provide tailored technical assistance to accelerate growth and investment for small and growing businesses in East Africa. USAID partnered with five investors to extend Open Capital's services to earlier-stage* *enterprises through a tiered, pay-for-success support model. This project delivers an innovative new form of tailored technical assistance to accelerate growth and investment for early-stage small and growing businesses. The partners will work closely with four proven impact investors to screen 60 small and growing businesses and provide intensive support for 15 over two years.*

6.1.3 RECOMMENDATIONS TO DEVELOP ENABLING ENVIRONMENT AND INFRASTRUCTURE

- **Data building and development of knowledge tools:** The availability of data and information remains varied across the various countries and the investor categories. While South Africa has accessible data on investments by corporate social investors, angels and local philanthropists (family offices, foundations and trusts), the same is not available at a central place and updated on an annual basis for some of the categories. Information on these investor categories is also largely inaccessible in Zambia and Mozambique, with a lack of ecosystem players focused on collecting this information. It will thus be crucial to build on the baseline data provided in this report and conduct more in-depth research for each investor category, looking especially at local philanthropists, corporates, faith-based, and diaspora social investment capital pools.

  Further, key challenges have been identified in building pipeline and identifying co-investment opportunities for different social investors. The challenge of data accessibility makes it difficult to make evidence-based decisions and drive collaboration in the sector. Establishing a central data and information repository/dashboard would make it easy to identify opportunities for different players. Such a platform could further be leveraged to drive collaboration amongst the players based on opportunities identified as well as provide information to the demand side on the potential funding opportunities.

  Example 1: *CSRBOX[114] is India's largest CSR analytics platform and directory of CSR projects, companies' profiles, social businesses, CSR implementing agencies and service providers in India. It even permits finding organisations working on various projects/thematic areas in different desired districts and states in the country.*

  Example 2: *Asia Venture Philanthropy Network (AVPN) deal share platform – The platform seeks to bridge the gap between supply and demand for social investments in Asia. It streamlines funding opportunities and highlights collaboration opportunities by supporting its members (providers of financial and non-financial capital) to identify investable social purpose organisations (SPOs) - NGOs, and social enterprises. The three-fold objectives of the deal share platform are to; a) enhance capital deployment by ensuring financial, human and intellectual capital are channeled towards building scalable and impactful SPOs; b) drive collaboration by connecting multiple funders, resource providers and SPOs to break down barriers and create collective impact and c) generate insights on the SPO landscape. The African Venture Philanthropy Alliance (AVPA) plans to launch a similar platform for Africa.*

- **Improving the legal and regulatory frameworks:** South Africa has been at the forefront of developing several regulations to boost the social investment space, as highlighted in earlier chapters. Such policies and regulations can be replicated in neighboring countries. Additionally, the region can also benefit from progressive policies established in other countries. Proposed policies and regulations in the sector include;

> *"Policy inconsistencies has major impact on the movement of capital. For instance, in Zambia, there are a lot of policies that change very frequently, especially in the mining sector, which makes it difficult to make an investment decision".*
>
> *DFI in the region*

  - *Overarching frameworks for social investments:* The region lacks overarching frameworks to promote impact investing and venture philanthropy. Such frameworks can introduce incentives for investors focusing on solving development challenges in the region and mobilize more investments, particularly from the local investors. In the US, for example, the Internal Revenue Service (IRS) has since 2015 allowed private foundations to make impact investments that make less than market-rate returns whilst retaining favourable tax treatment.
  - *Start-up Act:* Only two countries in Africa – Tunisia and Senegal – have developed such an Act. Such an act has the potential to further innovation and entrepreneurship, outlining legal conditions for registering start-ups as well as tax policies and incentives to promote the growth of the industry.
  - *CSI policies and laws:* CSI laws similar to the one in South Africa can serve as a benchmark providing learning to the other focus countries as they establish such laws aimed at motivating corporate giving.

[114] www.csrbox.org

- *Tax incentives for philanthropy:* Across most focus countries,accessibility of information on tax incentives applicable to philanthropy remains challenging. Also, the process of applying for tax exemption needs to be streamlined and simplified e.g. through an online application.

- **Developing intermediaries that connect philanthropic capital with impact capital to drive shared value collaboration:** Social investment leverages investor categories across the broad spectrum of the continuum of capital. These investors often have distinct objectives and interest and lie at different risk-return levels. Currently, these investors are presented by different network bodies e.g. the Independent Philanthropy Association South Africa (IPASA) that represent philanthropists and Southern Africa Private Equity and Venture Capital Association (SAVCA) that bring together various PE/VC investors, and the recently launched AVPA focused on bringing together players across the entire continuum of capital in addition to the demand and ecosystem support organisations. Such organisations are required at a local level yet currently, most of these have been launched and mainly operating from South Africa.

> *"There are a lot of ideas (early stage enterprises), but there is not commensurate amount of businesses that can scale. There is need for more investible businesses that are ready to receive financing. The enterprises also need to have the management capacity to absorb the funding".*
>
> *SFM in Zambia*

- **Enhancing ecosystem support to enterprises outside the main cities:** Currently, ecosystem support organisations (ESOs) are concentrated in major cities – Cape Town and Johannesburg in South Africa, Lusaka in Zambia and Maputo in Mozambique, locking out rural-based enterprises from accessing the capacity building, mentorship and funding opportunities. An online platform would help cater for a broader range of enterprises as physical presence is not required. Such a platform can also be leveraged to build the capacities of the very early stage (idea) businesses and thus provide a pipeline for incubators seed investors.

  ***Example :** Youths for Africa and SDGs (YAS) – Launched in 2017 by the United Nations Development Programme (UNDP) YAS is a pan-africa entrepreneurship portal that offers a one-stop solution to support the development and growth of youth entrepreneurship in Africa. The platform seeks to promote mentorship, funding, information-sharing and networking support to youth entrepreneurs. The ecosystem map pillar of the portal maps corporates, entrepreneurs and service providers in the region of operation. The platform also gives entrepreneurs the opportunity to acquire more knowledge about funding through the knowledge centre as well as access to virtual online master classes. In addition, it provides matchmaking support for potential capital providers and suitable grant candidates.*

- **Enhancing sustainable support for the ecosystem support organisations (ESOs):** Similar to other SSA regions, ESOs remain concentrated in the urban cities with a significantly higher concentration of ESOs in South Africa. ESOs in the region indicated facing several challenges that hinder them from expanding their operations beyond the main cities driven by limited and unsustainable funding sources. Local foundations, donors as well as international foundations could allocate part of their funding for sustainably support the ESOs, for instance, through partial repayment grants that aim to drive sustainability for the ESOs. ESOs could also be used to deploy seed/grants to enterprises on behalf of philanthropists.

6.2 SCOPE FOR FUTURE RESEARCH

The limitation of data on social investments, particularly on philanthropy, venture philanthropy and corporate sustainability programs is substantial in most of the focus countries. This report seeks, in broad strokes, to develop a picture of the social investment industry. The comprehensiveness of information within countries and investor categories varies widely. While information on South Africa is relatively comprehensive, information available on the other countries remains inadequate. Further, while comprehensive information exists on SFMs, DFIs and international foundations, limited data is available for local social investors such as corporate foundations, family foundations and other unstructured or semi-structured forms of social giving particularly in Zambia and Mozambique. Whereas the reported data is useful in identifying broad trends and regional and national differences, it also leaves scope for further research. Some of the areas recommended for future research include;

- South Africa has been at the forefront of developing blended finance structures in the form of Social Impact Bonds across several sectors in recent years. Learning from the implementation of these structures need to be documented to identify which structures work for which sector, which can then form the basis for scale-up and replicability in other sectors.

- Corporate social responsibility policies have played a major role in promoting corporate giving in South Africa and presents a good benchmark for the other countries in the region.

More analysis is required to understand the role of such policies and how the same can be replicated to other countries.

- Other than South Africa, the extent of philanthropic giving in the other countries is not well documented, remains highly private and thus could not be covered comprehensively in this research. This presents an area for future research, with continuous engagement with the philanthropists that can assist in generating more data.
- Similarly, the extent to which faith-based institutions are currently contributing to solving development challenges in the region could not be comprehensively covered in the research and presents an area for future research.
- Demand-side research presented in this report was mainly desktop-based . There is however, a dearth of information on type and profile of social enterprises in the region. A deep dive assessment of the social enterprise sector will be crucial to map, segment and identify the various financial and non-financial needs of the social enterprises. Further, it will be important to engage the NGOs to understanding their varying needs and how innovative financing can be leveraged to drive more funding to the NGOs.
- Technical Assistance for NGOs and social enterprises has been identified as a key strategy for enhancing impact and investors are increasingly adopting various TA models. It will be important to study various TA models to understand which models are more effective for which sector.
- Evaluation of the impact generated by the various investment structures and models will be needed to guide decision making in the industry.

Annexure 1:

CASE STUDY - YOUTH EMPLOYMENT

Youth unemployment is one of the main challenges facing the region. This chapter seeks to identify the various initiatives that are focused on addressing the youth unemployment challenge in the region.

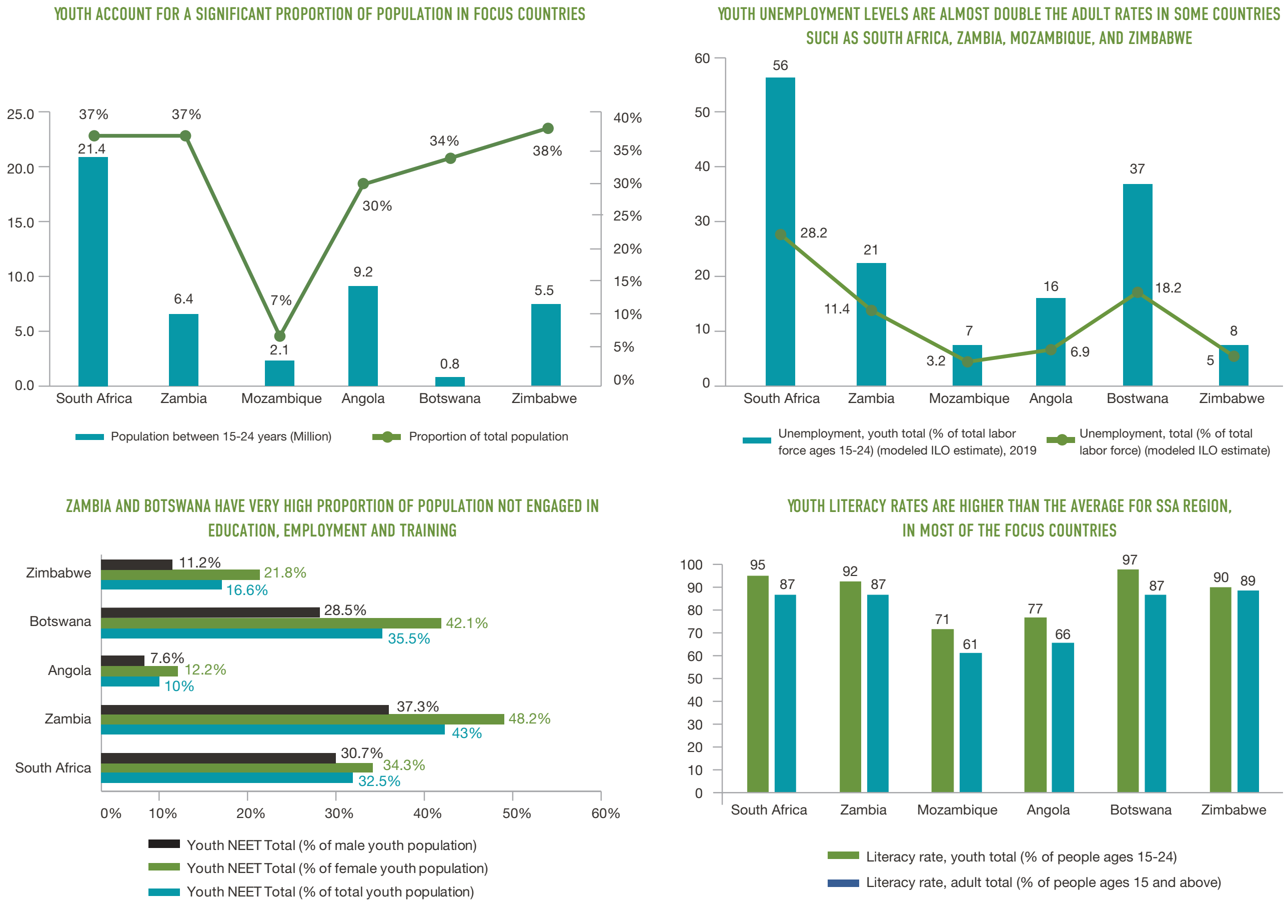
THE CHALLENGE

> *Youth unemployment and under-employment are severe concerns in the Southern Africa region - the unemployment rate however, varies widely across different countries.*

Youths (15-24 years) account for an average of 35%[115] of the total population in the focus countries in Southern Africa, excluding Mozambique – that has only around 7.5% of its population as youth. The lack of adequate employment opportunities in the focus countries has limited the youth's contribution to the development of their respective economies. The region has some of the highest youth unemployment rates, particularly in South Africa (56%), Botswana (37%), and Zambia (21%)[116]. The high rate in South Africa is attributed to the growing population as well as the legacy of apartheid and poor education quality in the country. Average youth unemployment in the focus countries is almost double the adult unemployment rate[117]. Across the focus countries, the unemployment rates are higher among females due to cultural norms such as early marriages that lock them out of the education system.

> *Youth unemployment in the focus countries is almost double the adult unemployment rate.*

Figure 50: Youth unemployment and literacy rates



Source: World Bank Development Indicators (Data for Youth Not in Education, Employment, or Training (NEET) is for different years as available: South Africa: 2019, Zambia: 2018, Angola: 2011, Botswana: 2009, Zimbabwe: 2014; Data for Mozambique is not available. Data for literacy rates is for different years as available: South Africa and Mozambique: 2017; Angola and Zimbabwe: 2014; Zambia: 2018; Botswana: 2013)

[115] World Bank Development Indicators, 2018

[116] World Bank Development Indicators, 2018

[117] Total and youth unemployment by country in Southern Africa (averaged between 2010- 2018). Southern Africa Economic Outlook 2019

Inadequate access to quality and relevant education is a major factor resulting in unequal youth participation in the labour market.

Youth literacy levels in the focus countries, although higher than the national adult literacy levels, are lower than the global rates with much lower rates observed in Mozambique. There exists a disparity between the skills required by the market and those taught in educational institutions. Youth, especially those from disadvantaged backgrounds, often lack the necessary problem-solving skills, business acumen, technological and communication capabilities, thus making them underqualified and unprepared for available roles. Employers adopt 'low-risk' hiring methodologies, preferring experienced candidates over inexperienced youth. In addition, on-the-job training, mentoring, and coaching is not institutionalized in most workplaces.

Further, the number of jobs created annually across the focus countries is insufficient to meet the growing demand.

The largest proportion (~70%)[118] of jobs in South Africa are in the formal sector, with lower levels of entrepreneurship observed in the country[119]. On the other hand, in Zambia, over 77% of the jobs created are informal sector jobs[120]. The annual supply-demand gap remains significant across most of the countries in the region.

Figure 51: Annual job supply - demand gap across the focus countries

SOUTH AFRICA

More than 550,000 jobs have to be created annually to meet the National Development Plan 2030 goals, yet only 300,000 jobs were created annually between 2013 and 2018

Source: Department Statistics of South Africa: Labour Market Dynamics in South Africa, 2018

ZAMBIA

The current annual job growth in the country – nearly 100,000 jobs per year, needs to be increased to thrice the level to keep up with economic growth

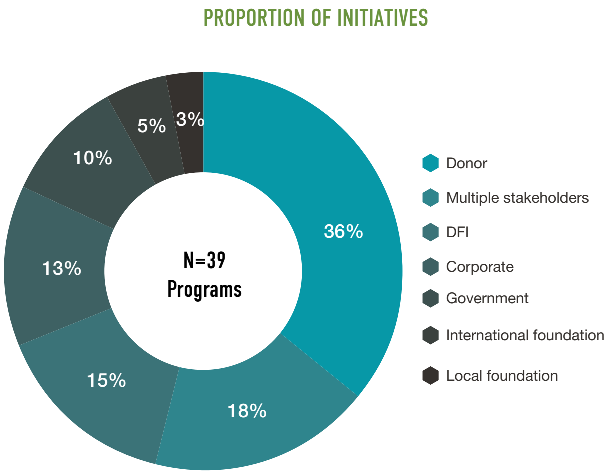
Source: World Bank: How can Zambia create 1 million jobs?, 2017

MOZAMBIQUE

Around 500,000 young people enter the labour market annually; however, the formal sector had the capacity to absorb only around 18,200 jobs per year for the past two decades

Source: Neil Balchin: Economic Transformation and Job Creation in Mozambique, 2017

Figure 52: Youth programs by social investor type



A few collaboration efforts were also observed to promote youth employment initiatives in the focus countries jointly. These include USAID's collaboration with Ministry of Youth in Angola for Youth Empowerment Program(2019-present); collaboration of Food and Agriculture Organisation (FAO) with GRM International and Coffey in Zimbabwe for Livelihoods and Food Security Program (2013 – 2021); and that of United Nations Industrial Development Organisation (UNIDO) with Ministry of Education Mozambique for Entrepreneurship for Youth program.

KEY PLAYERS AND INTERVENTIONS/ PROGRAMS FOCUSED ON YOUTH EMPLOYMENT

Youth focused interventions across the focus countries are primarily driven by donors, DFIs and corporates.

The three categories of social investors together accounted for 64% of 39 youth-focused interventions identified in the region[121]. The main donors include GIZ, USAID, and World Bank, while AFDB is one of the main DFIs. Active corporates solving youth challenges include Mastercard, Accenture and Naspers. Youth employment has also attracted focus from both international and local family foundations like Michael and Susan Dell Foundation (MSDF) and Cyril Ramaphosa Foundation.

Most youth-focused interventions in the region have focused on either skilling or job creation.

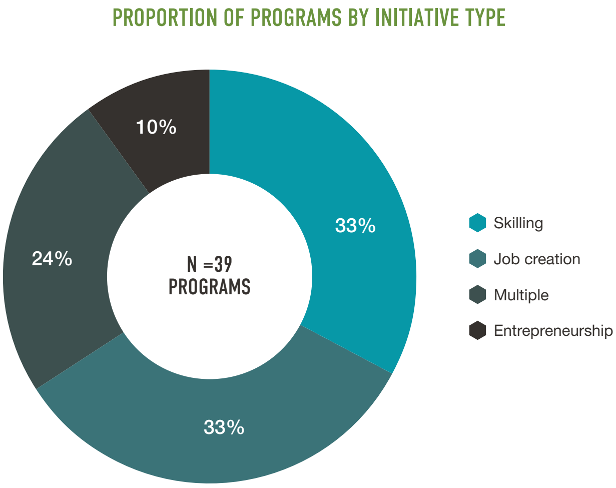
In Southern Africa, youth employment initiatives can be categorized into - skilling, entrepreneurship development, and job creation. Investors working on these interventions mainly focus on skilling and job creation, considering the gap in the skill sets developed through traditional educational systems and those required by the employers. Also, up-skilling for entrepreneurship helps youth to establish their enterprises in the absence of adequate availability of jobs.

[118] Department Statistics of South Africa: Quarterly Labour Force Survey, 2020
[119] GIIN: The Landscape for Impact Investing in Southern Africa, 2016
[120] State of youth in Zambia: Education, Unemployment and Poverty Reduction
[121] Intellecap Analysis as per list of Youth Employment initiatives outlined in Table 13

SPOTLIGHT: YOUTH INITIATIVES BY MICHAEL AND SUSAN DELL FOUNDATION (MSDF)

MSDF, which was launched in 2009 in South Africa, focuses on education, scholarship, jobs and livelihoods (which include youth employment and family stability for women). As a component of these initiatives, MSDF plans to bring learning opportunities to low income children, bring educational reforms, and improve instructional leadership from a structural point of view such as development of leadership institutes. It provides scholarship programs for low income children who usually have low chances of graduating. MSDF recognises information asymmetry between demand and supply in youth employment portfolio. Hence, the foundation is complementing the South African government's initiatives to ensure that deserving young people gain access to entry level jobs, and that they then receive the necessary support to stay employed long enough to build valuable work experience. An example of MSDF's programs in youth employment is with Knack. It Corporation, where it has provided a grant of US$ 342,500 to optimize talent mobilization through effective assessment and matching amongst unemployed youth and increase their future economic outcomes.

Figure 53: Types of initiatives supported by social investers



1. Skilling

Vocational training and skill development constitute a very important component of the education and employment sectors. The need may vary slightly in the different focus countries in Southern Africa. For instance, vocational education in South Africa is stigmatised due to apartheid's legacy, but the country has a critical need for technical and artisan skills. In Zambia, almost two decades ago, technical education and vocational training was a continuation of the formal educational system, and hence focused mainly on the training needs of the formal sector. While at present, the country needs to adequately prepare the youth as per the changing and emerging opportunities. Some examples of skilling initiatives include DFID Skills for Employment (S4E) in Mozambique, and The EOH Youth Job Creation Initiative by multiple stakeholders EOH, government, employers, and philanthropic funders in South Africa.

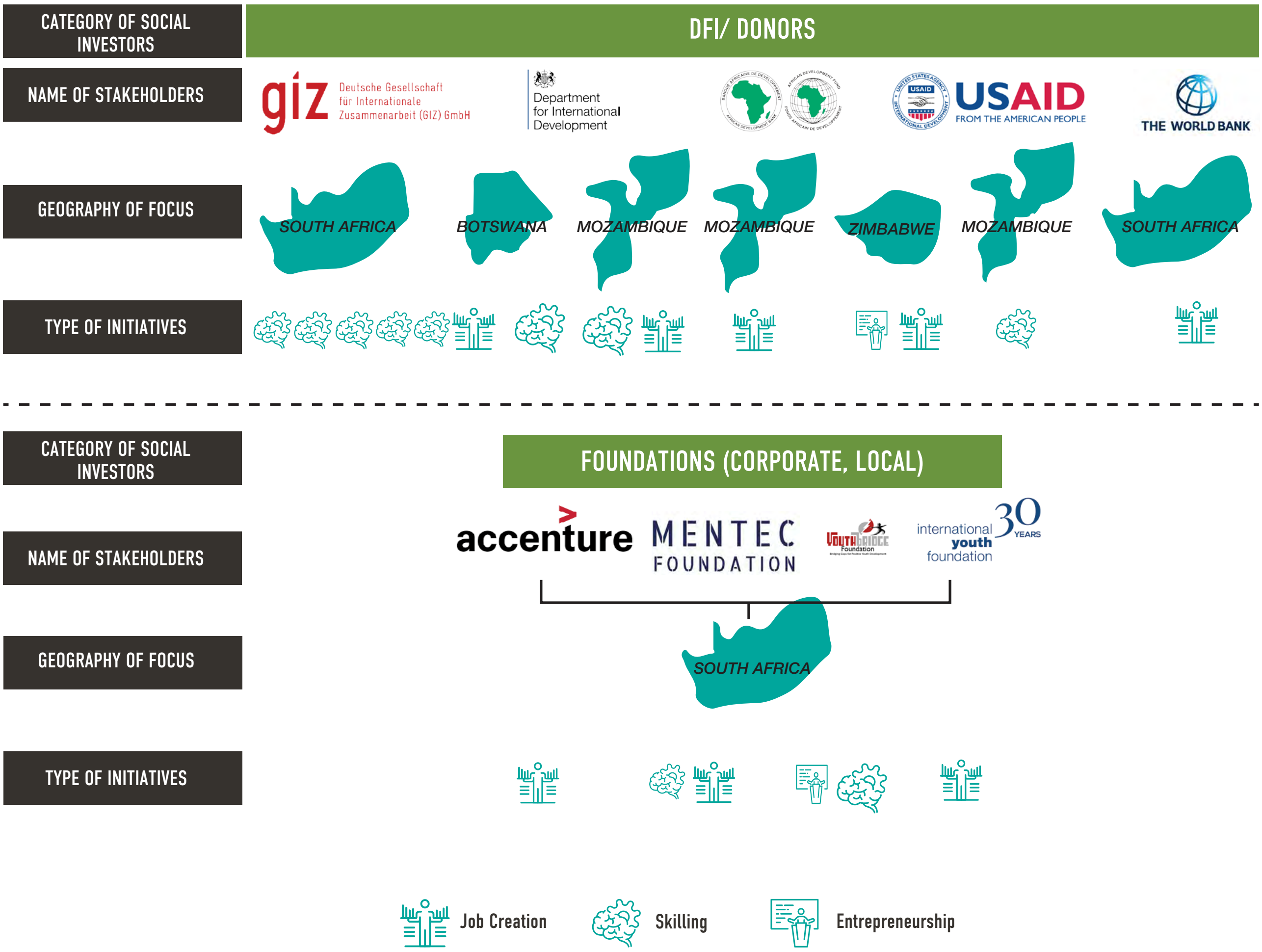
2. Entrepreneurship development

The changing demographics, limited job opportunities in the focus countries, the mismatch between supply and demand of skills, and the need to continually upgrade one's profile to remain relevant in the job market are some of the main factors motivating a large proportion of youth to embark on the entrepreneurship journey. Different types of social investors, including DFIs, local foundations, and collaborative engagements between global agencies and governments, are supporting entrepreneurship development programs to ensure there is a positive contribution from the youth to the respective economies. Examples of such initiatives include Build Your Business Program by International Youth Foundation and Microsoft, and The Innovation Lab by AFDB across Africa.

3. Job creation

While several donors, DFIs, and foundations have been supporting the youth unemployment initiatives in urban areas, there has also been a focus on livelihoods and job creation programs catering to the needs of people, especially in rural and remote locations, where youth are unable to get the information about larger national-level programs. Some of such existing initiatives include the Southern African Alliance for Youth Employment (SAAYE) by Commonwealth Foundation across all focus countries and Project Octopus by Yes4Youth in South Africa.

Figure 54: Indicative overview of key youth employment initiative across the focus country



SPOTLIGHT: HARAMBEE SOCIAL IMPACT BOND (SIB)

The SIB combines outcome payments from the government and philanthropic funders and seeks to address two main problems specific to youth employment in South Africa. First that youths tend to face challenges in joining growth sectors" of the economy, such as technology due to financial barriers that hinder them from gaining relevant skills. Secondly, while more private and public sector financial resources have flowed toward postsecondary education and skilling, the education system pathways do not respond to market demand, thus young people are not adequately trained.

Key investors in the SIB

The investors in the bond include; Brimstone Legacy Fund, Old Mutual and Nedbank, The Holland Insurance Company Limited, The Standard Bank Tutuwa Community Foundation. The investors provided US$ 2.42 million (34 million Rand) in year 1 and US$ 6.21 million (86.9 million Rand) for years 2-4.

The outcome funders include; Yellowwoods, Allan Gray Orbis Foundation Endowment, Gauteng Provincial Government, The Jobs Fund who would pay the investors upon achievement of the outcomes of the bond The Bonds4Jobs and the Harambee Youth Employment Accelerator were the intermediaries providing financial and technical support respectively.

Outcomes achieved

Between April and December 2018, Harambee placed 600 young people— 61 percent of them women—in jobs across the country. The second phase of investment began on July 1, 2019, and over the next three years, the SIB aims to find employment for a further 5,400 young people.

OPPORTUNITIES FOR INCREASED COLLABORATION AND INVESTMENT IN YOUTH EMPLOYMENT SECTOR

With youth unemployment being a significant deterrent for the growth of several economies in Southern Africa, there exist extensive collaboration opportunities in the region.

Youth unemployment is a major issue in the region. South Africa accounts for one of the highest unemployed populations across the globe. In addition, the gap between the skills of the current workforce and the skills businesses need to achieve their growth plans is widening. Therefore, along with financing specific youth employability programs, the funders need to extend their financial support to educational and technical training institutes so that they can match the industry requirements of their students/ trainees and place them in the right jobs. A few potential collaboration opportunities are as follows:

Collaboration for women economic empowerment

In the focus countries in Southern Africa, the level of education is low, and unemployment and NEET rates are high, especially for young women. In addition, there are social and security related challenges that further prevent women's participation in economic activities.

Opportunity: *Several organisations, including donors and ecosystem support organisations are working in silos to address these issues[122]. These organisations can collaborate to establish programs aiming to support disadvantaged women by providing better economic opportunities through the development, design, and implementation of initiatives to ensure formal employment and overall economic women empowerment.*

Example: *MUVA – MUVA is a social incubator created to design and test innovative interventions to youth, especially women that challenge social norms, foster gender equity and support systemic change. MUVA was born with seed money from UKAID as a flagship learning programme to change gender practices. Over the past 5 years, MUVA developed a conceptual and operating model to change paradigms. Based in Mozambique, MUVA approaches the challenge through a framework that combines skills, self-efficacy and access to opportunities, framing both the barriers youth face to access economic opportunities and pathways to address the problem. This approach provides a powerful platform for young women to become independent actors in their futures. MUVA's uniqueness is a combination of: a) Innovative implementation and co-creation with partners; b) Brokering for scale and sustainability; and c) Robust research used for adaptation. The approach demands constant learning, improvements and adaptations, and leads to delivering the most pertinent solutions for the target groups. Examples include MUVA'titude, intervention that provides 2 months of soft skills training, 6 months of technical training and linkage to economic opportunities. MUVA'titude methodology was co-created with ESSOR, MUVA's implementing partner, who included it in their permanent curricula in Mozambique and exported to other countries like Brazil, Chad and Guinea Bissau. Another example is MUVA Assistentes, an intervention that provides job experience in the public system and mentoring for highly vulnerable young women, providing them a meaningful work experience and enhancing their future employability potential. This project is implemented in partnership with the government which have uptake the intervention.*

Collaboration for increased access to finance

Young entrepreneurs often face substantial difficulties in securing adequate business capital due to lack of business experience, the absence of required collateral, and bias from banks against younger borrowers. This shortage of capital can kill off many good business ideas even before they begin. And when young entrepreneurs do win some financial backing, it is often not enough, leading to an under capitalization that threatens their business viability.

Opportunity: *Introduction of loan guarantees by government for the youth-funding programmes and the provision of incentives to the financial institutions to lend money to suitable young entrepreneurs who lack sufficient personal and business collateral, can assist in catalysing capital for youth businesses. Donors, governments, corporate foundations, and financial institutions (FIs) can also collaborate to provide more generous support for youths by providing access to flexible low interest or no interest - "soft loans". It would allow some level of cost recovery from successful young entrepreneurs while increasing funds for subsequent generations of entrepreneurs. Entrepreneurs who can build a sound repayment track can be graduated to get higher ticket loans from FIs. Such a program would thus benefit the FI as it acts as a pipeline generation avenue.*

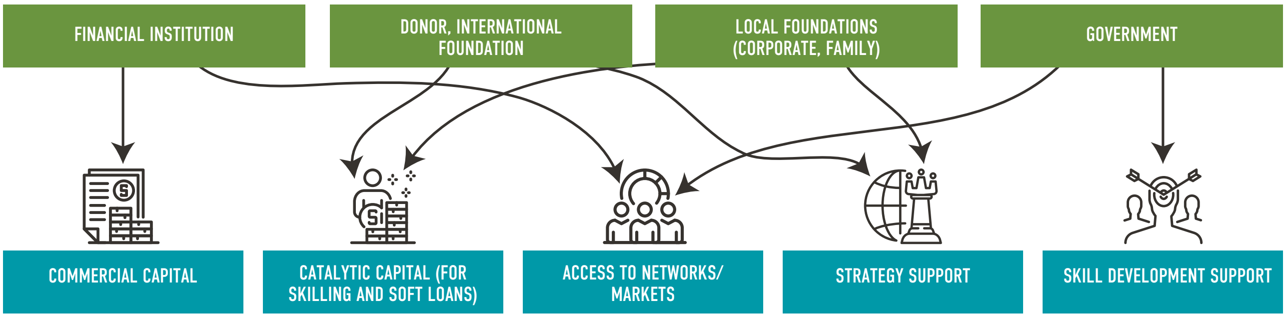
Example: *KCB Tujiajiri - Kenya Commercial Bank (KCB) launched the KCB Tujiajiri in 2016 to address the problem of youth unemployment by creating jobs through skill development and vocational scholarships. Recruits of the programme include out of school youth and individuals operating MSMEs that need technical capacity, entrepreneurial development, financial management skills, working capital, and asset financing. KCB Tujiajiri assists in building technical capacity by training youth through its technical training courses that empower the young and micro-entrepreneurs to turn their passions into products or services. Thereafter, the bank advances low-cost loans to select entrepreneurs. Since its launch, the programme has skilled over 23,000 youth beneficiaries on technical skills and financial literacy across the country[123]. The bank has recently partnered with the MasterCard Foundation to scale up the program with a target of impacting 1.5 million small businesses.*

---

[122] Cited by several stakeholders during primary discussions

[123] https://kcbgroup.com/foundation/programs/2jiajiri/?program=2jiajiri#project-list

Figure 55: Roles of Social Investors under Opportunity 2



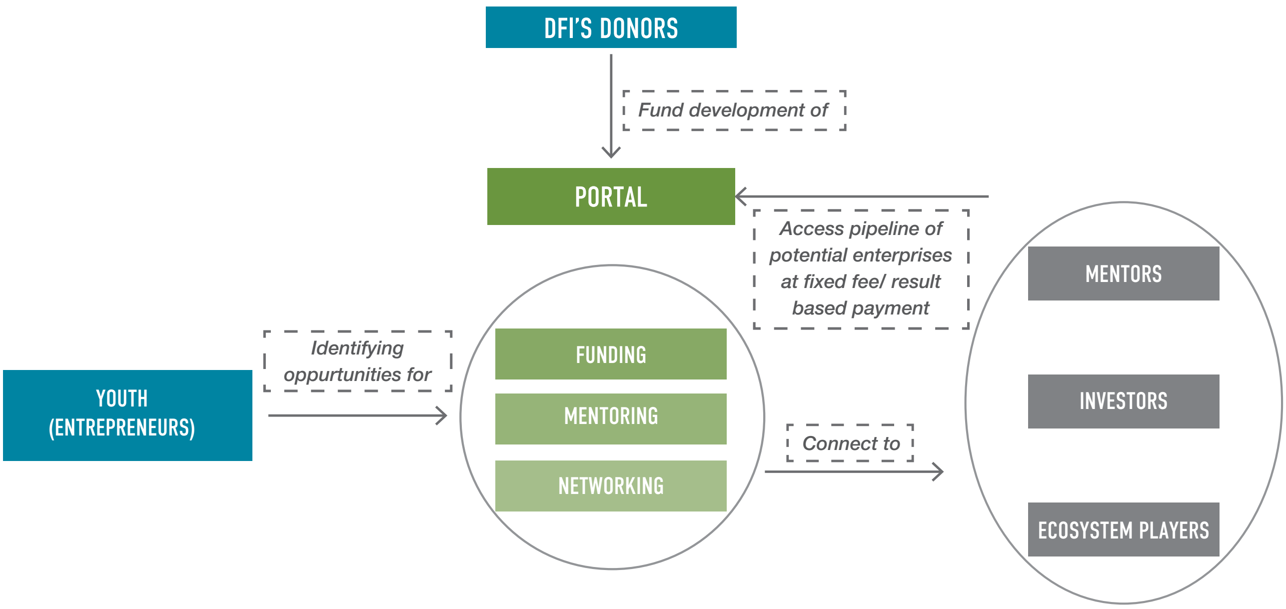
Development of a youth entrepreneurship portal

Ecosystem support organisations in the region are largely concentrated in main cities across the focus countries and are unable to reach youth entrepreneurs, a significant proportion who reside in rural areas. Further, many of the existing youth entrepreneurship support programs are physical in nature and mainly implemented in urban areas, which limits scale. Consequently while many young people have good business ideas, they don't know where to take them or how to present them to the relevant audience. On the other hand, ecosystem stakeholders face challenges in identifying youth-led businesses as these are often not properly marketed due to lack of online presence.

Opportunity: *Stakeholders can come together to establish a youth entrepreneurship online portal that provides a one-stop-shop for all entrepreneurship needs, including access to businesses development content, business financing opportunities, access to virtual mentors, webinars among others. Such online portals make existing support services from 'entrepreneurship hubs' and other service providers accessible to entrepreneurs from countries with less developed support ecosystems such as Mozambique, Angola, and Botswana. Such a platform can also be leveraged to provide a listing of support organisations that the youth entrepreneurs can engage as well as different social investors and the type of financial and non-financial support they provide to youth entrepreneurs.*

Example: *UNDP Youth Entrepreneurship Portal, which was developed considering the significant entrepreneurship related activity going on in Africa, especially in the regional hubs, such as South Africa, Kenya, and Nigeria. The YAS! - Youth for Africa and SDGs site was established in 2017 and contains i) a knowledge center, which provides entrepreneurs with relevant information to create or scale their businesses; ii) an ecosystem map, which helps young entrepreneurs locate support providers for funding, mentoring and networking opportunities close to them; and iii) a grants section which runs challenges and awards funding to entrepreneurs to implement innovative ideas which contribute towards SDG attainment. Other development partners, private sector companies and foundations can also use YAS! to launch their own awards to promote African Youth's pro-active role in the implementation of the SDGs.*

Figure 56: Roles of Social Investors under Opportunity 3



BENCHMARKING CASE STUDY ON YOUTH EMPLOYMENT

Generation

Generation is a global demand-driven skilling initiative that offers a two-sided solution to youth unemployment. On the one hand, the program provides high-quality entry-level talent for employers, while on the other hand, it prepares the underemployed and unemployed youth for jobs. Generation offers 26 employment programs in 25 professions across four sectors: Customer Service and Sales, Digital & IT, Healthcare, and Skilled trade. The program is guided by a seven-step approach i.e. jobs and employer engagement, learner recruitment, technical, behavioral, mindset & professional skills training, interviews with employer partners for immediate job placement and mentorship during and after the program to ensure consistency in quality. McKinsey & Company founded Generation in 2015, initially piloting in USA and Spain but it has since rapidly grown its operations to 14 countries in America (USA, Brazil), Europe (France, UK, Italy), Australia, Asia (India, Hong Kong, Singapore, Pakistan) and Africa (Kenya) graduating more than 37,000 young adults in collaboration with over 3,000 employer partners. To date, the initiative's graduates have made US millions in cumulative salaries in their new careers[124].

GENERATION IMPACT NUMBERS

14 countries across America, Europe, Asia and Africa

37,520 graduates

3,000+ employer partners

US$ 135Mn in cumulative salaries for the graduates

Table 12: Generation's Funder List across Countries

COUNTRY	FUNDERS
INDIA	IKEA Foundation
KENYA	• USAID, IKEA Foundation, Swedish International Development • Cooperation Agency (SIDA) • Safaricom Foundation • McKinsey & Company • The East Africa Trade and Investment Hub The program has more than 200 employer partners with more than 18,000 graduates supported so far
MEXICO	• Secretaría de Innovación, Ciencia y Tecnología • del Estado de Jalisco, Bécalos, Oracle, Tele urban More than 2,300 graduates supported so fare
SPAIN	• Ministerio de Trabajo, Migraciones y Seguridad Social
ITALY	• Intesa Sanpaolo • Google
PAKISTAN	• Punjab Skills Development Fund (PSDF)
SINGAPORE	• Skills Future Singapore (SSG),
FRANCE	• McKinsey& Co • Google Co. • Unibail-Rodamco Westfield

[124] https://www.generation.org/wp-content/uploads/2019/05/Generation_Annual-Report-2018_FINAL.pdf

Figure 13: List of Youth Employment Initiatives in Southern Africa

NAME OF ORGANISATION	COUNTRY	NAME OF INITIATIVE	TYPE OF INITIATIVE	DESCRIPTION AND IMPACT
Youth Bridge Trust	South Africa	Education & Employment (2017-Present)	Entrepreneurship, Skilling	The program aims to ensure that the youth have workplace skills, entrepreneurial skills and computer skills, have access to technology and inclusive and equal access to economy; The focus areas are: a) *Entrepreneurship* – Youth Bridge provides knowledge and abilities that support success in creating and building a workplace opportunity or idea for business start-ups. b) *Work readiness program* – It provides foundational skills such as time management, personal presentation, cognitive skills and non-cognitive skills or soft skills and behavioral skills that enhance an individual's interactions. It also helps in initial job search and maintaining continuous employment. c) *Life skills* – Over 5000 youth have received life skills, workplace skills and entrepreneurial training
International Youth Fund	Zimbabwe, Mozambique, South Africa	Passport to Success	Skilling	Passport to Success (PTS) equips young people ages 14 to 24 with a range of skills that will help them stay in school and acquire the education, professional skills, employment readiness and confidence they need to succeed in life and in the workplace. The program targets vulnerable youths who are in school but at risk of dropping out, as well as those that are out of school, out of work, or working in dangerous environments. A key measure of success is the extent to which young people are either in school or employed six months after participating in the program. Special emphasis is placed on equipping youth with workplace readiness skills, including: interviewing, respect for authority, and time management, along with tools for how to be a good employee. Participants receive assistance in developing a career plan to guide them as they chart a course to a productive future.
Mozal	Mozambique	Dzima! Kick to Success	Skilling	The initiative will equip Mozambique's unemployed, out-of-school youth with life and work readiness skills, complemented by market-relevant career guidance. Funded by Mozal, this sport for development project, whose name translates to "Kick hard! Shoot for success," will use soccer to bring youth together and empower them with opportunities. Dzima! will include lessons from IYF's signature Passport to Success® (PTS) life skills curriculum. To engage youth participants, athletic coaches will deliver core PTS work readiness lessons most suited for the context of play directly on the soccer. Coaches will facilitate complementary interactive lessons in a classroom setting. With a holistic approach, Dzima! will orient youth around locally relevant career paths and available technical and vocational training and higher education options and also offer guidance for entrepreneurial pursuits.

NAME OF ORGANISATION	COUNTRY	NAME OF INITIATIVE	TYPE OF INITIATIVE	DESCRIPTION AND IMPACT
USAID	Mozambique	YouthPower Action (October 2016 to January 2018)	Skilling	The project was implemented through two activities: first activity was a 1-year activity to support orphaned and vulnerable youth 10-18 years old and households headed by the youth to strengthen the family's capacity. The project reached more than 22,000 youth during its active years. The second activity expanded an existing youth development program for orphaned and vulnerable youths ages 15-18, known locally as Programa Para O Futuro (PPF) that improves basic education, information technology, employability and soft skills and builds awareness around gender, healthy behaviors, stigma and discrimination.
AfDB	Mozambique	Agricultural Value Chain and Youth Empowerment Project (AVACYEP) (2018-2023)	Job creation	AVACYEP is an integrated project to strengthen the capacity of rural communities to address the inter-linked challenges of food production. The program further addresses rural poverty, food insecurity and access to markets through the provision of horticulture and livestock related infrastructure, and improving food production and marketing activities, as well as capacity building for the affected communities.
AfDB	Zimbabwe	Youth and Tourism Enhancement Project (YTEP) (2014-2016)	Job Creation	The Project was to contribute towards the reduction of poverty and youth unemployment in Zimbabwe through the improvement of the enabling environment for youth and tourism development. The Project was aligned to the Government's efforts to empower youth in the country. The related areas prioritized include availing and increasing economic opportunities for women and youths; expanding the accessibility and utilization of ICTs to improve service delivery and accelerate economic growth; building and rehabilitating infrastructure and utilities as enablers for economic growth and prosperity; entrepreneurship and investment promotion in tourism.
AfDB	Zimbabwe	Youth and Women Empowerment Project (2016-2019)	Entrepreneurship	The Youth and Women Empowerment Project aimed to benefit women and youth through economic opportunities in horticulture, mopane worms and honey processing as well as in artisanal mining enterprises. They received business management and entrepreneurship training and had access to employment information and access to SME finance. The project targeted 1500 women in all 10 provinces of the country that trained on cross-border trade regimes. The indirect beneficiaries were estimated to include all the 650,000 population of the targeted districts.
International Youth Foundation	South Africa & Zimbabwe	Equip Youth (2012-present)	Job Creation	Launched in 2012, the foundation aims to increase youth employability prospects and support youth entrepreneurship. The initiative has prepared young people with market-relevant life and technical skill training, internships, on-the-job learning and job placement support and services. The program further supports capacity building for implementing partners. In South Africa Equip Youth participants are given technical training pertained to manufacturing and heavy industry jobs. In Zimbabwe, the foundation has focused on inclusion for young women, and prepared marginalized young people to succeed in the workplace and supporting them in the development other life skills necessary for securing and keeping a job.

NAME OF ORGANISATION	COUNTRY	NAME OF INITIATIVE	TYPE OF INITIATIVE	DESCRIPTION AND IMPACT
United Nations Industrial Development Organisation(UNIDO), Ministry of Education Mozambique	Mozambique	Entrepreneurship for youth (2007 – present)	Entrepreneurship	This is a project initiated in 2007 with technical assistance from UNIDO and funding by the Government of Norway. The project's aim is to introduce entrepreneurship curriculum in secondary education in Mozambique. It includes visits to entrepreneurship fairs, enterprises and institutions, and allows students to do market research and develop businesses. Through the project, entrepreneurship as a practical subject has been introduced in 331 schools, reaching out to 350,000 students; 85% of the students have acquired entrepreneurial skills
GIZ	South Africa	Africa-German Youth Initiative (2017-2020)	Skilling	Launched in 2017, Africa-German youth initiative is a social investment program that aims to promote innovative ideas for exchange volunteer services and social engagement. The initiative further works on strengthening technical skills together with planning and management capacities in implementing organisations.
GIZ	South Africa	Employment and Skills for Development in Africa (E4D) (2015-2023)	Skilling	Launched in 2015, the project establishes public-private partnership in the areas of vocational education and training, vocational preparation and placement, and promoting small and medium-sized enterprises. Local companies are provided with training courses to enhance their expertise in areas such as tender management, human resource management, and financial management. Since 2015, the project has implemented 54 cooperation measures in seven partner countries with 65 international and Africa partner companies. US$ 25 million (EUR 22 million) has been mobilized as additional contributions from the private sector and from public sector stakeholders. Around 19,000 people have been brought into employment of which 34% were women and 47% were youth.
Accenture	South Africa	Skills to Succeed (S2S)	Skilling	The Initiative is an online skills training program that provides an environment for young people to engage in real life behaviour, in a cost effective manner. The program engages participants with advanced learning technologies, role-based simulations, videos, quizzes, gaming techniques and interactive exercises. The Academy has three main training courses; understanding careers, obtaining employment and understanding how to succeed once in employment.
German (GIZ)/ European Union	Africa	Skills Initiative for Africa (2016 – 2022)	Skilling	Launched in 2016, Skills Initiative for Africa (SIFA) consists of two components: A finance facility and a technical component. The Finance facility is to be accessed by innovative employment-oriented skills development projects. The facility is currently operating in 8 pilot countries.
USAID	Zambia	Youth Lead	Entrepreneurship, Skilling	A 6-month training and internship program, participants are assigned a mentor responsible for providing one-on-one training and support to help them reach their full potential. Youth Lead participants are also paired with local and international civil society organisations, government agencies, and the private-sector for a 6-month internship. On completion of the internship, youths are provided small grants to develop and execute a community-based initiative or advocacy campaign strengthening their civic engagement and planning skill.

NAME OF ORGANISATION	COUNTRY	NAME OF INITIATIVE	TYPE OF INITIATIVE	DESCRIPTION AND IMPACT
USAID in collaboration with Ministry of youth	Angola	Youth Empowerment program (2019 – Present)	Skilling, Job creation	The initiative supported the youth to access training programs, to succeed and to create their livelihoods in the formal and informal sector, addresses the multiple needs of young people like job creation and employability skill development
Food and Agriculture Organisation	Zimbabwe	Supporting Innovations for Youth Employment in South Africa (2018 – Present)	Job creation	Launched in 2015, the US$ 72 million 4-year program, FAO, aims to increase agricultural productivity, increase income and reduce poverty in rural Zimbabwe. The program contributed to poverty reduction and actively addresses the specific constraints that smallholder farmers, particularly women and youth face in raising productivity of their farms and participating in markets.
World Bank	South Africa	Supporting Innovations for Youth Employment in South Africa (2018 – Present)	Job creation	The Youth Employment in South Africa (YES) project launched in 2018 is a business led collaboration between the South Africa Government and civil society that aims to support the employment of marginalised youth in the country. The program will achieve this through two pillars 1) Supporting YES in the provision of work experiences for the youths 2) Supporting youth policy development and implementation.
DFID	Mozambique	Skills for Employment (S4E) (2015-2022)	Skilling	The initiative started in 2015 with the aim to increase incomes among women, youth and adolescent girls, through relevant, quality, non-state vocational training that leads to formal or self-employment. S4E will emphasise evidence gathering, lesson learning and regular evaluation. The non-state approach has two break points (after inception and mid-term) when the Program can be terminated if not delivering.
DFID	Mozambique	Better Delivery on Jobs (2015 – 2021)	Job Creation	The initiative aims to increase the impact on job creation and incomes in developing countries through the policies and programs of DFID, the World Bank, other donors, development finance institutions and NGOs. Working primarily through a World Bank Trust Fund on Jobs this program strengthens the international community's work by engaging with governments and the private sector, on issues including youth employment, fragile states and improving data on jobs.
GIZ	South Africa	The Basic Entrepreneurial Skills Development Program (BESD) (2012-2016)	Skilling	The program supports the Department of Higher Education and Training and the Small Enterprise Development Agency improve the vocational training available in the informal sector. It fundamentally aims to impart basic commercial and business knowledge and skills through training institutions that conduct trainings efficiently and effectively.
GIZ	South Africa	Skills development for a green economy II (SD4GE II) (2018 - 2022)	Skilling	The SD4GE II addresses two core problems facing young people in South Africa; vocational education and training (VET) by supporting structural changes towards more employment-oriented dual training approach in South Africa. Nearly 240 electrician and plumber apprentices are currently undergoing a 3-year dual occupational program in 70 training companies and 5 TVET colleges.

NAME OF ORGANISATION	COUNTRY	NAME OF INITIATIVE	TYPE OF INITIATIVE	DESCRIPTION AND IMPACT
GIZ	South Africa	African-German Youth Initiative (AGYI) (2017-2020)	Skilling	The AGYI program enables youth exchange program between Africa and Germany. The program intends to extend the offer of pan African Volunteer service and youth exchange programs, strengthen technical skills along with planning and management capacities and increase networks between African and German partners.
GIZ	Botswana	Strengthening employment-relevant TVET II (2015 – 2017)	Vocational Training	The projects core elements are advisory services and qualification measures for stakeholders in vocational education and training. The elements develop the capacity of the staff in the ministry, TVET institutions and private sector, benefiting graduates and the labour market. The project also introduced analysis and evaluation procedures at different levels to document and consolidate the results achieved.
Mentec Foundation	South Africa	The Rise of Digital Artisans for the 4th Industrial Revolution in South Africa (2019-2022)	Skilling, Job creation	The program offers ICT skills training and job placement. It partners with companies in the digital industry that will have direct demand for workforce. Mentec foundation had 750 trained youth three corporative and 5 startups started in year one.
MasterCard Foundation	South Africa	Harambee Youth Employment Accelerator (2018 – 2022 and beyond)	Job creation	The accelerator provides work readiness and skills training for young South Africans seeking work as well as employment and intermediation services for partner employers. Harambee's dedicated management team is focused on partnering with employers and seeking out their needs and demand for youth entry-level workers. These key account managers also conduct a thorough diagnostic on the conditions of jobs that will open up, the skills they will require, the expectations out of the youth, and their salary, among other aspects. A benchmark is established on the requirements for the employer's positions and this is later used to match the Harambee beneficiaries with the jobs.
Accenture	South Africa	Youth Employment Service (YES) (2018-present)	Job creation	YES is a technology-based non-profit corporation (NPC) established to create youth jobs in South Africa. The program has a national focus using technology and digital platforms to scale; and as a conduit between youth, the employer and economic advancement. YES delivers rigorous digital training through behaviourally based content loaded onto handsets given to youth at placement. Content is delivered through zero-rated apps on phones provided to youth, and youth progress is monitored through big data analysis which is fed through digital surveys which youth complete over their yearlong work experience. YES provides paid 12-month employment through corporate sponsorships that create new work opportunities in high unemployment regions. This is achieved through a demand side value chain approach to job creation. To-date, 19, 000 youth work experiences have been committed to by over 350 corporates who have registered to create youth employment opportunities for a 12-month period. 15, 664 Youth have actually been placed in jobs thus far, whilst 104, 000 have registered on the Youth portal.

NAME OF ORGANISATION	COUNTRY	NAME OF INITIATIVE	TYPE OF INITIATIVE	DESCRIPTION AND IMPACT
Yes4Youth	South Africa	Project Octopus	Job creation)	Project Octopus is a Knack global initiative that utilizes Knack's infrastructure and talent potential signals to discover and route youth to various opportunities. The objective is to use neuroscience games to achieve three outcomes – 1. Provide career counselling to youth at large 2. Guide them to high potential education pathways 3. Match them to high potential careers using a job platform Project Octopus has reached more than 5000 youth up to date in the two countries, and will expand its scope to cover other countries in South Asia and Africa. Knack aims to reach 1M youth through this program a job platform.
Government of South Africa	South Africa	Youth Wage Subsidy	Job creation	The scheme provides a subsidy of up to R1000 a month to employers of people aged between 18 and 29 earning less than R6 000 in their first formal jobs. This falls to R500 in their second year on the job and falls away in the third. It effectively introduces a two-tier labour market that makes young workers cheaper without actually reducing their wages.
Government of South Africa	South Africa	Youth Wage Subsidy	Job creation	The scheme provides a subsidy of up to R1000 a month to employers of people aged between 18 and 29 earning less than R6 000 in their first formal jobs. This falls to R500 in their second year on the job and falls away in the third. It effectively introduces a two-tier labour market that makes young workers cheaper without actually reducing their wages.
EOH, government, employers, philanthropic funders	South Africa	Build Your Business (2010 – Present)	Entrepreneurs hip	EOH provides training to disadvantaged young people who are then placed in jobs with participating private- and public-sector employers. These employers provide guided workplace experience to trainees while government provides incentive for the hiring of such candidates.
International Youth Foundation, Microsoft	South Africa	Build Your Business (2010 – Present)	Entrepreneurs hip	In 2010, the International Youth Foundation partnered with Microsoft to develop Build Your Business (BYB)—an entrepreneurship training course created to introduce young people to the basic ideas, activities, and skills needed to successfully launch, lead, and grow micro enterprises. BYB is designed for current and aspiring entrepreneurs ages 16 to 35 living in urban and rural communities. Available in English, French, and Arabic, this course offers an interactive approach by using games, exercises, and videos to explain complex business skills. Accessible on and offline, BYB uses a unique blended learning strategy in which skills introduced on the computer are reinforced with in-person instruction and hands-on activities.

NAME OF ORGANISATION	COUNTRY	NAME OF INITIATIVE	TYPE OF INITIATIVE	DESCRIPTION AND IMPACT
Govenments of Denmark, Norway, Italy, Sweden, Netherlands, AFDB	Across all countries	YEI Trust Fund (November 2017 – Present)	Job creation	The YEI Trust Fund is intended to help implement the goals of the Jobs for Youth in Africa initiative, which are to create 25 million jobs and equip 50 million young men and women of working age with the skills they need to help them join the formal sector, by 2025.
International Youth Foundation, MasterCard Foundation	Mozambique	Via: Pathways to Work (2015-2021)	Skilling, Entrepreneurship	In partnership with MasterCard Foundation, Via: Pathways to Work applies a systems approach to improve economic opportunities for underserved young people in Mozambique and Tanzania. Via facilitates sustainable changes and refinements in the technical and vocational education and training (TVET) and entrepreneurship systems in both countries. The goal is that collective behaviours of TVET system actors, including government, employers, civil society, and youth, are more responsive to the needs of young people and industry. Specifically, the program is integrating life skills programming and career support services—clearly identified workforce and industry gaps—into technical offerings for more than 21,000 young people. The Via legacy will be in the systemic changes made at institutional levels and across an array of youth training and support services stakeholders, leading to significant numbers of youth benefiting from these advances over time.
AFDB	Across Africa	Jobs for Youth in Africa (JfYA) Strategy (2016-2025)	Skilling, Entrepreneurship, Job creation	AfDB launched its Jobs for Youth in Africa (JfYA) Strategy in May 2016 in Zambia. The aim of the strategy is to support African countries vis-à-vis scaling up responses to the youth unemployment and underemployment crisis on the continent. This will be achieved through practical, high-impact solutions aimed at creating opportunities via education and training, transformative jobs and a business environment conducive to entrepreneurial activities (i.e. youth entrepreneurship). In the first year of the JfYA strategy implementation, 1.6 million jobs were created and 652,000 people trained, the large majority of whom were women and youth (ADER 2017)
AFDB	Across Africa	The Innovation Lab (2018 – present)	Entrepreneurship	The Innovation Lab supports ESOs and startups with capacity building, investment, network linkages and knowledge sharing. Operational since late 2018, the Lab strives to identify, survey and characterize ESOs throughout Africa. Results of this survey will be shared in June 2019 in an interactive online ESO database.
AfDB	Across Africa	Coding for Employment program	Job creation, Skilling	AFDB launched the Coding for Employment program as a blueprint to accelerate this investment in human capital for the digital age. Through this program, the Bank builds synergies between global technology giants and education institutions to create demand-driven, agile and collaborative ICT trainings to equip African youth with relevant skills to secure ICT, ICT-enabled, and ICT services employment. Since 2018, the program has gathered momentum and over 1000 youth have been trained. It aims to build 130 ICT Centers of Excellence in Africa to skill and digitally-enable 234,000 young people, to promote entrepreneurship and create 9 million jobs.

NAME OF ORGANISATION	COUNTRY	NAME OF INITIATIVE	TYPE OF INITIATIVE	DESCRIPTION AND IMPACT
World Bank	Mozambique	Youth Development and Empowerment (2019-2024)	Entrepreneurship, Job creation	The initiative aims to promote actions to create self-employment as well as more job opportunities for young people. In addition to retaining girls in schools, the project also aims to prevent premature marriages and encourage more active participation of young people as leaders of the development process in the country.
DFID	Mozambique	Skills for Employment (S4E) Program (2016 – 2020)	Skilling, Entrepreneurship	The Employment Fund was created by DFID to improve the access of disadvantaged young people, in particular young women, to skills. The aim is to mobilize and support non-state training providers to provide training and additional services towards employment and self-employment. The focus is on demand driven training in Mozambique's job-rich growth sectors.
Commonwealth Foundation	All 6 focus countries	Southern African Alliance for Youth Employment (SAAYE) (February 2016 – Present)	Job creation	SAAYE was established by the Economic Justice Network with the Commonwealth Foundation's support. The alliance consists of trade unions, church councils, student unions, and civil society across 9 countries in Southern Africa – cumulatively having the potential power to determine the shape of policy for youth employment in Southern Africa
Ministry of youth empowerment, sports and culture development. Government of Botswana	Botswana	National Internship Program (2009 – Present)	Skilling	It was aimed at facilitating skills transfer to graduates by placing them in organisations which will give them the opportunity to apply what they learned in tertiary institutions and gain additional skills. It targeted unemployed and out-of-school youth aged 20-35 years with a certificate, diploma or degree. The main focus of the program was collaboration and partnership with strategic partners to aid in the transfer of skills among young people, create opportunities for young people to gain lifelong skills and experience for self-reliance. The youth are placed in the public sector, non-governmental organisations or the private sector. Under the program, a beneficiary can serve for two years and, thereafter given the choice to exit at any time should they find employment. It has placed over 10,000 interns since its inception.

Annexure 2

KEY SOCIAL INVESTMENT SECTORS IN SOUTHERN AFRICA

The Southern Africa region presents immense opportunities for social investors across several social sectors. This chapter outlines the social investment activities across some of the key sectors in the region.

FINANCIAL INCLUSION

THE CHALLENGE

The high banking transaction fees limit the extent of financial inclusion, especially in the low-income segments within the Southern Africa region.

In Southern Africa, the fee structure for banking transactions is up to four times higher than countries such as Germany, Australia and India[125]. This is partly due to the high operating costs of banks and the proliferation of cybercrime. Hence, banks in the region spend three times on IT security compared to non-financial organisations of the same size[126]. Though the overall financial inclusion rate is around 70% in South Africa, this rarely correlates with the credit scenario in the country – with most of the credit being informal[127]. Limited finance is available for micro, small, and medium enterprises (MSMEs) in South Africa[128] and Mozambique[129]. In Zambia, several banks are starting to develop special financing schemes for MSMEs[130].

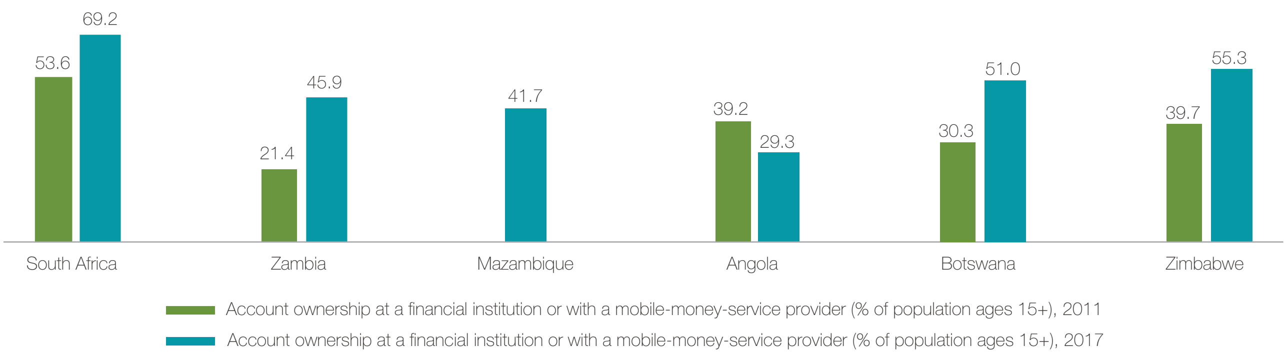
6 million SMEs in South Africa are currently financially excluded.

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

The financial services sector has received a high focus from DFIs who provide lines of credit and guarantees to financial service providers. SFMs have also contributed to the sector through investments into innovative tech-based business models in the sector.

DFI funding to the sector was mainly in the form of lines of credit extended to commercial banks and microfinance institutions, focusing on enhancing access to finance for SMEs. For instance, in 2015, AFDB, through its private sector window approved a US $50 million multi-currency line of credit (LoC) with a seven-year tenor to ABC Holdings Ltd.[131] and its subsidiaries in Botswana, Mozambique, and Zimbabwe to help increase its support to SMEs. In 2016, CDC Group invested an undisclosed amount in Microhub Financial Services, a greenfield microfinance institution (MFI) to support increased individual and SMEs lending in Zimbabwe. In 2019, through their ARIZ guarantee mechanism, Proparco and AFD supported ASISA Enterprise and Supplier Development Fund[132],

Figure 57: Account ownership in the focus countries, 2011 vs 2017



Source: World Bank Development Indicators. Please note: Data for Angola is unavailable for2017 so data for2014 is included. Also, data for Mozambique is available only for 2017.

[125] 6 challenges to financial inclusion in South Africa, WEF, April 2017

[126] 6 challenges to financial inclusion in South Africa, WEF, April 2017

[127] Improving financial inclusion in South Africa, BCG, 2017

[128] Financial inclusion must extend to SMMEs for significant impact, 2019

[129] Opportunities to Improve Financial Inclusion in Mozambique: Building on Investments and Economic Activities Associated with the Extractives Sector, 2015

[130] Access to finance to inclusive businesses in Zambia

[131] ABC Holdings Ltd. (ABCH) is a rapidly growing financial institution targeting local small and medium enterprises (SMEs) in these countries covering various sectors such as construction, agriculture, manufacturing, transport and services

which provides acceleration and investment support to small businesses with a clear social or environmental purpose. SFMs have also invested a significant proportion of their capital to enterprises enhancing access to finance for individuals and SMEs with a large focus on financial technology (fintech) businesses.

DFI CONTRIBUTION TO THE SECTOR	SFM CONTRIBUTION TO THE SECTOR
US$ 1,840 Mn	US$ 679 Mn
48% of DFI Portfolio	58% of SFM Portfolio
43% of total DFI deals	58% of total SFM deals

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

Recognizing the importance of connecting the population through financial services, several governments have developed financial inclusion policies and reforms in the past few years.

In countries with lower financial inclusion rates, the respective governments have launched a series of programs and policies to increase universal access to financial products and services. For instance, the governments of Zambia and Zimbabwe both launched the National Financial Inclusion Strategy (NFIS) in 2017 and 2016 respectively. In Zambia, NFIS 2017-2022 support 'Vision 2030' and aims to have universal access and usage of a broad range of quality and affordable financial products and services[133]. While in Zimbabwe, NFIS 2016-2020 entails improved access to and use of a broad spectrum of products and services provided by various players in the financial services sector. In South Africa, which has a fairly high financial inclusion rate, the government has launched South Africa Financial Sector Development and Reform Program (FSDRP) Phase 2, a 5-year program to manage existing structural constraints in the country[134].

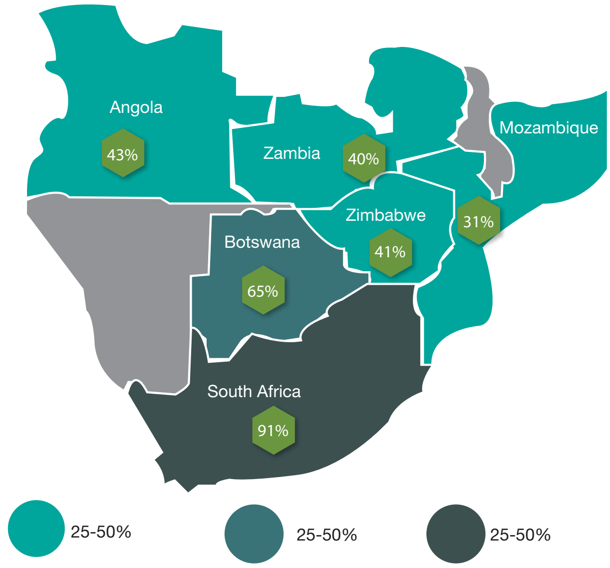
ENERGY, ENVIRONMENT AND CLIMATE CHANGE

THE CHALLENGE

Climate change, natural calamities and inadequate access to electricity are the major challenges grappling the Southern African region.

In South Africa, almost 90% of the electricity is generated through thermal power – thereby generating a humongous amount of land, water and air pollution impacting the health and lives of the community and ecosystem around. Likewise, Zambia depends on its water resources for electricity production. In addition, long legacy of mining has increased the pollution burden in the country. Mozambique is also prone to climate change hazards such as droughts, floods, and cyclones with the most recent cyclone Idai in 2019.

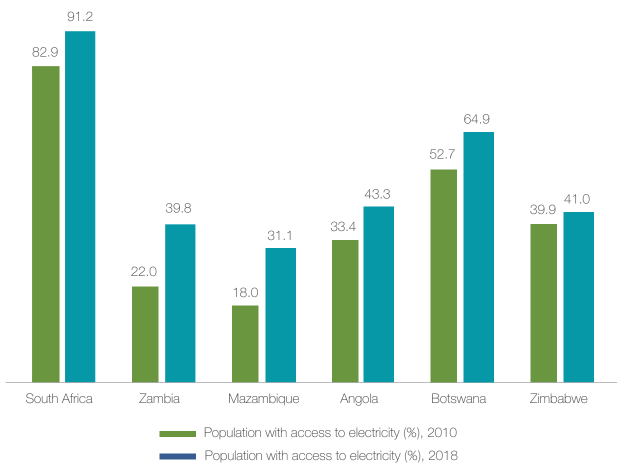
Figure 58: Share of population with access to electricity, 2018



Source: World Bank Development Indicators, 2018

On average, only 52% of the population in the focus countries have access to electricity. However, several focus countries are increasingly relying on renewable energy sources for their electricity generation. For instance, of the total 2,800 MW of installed electricity generation capacity in Zambia, 85% is hydro based[135]. Likewise, in Angola, 60% of the installed capacity is hydro-based[136]. Hydropower has become an essential resource for electricity production in Mozambique as well[137]. South Africa has excellent natural resources for concentrating solar power (CSP) development. The government is diversifying the power mix by introducing natural gas and renewables, including CSP to reduce the reliant on thermal energy.

Figure 59: Access to electricity rate, 2010 vs 2018



Source: World Bank Development Indicators

[133] National Financial Inclusion Strategy 2017-2022, Republic of Zambia
[134] South Africa's Efforts to Improve Financial Stability and Inclusion Boosted, The World Bank, September 2018
[135] Zambia, Power Africa Fact Sheet, USAID, 2020
[136] Angola Energy Situation
[137] EDM: Offering Mozambique a sustainable energy lifeline

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

Both DFIs and SFMs active in the sector have focused their investments on developing renewable energy projects, especially solar energy.

The sector accounted for the second largest portfolio of both DFIs and SFMs. Most of these investment deals went into developing renewable energy projects, especially diversification into solar energy. For instance, in 2018, AFDB approved a senior loan of US$ 172 million (ZAR 3 billion) to the 100 MW Redstone Concentrated Solar Power Project, which would boost South Africa's energy mix and accelerate transition to renewable energy. In 2017, IFC provided financing package of around US$ 40 million to develop Zambia's first large-scale solar power plant, and help manage the droughts that have afflicted its hydropower facilities. The package comprised senior loans of up to US$ 13.3 million each from IFC, the IFC-Canada Climate Change Program, and Overseas Private Investment Corporation (OPIC).To manage the growing climate change impacts, social investors in the region have also been investing in initiatives such as conservation of forests and natural reserves. For instance, in 2019, FMO provided a convertible grant of US$ 0.05 million to Biocarbon Partners in Zambia, to undertake studies to demonstrate the feasibility of reducing emissions from deforestation and forest degradation (REDD+) projects in the country.

DFI CONTRIBUTION TO THE SECTOR	SFM CONTRIBUTION TO THE SECTOR
U$$ 888 (excluding U$$ 12.9 Bn AfDB investment) 23% of DFI portfolio 21% of to DFI deals	U$$ 169 Mn 15% of SFM Portfolio 8% of total SFM deals

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

Governments in most focus countries are developing renewable energy policies to diversify the energy mix.

There has been increased awareness amongst different stakeholders regarding climate change and its negative impacts. This has led to the development of renewable energy policies and their implementation to reduce the effects of climate change. For instance, the 'Angola Renewable Energy Strategy' aimed to develop a national strategy to diversify the investment in renewable energies through a growing role of the new renewable energies, including small hydropower plants[138]. Likewise, the National Energy Policy in Botswana promotes energy efficiency across different sectors of the economy, development of smart grids, among others[139]. In addition, some of the governments have also ensured increased access to affordable energy in rural and remote areas, where people need to spend a significant amount of their earnings on electricity/ energy access. For instance, in March 2020, the government of Zimbabwe launched the National Renewable Energy Policy (NREP) and the Biofuels Policy of Zimbabwe (BPZ), which will guide the investment and production of clean energy alternatives in the country[140].

HEALTHCARE

THE CHALLENGE

A large proportion of the population in the region depends on the public health system for its health care needs; the system is, however, largely constrained by inadequate funding.

Governments contribute a significant proportion of healthcare financing across the focus countries accounting for more than 50% of total financing to the sector in Angola, Botswana and South Africa. However, allocation to the sector as a proportion of total government funding remains low with none of the countries meeting the Abuja declaration of 2001 where African governments committed to allocate atleast 15% of their total expenditure to the sector. Health facilities thus remain financially constrained and are not able to effectively provide health services.

Inadequate access to quality and affordable services has contributed to poor health outcomes with all the countries lagging in the achievement of the SDG targets.

The region continues to lag behind in key health outcomes with high rates of infant and maternal mortality rates recorded in all the focus countries. South Africa is however, on track to meeting the SDG target on infant mortality.

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

Besides receiving the largest proportion of bilateral donors' funding, the healthcare sector has also received a high focus from local philanthropists and faith-based organisations.

Donors have long been supporting the healthcare sector prioritizing issues linked to maternal and child healthcare across the Southern Africa region largely implemented through multi-year projects. USAID, for instance, in 2019, provided one single grant of US$ 24 million under Transform Nutrition and Advancing Nutrition projects in Mozambique[141]. Further, healthcare is one of the main focus areas for Southern Africa based family foundations as well as faith-based organizations. The sector has also received attention from SFMs with 8% of their portfolio deployed in emerging healthcare business models such as online healthcare marketplace, mobile application for patient-doctor interaction, and those offering design of artificial limbs implants, among others.

138 Angola New Renewable Energy Strategy, Gesto
139 Status of Renewable Energy in Botswana -Framework, Trends & Potential, REAB
140 Zimbabwe launches renewable energy, biofuels policies, Africa Energy Portal, 2020

Figure 60: Average health expenditure by source (2012-2017)

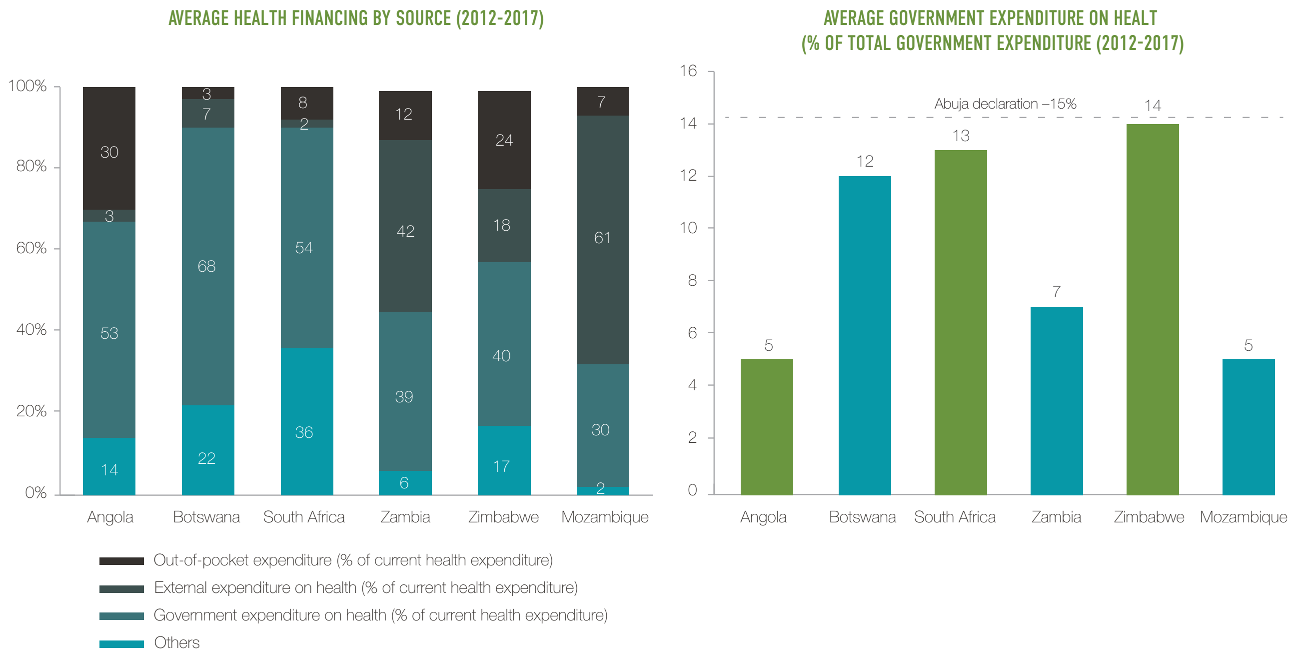
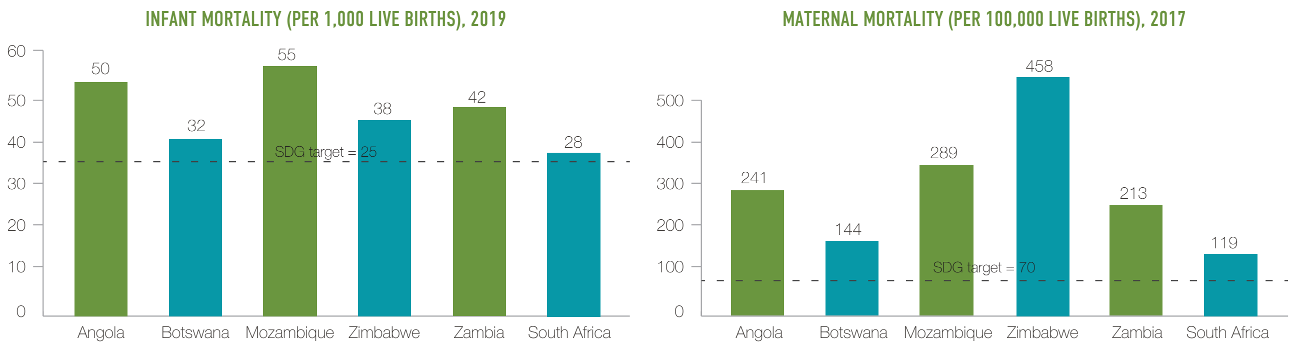


Figure 61: Infant and maternal mortality rates



Source: World Bank Development Indicators

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

> *Universal health insurance coverage, maternal and child healthcare, and improved access of healthcare services in rural areas are the are some of the main focus points for governments in the region.*

The governments in most of the focus countries have been at the forefront in ensuring adequate access to healthcare services. Several governments, along with the support from donors, are prioritizing their efforts towards maternal and child healthcare. For instance, The Ministry of Health (MISAU) in Mozambique along with the support from the World Bank embarked on a project (US$ 1,142Mn) to improve the utilisation and quality of reproductive, maternal, child, and adolescent health and nutrition service[142]. Likewise, Botswana's National Health Policy and Integrated Health Service Plan for 2010- 2020 (IHSP) are child-sensitive and include specific commitments to reducing infant, child and maternal mortality. Few of the focus countries are increasing the budget allocation to healthcare sector to manage the healthcare needs and increase access to healthcare services in rural and remote locations. In Zambia, for instance, between 2014 and 2019, the budget allocation to health increased by 91%, while real per-capita allocation increased by 65% over the same period[143]. In Angola, the government has engaged with the World Bank (US$ 110 million) to increase the utilization of essential social services for the rural areas and the most vulnerable population[144]. Some of the relatively developed countries are focusing towards universal and improved health insurance coverage. For instance, the government of South Africa launched the National Health Insurance (NHI). This financing system will ensure that all citizens of South Africa are provided with essential healthcare, regardless of their employment status and ability to make a direct monetary contribution to the NHI Fund[145].

---

[141] USAID, Healthcare, Mozambique

[142] Program Appraisal Document, Mozambique Primary Healthcare Strengthening Program, The World Bank, 2017

[143] Zambia Health Budget Brief 2019

[144] Project Appraisal Document, Angola Health System Performance Strengthening Project, The World Bank, 2018

[145] NHI, Department of Health, Republic of South Africa

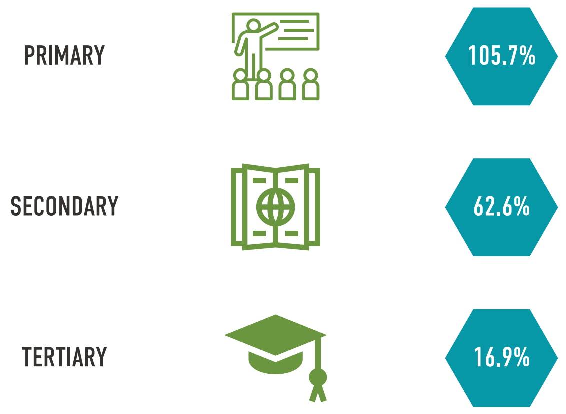
EDUCATION AND LEADERSHIP DEVELOPMENT

THE CHALLENGE

Despite noteworthy headway in access to education in the last one and a half-decade in several focus countries, the detrimenting quality of education and inadequate infrastructure are some of the challenges that still exist.

Poor quality of education and scarcity of infrastructure are critical challenges in most of the focus countries. For instance, in Botswana, while access to education has significantly increased in the past few years (enrolment of 91%), learning levels are far below grade-level expectations and are stagnating[146]. Lack of appropriate infrastructure, curriculum, and qualified teachers are

Figure 62: Gross regional average enrollement rate



Source: WBDI, School Enrollment (% gross)

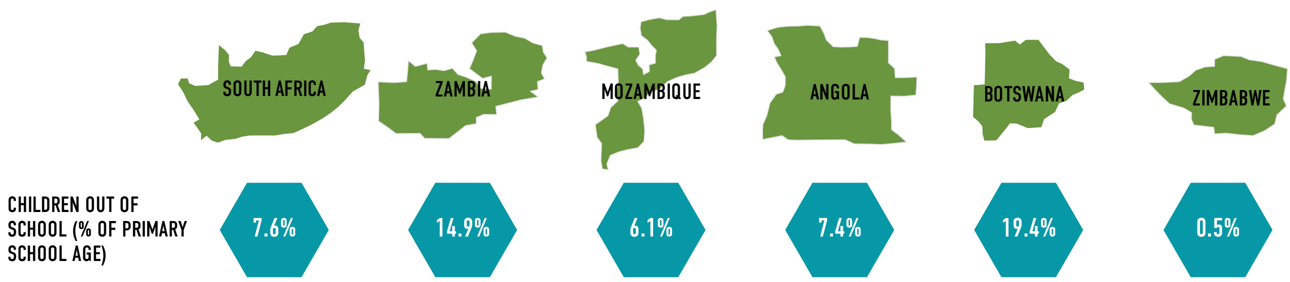
some of the challenges that plague the education sector in Angola[147]. Likewise, Mozambique has shown its commitment to education – through direct investment in educational infrastructure and indirectly through facilitative policies. However quality and improvement in learning still lags behind[148]. Social challenges such as poverty and drug abuse further diminish the impact of the progress attained in terms of the number of educational institutions or children going to school. For instance, in Zambia, though significant progress has been made in the number of primary, secondary and tertiary educational institutions, the country still suffers from challenges owing to poverty, parental unemployment, child labour, and involvement in drug abuse[149]. In South Africa, between 2002 and 2017, there were improvements in the number of school-going children, thereby increasing overall school attendance[150]. The percentage of learners benefiting from the 'no-fee' policy also rose from 0.3% to ~65% by 2017. Despite the progress across the Southern Africa countries, there is a clear need to link education to skills and employment.

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

In addition to SFMs investing in innovative tech-based education enterprises, the sector has also received focus from family foundations and corporate social investors.

SFMs have an increasing focus on education, with 9% of their investments in the sector. Most of the SFM investment has focused on ed-tech, and e-learning initiatives. International and regional family foundations and donors also play a major role in the education sector in region. For instance, the Michael and Susan Dell Foundation (MSDF) partnered with educational institutions to bring data and technology in classrooms for improved instruction and delivery by teachers and individual support to students. The organisation has provided a total of 53 grants in South Africa between 2011 and 2020[151]. Likewise, USAID in Zambia has a strong history of collaboration with the Ministry of General Education (MOGE) to implement Zambia's primary literacy curriculum, strengthen systems to deliver quality primary literacy instruction, improve performance of both community and public schools, and strengthen school-level assessments[152].

Figure 63: Children out of school (% of primary school age)



Source: UNESCO. As per latest data available: South Africa and Zambia: 2017, Mozambique: 2018, Angola: 2016, Botswana: 2015, Zimbabwe: 2013

[146] Taking education 'back-to-the-basics' at scale in Botswana, 2019
[147] Training and educational practice of secondary school teachers in Lubango, Angola, 2019
[148] UNICEF, Mozambique
[149] Challenges of accessing education in Zambia, 2019
[150] from 91.3% to 96% boosted by the implementation of the 'no-fee' policy
[151] MSDF, Grants database
[152] USAID, Education

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

Education is one of the most important pillars of national development and the governments in the focus countries in Southern Africa have developed plans and policies to improve the quality and access to education.

The education sector is given prime importance in the central government budgets and key development policies. The government of Zambia highlights the importance of education in Seventh National Development Plan (7NDP). The Education Sector Strategic Plan (ESSP) in the country is designed to re-establish education as the key catalyst for national development[153]. In most of the focus countries in Southern Africa, the governments have prioritised increased access to education along with improvements in quality of delivery, and have allocated budgets accordingly. For instance, Botswana has comprehensive education policies, long-term strategies and medium-term plans to address issues of quality, access and relevance across the entire education sector, with government spending of 7-8% of GDP on the sector[154]. Likewise, in Zimbabwe, Ministry of Primary and Secondary Education (MoPSE) has identified four pillars for the ESSP 2016 – 2020, which include 'access for all, quality and relevant learning with the introduction of a competency-based curriculum, building, developing, monitoring and upgrading the professional skills of teachers, among others[155]. The Government of Angola too, has made focused and continued investments in teacher quality and school management, such as 'Learning for All'[156]. In other relatively developed countries, the government aims to bring data and technology to improve learning. For instance, in South Africa, the government, as part of the 2019 budget allocated nearly US$ 1.7 billion (30 billion Rand) to build new schools and introduce technology-focused subjects to the curriculum, such as coding and data analytics, at a primary school level.

AGRICULTURE AND FOOD SECURITY

THE CHALLENGE

The contribution of the agriculture sector to the economy varies widely across the focus Southern Africa countries.

According to the World Bank, the potential of agricultural growth to reduce poverty is four times greater than the potential for growth from other sectors[157]. In countries such as Mozambique and Zimbabwe, where agriculture contributes to a significant proportion of employment to the population, an increased and focused strategic investment would boost the livelihoods of larger proportion of the population and will contribute to food security and GDP. Commercial banks develop credit lines and guarantee funds to contribute towards improving the access to finance for MSMEs in agriculture. However, considering the risky nature of the sector, a higher proportion of social investment flows mainly from DFIs and donors. With an increasing number of social enterprises solving the challenges linked to post-harvest losses, market linkage, and data-driven decision making, SFMs have also become active in the agricultural sector.

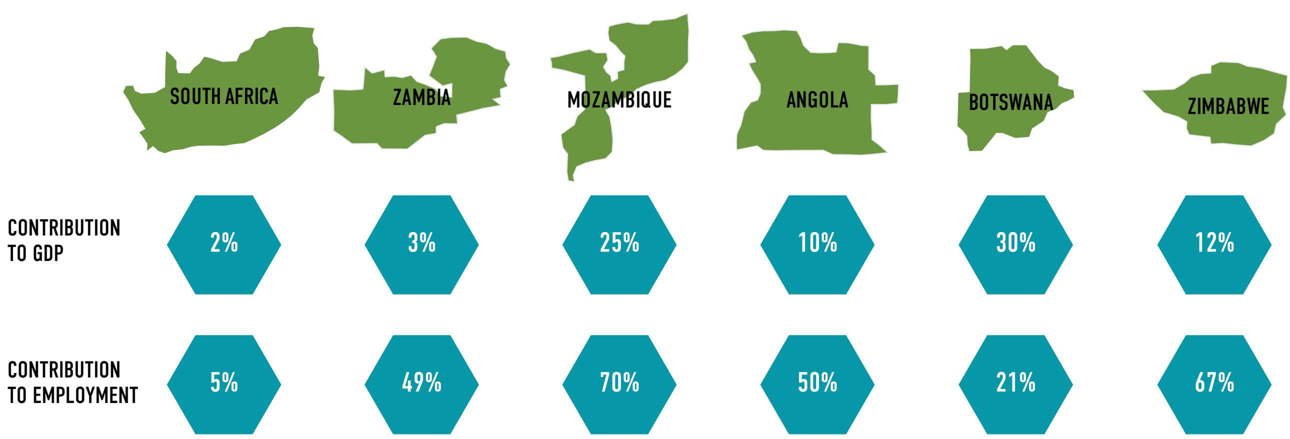
Fertilizer consumption is one-third and average cereal production is less than half of the average global production

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

The agricultural sector in Southern Africa has mainly received support from DFIs, SFMs and donors.

DFIs disbursed a total of 13% of their portfolio to enterprises and programs in the agriculture sector. DFIs are mostly investing in agribusinesses that engage in

Figure 64: Contribution of agriculture to GDP and employment



Source: Statista, 2018 (GDP statistics), WBDI (Employment statistics)

[153] Education and Skills Sector Plan 2017-2021, The Ministry of General Education and The Ministry of Higher Education, The Republic of Zambia
[154] Botswana Budget Brief 2018 Education, UNICEF
[155] Education sector strategic plan, 2016-2020, Ministry of primary and secondary education, Republic of Zimbabwe
[156] Placing Education at the Center of a Sustained Development Growth in Angola, 2019
[157] The Agribusiness Innovation: Center of Mozambique, InfoDev Agribusiness, 2013

agro-processing and related infrastructure businesses such as sugar mill, production of food, beverage and wines. For instance, in 2019, Netherlands Development Finance Company (FMO) funded Mbiza[158] as a part of total financing package of US$ 33.7 million to support the expansion of two new blueberry farms and construction of a new packing facility in South Africa. SFMs deployed 11% of their portfolio to enterprises across the agriculture value chain, including agri-tech enterprises providing end-to-end farm management solutions such as pest and disease detection and control, root-image analysis platform, and in enterprises engaging in the value chain of poultry and cattle, among others. Bilateral donors have been supporting sustainable agricultural practices in the past few years. USAID and Swedish International Development Cooperation Agency have specifically supported innovators that reduce the consumption of water in fields. DFID has been engaging with several large corporates leveraging their technology, and provision of market linkage to small farmers, among others. The support is resulting in the creation of jobs and improved livelihoods.

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

The governments along with the support of international DFIs are evaluating technologies to cater to climate change.

Climate change has become a significant deterrent to agriculture in several focus countries. The impact is severely felt in countries whose economy is primarily based on agriculture. The central governments in the respective countries are taking due measures to control the negative impact. For instance, in Zambia where almost half of the population is dependent on agriculture for employment, the Government and the World Bank have collaboratively developed the Zambia Climate-Smart Agriculture Investment Plan (CSAIP) to inform several stakeholders including the government itself, development partners and the private sector players about promising climate-smart agriculture technologies and investment requirements to scale-up climate-smart agriculture (CSA)[160]. Likewise, in Angola, with again 50% of the population engaged in agricultural activities, the government, with the support of the World Bank (US$ 130 million) is developing commercial agriculture to increase productivity and market access for eligible beneficiaries, including small and medium enterprises (SMEs), rural women and youth, among others[161]. In Mozambique, where farmers constitute 80% of the active workforce, and depend on agriculture as their primary source of livelihoods, the current agrarian sector strategy (PEDSA, 2010-2019) and the agrarian national agricultural sector investment plan (PNISA, 2013 – 2017, extended to 2019) are in their final year of implementation[162].

WATER AND SANITATION

THE CHALLENGE

Water and sanitation (WASH) is one of the most neglected sectors in several Southern African countries.

In Southern Africa, only 30% of the population has access to piped water, and less than 50% has access to improved sanitation facilities[163]. Though access to water and sanitation facilities has improved in most of the focus countries, the rural locations lag far behind the urban counterparts. This is true even for relatively developed countries such as South Africa, which has made significant progress in the provision of water and sanitation facilities. According to civil society's 2018 report on the South African government's implementation of the rights set out in the International Covenant on Economic, Social and Cultural Rights, at least 50% of the people living in rural municipalities do not have access to adequate basic sanitation[164]. Other countries that are still trying to cope with the infrastructure requirement, hence lag in the provision of safe water and sanitation services. In Mozambique, only 10% households have access to sanitation services, and one-third of households have access to safe water[165]. Few countries in the region have exhibited a negative trend over the past decade. For instance, Zimbabwe is one of the only few countries in Africa where water and sanitation coverage as a percentage of the population reduced between 2000 and 2015, with less than a million additional people gaining access to water services during that period[166]. The regression can be attributed to a number of factors, including a lack of investment in new infrastructure and a lack of systems (and finance) to maintain existing infrastructure functional[167].

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

Despite several challenges that need to be addressed through social investments in the sector, water and sanitation has received the least attention from social investors.

DFIs remain the most active social investors in the region, although only 2% of total DFI funding was deployed to the sector. Most of the DFI investment was into long term deals

[158] a vertically integrated company that grows, distributes and sells high quality blueberries originating from South Africa and Zambia

[159]

[160] Zambia Agriculture Investment Plan Supports Climate-Smart Agricultural Development, The World Bank, 2019

[161] Angola: World Bank Supports Commercial Agriculture with $130 Million, The World Bank, 2018

[162] Mozambican government initiatives, WTO, 2019

[163] Extreme poverty set to rise across Southern Africa, Institute for Security Studies, 2017

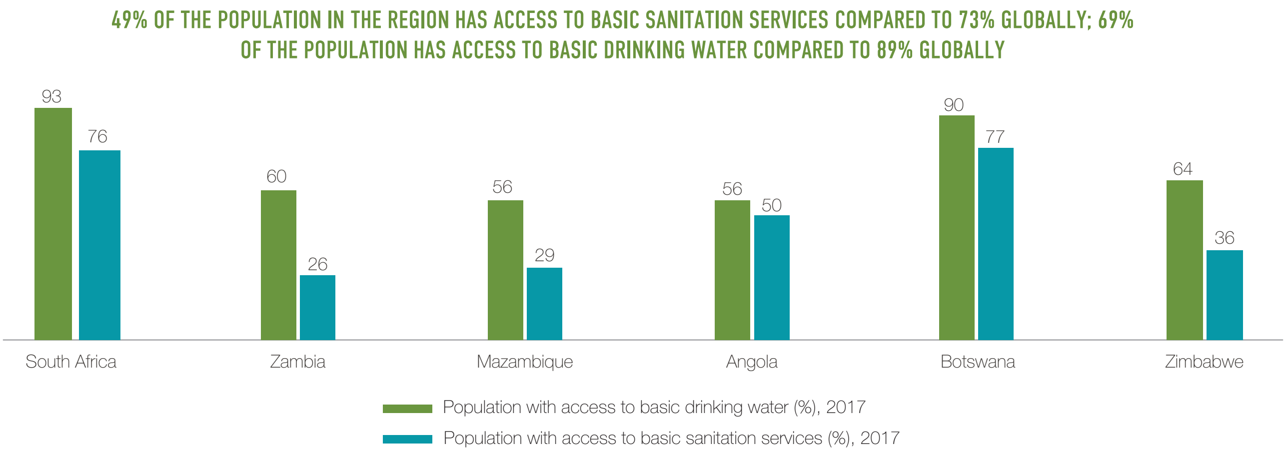
[164] Reflecting on South Africa's socioeconomic progress, March 2019

[165] Mozambique Receives $115 Million in Grants to Increase Access to Sanitation, 2019

[166] The state of wash financing in Eastern and Southern Africa, UNICEF, 2019

[167] The state of wash financing in Eastern and Southern Africa, UNICEF, 2019

Figure 65: Population with access to basic drinking water and sanitation services



Source: World Bank Development Indicators, 2017

that would improve water and sanitation infrastructure for effective service delivery. For instance, in 2015, AFDB provided a grant of US$ 35 million for improving the municipal water supply and sanitation, infrastructure and services in Bulawayo, a major economic hub, and second most populous city in Zimbabwe. Likewise, The African Water Facility (AWF), in 2015, provided a grant of US$ 1.35 million to improve school sanitation facilities by providing affordable and sustainable on-site sanitation services to about 300 schools in Eastern Cape Province in South Africa. This engagement leveraged the social franchising model, and directly benefitted over 100,000 students, while creating business opportunities and employment for local youth.

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

> *Governments' efforts in the water and sanitation sector in the focus countries are focused on ensuring adequate and sustainable supply to all citizens.*

Governments in several focus countries have adopted a more co-ordinated approach to water and sanitation management, planning, implementation, monitoring and evaluation. For instance, the Department of Water and Sanitation (DWS) in South Africa has developed National Water and Sanitation Master Plan (NWSMP)[168]; in Mozambique, the WASH cluster led by the National Directorate of Water Supply and Sanitation with support from United Nations International Children's Emergency Fund (UNICEF) is providing support for household water treatment, vaccination and sanitation and hygiene promotion in the affected areas[169]. Supporting and aligned with the Botswana's Vision 2036 through which Botswana aims to ensure sustainable and optimal use of natural resources, including water resources, the government has engaged with the World Bank for 'Botswana Emergency Water Security and Efficiency Project (US$ 160 million)[170]. Likewise, Angola's 2025 vision aims at providing adequate access to water supply and sanitation services to all citizens[171]. The human rights to water and sanitation have been recognized in Zimbabwe since 2013. Additionally, there is a National Water Policy that has pronouncements with regards to sanitation and hygiene[172].

[168] South African Government, Water and sanitation

[169] Project Appraisal Document, Mozambique Urban Sanitation Project, The World Bank, 2019

[170] Project Appraisal Document: Botswana Emergency Water Security And Efficiency Project, The World Bank, 2017

[171] Angola - Institutional and Sustainability Support to Urban Water Supply and Sanitation Service Delivery, 2019

[172] Zimbabwe: UN Water Global Analysis and Assessment of Sanitation and Drinking Water

Annexure 3

CASE STUDY: COLLABORATING FOR COVID RESPONSE

The COVID-19 pandemic has become a global health and societal emergency that has necessitated effective immediate action by governments, businesses and the philanthropic actors globally.

The first COVID-19 case in Southern Africa was recorded in South Africa on 1st March 2020, followed by Zambia on 18th March 2020. The virus had infected almost all countries in the region by the end of March 2020. In a little over 4 months, as of 3rd October 2020, more than 720,000[173] cases had been recorded in the focus countries with South Africa recording the highest cases (681,289), followed by Zambia (15,089)[174]. With increased testing facilities, the number of cases being recorded every day has been increasing in the past month.

Overall, Southern Africa has received substantial funding from international and local sources. To fight the pandemic.

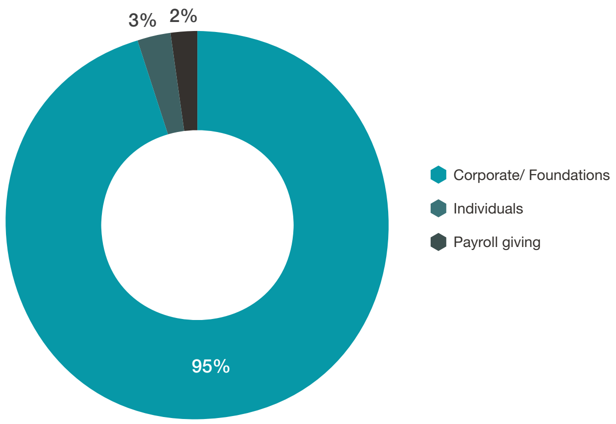
By 4th October 2020, a total of US$ 306 billion had been deployed across 320 initiatives covering the entire Southern Africa region[175]. Nearly 65% of these initiatives have been country specific while the remaining have been multi-region initiatives by various funders. Most of the funding has focused on equipping the government and the private sector to respond to the pandemic as well as initiatives to stabilise the economy. Besides different governments, major funders include The World Bank, International Monetary Fund (IMF), Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), African Development Bank, and governments among others.

In South Africa, philanthropic organisations, corporate foundations, and individuals have all come together to manage the COVID-19 pandemic in the country.

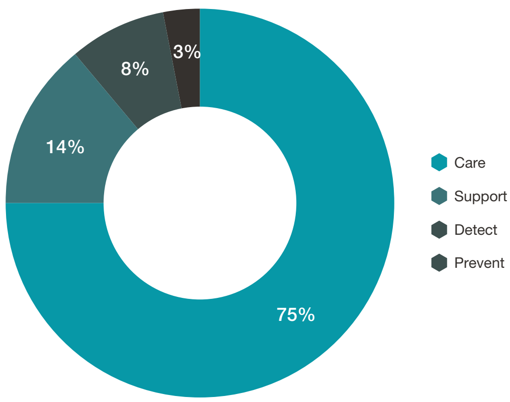
Different types of stakeholders in the country have come together to combat the pandemic through the Solidarity Fund, a vehicle that has been set up to facilitate and mobilize capital towards the pandemic. The Fund aims to collect US$ 234 million (4 billion Rand), of which US$ 159 (2.72 billion Rand) had been collected as of 5th July 2020 from large corporate foundations, local foundations, and individuals[176].

Figure 66: Sources of amount collected; & Disbursements to various causes in Solidarity Fund

SOURCES OF AMOUNT COLLECTED IN SOLIDARITY FUND (US$ MILLION)

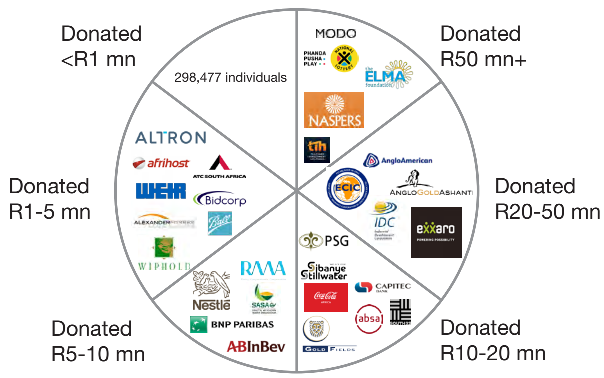


DISBURSEMENT TO VARIOUS CAUSES (US$ MILLIONS)



Source: Solidarity Fund, South Africa

Figure 67: Overview of donors to the Solidarity Fund, South Africa



[173] 2,09,759 in the 6 focus countries

[174] Worldometer

[175] Devex: Funding the response to COVID-19

[176] Solidarity Fund, South Africa

Annexure 4:

LIST OF STAKEHOLDERS INTERVIEWED

S.No.	Type of stakeholder	Organization Name	Country
1	*Angel Network*	*Mozambique Angel Investor Network*	*Mozambique*
2	*Corporate Social Investor*	*Naspers*	*South Africa*
3	*Corporate Social Investor*	*Vitol Group*	*UK/ Investing Pan*
4	*Corporate Social Investor*	*Shell Foundation*	*Africa*
5	*Corporate Social Investor*	*DRK Foundation*	*UK/ Investing Pan*
6	*Development Project*	*Women Economic Empowerment Project*	*Africa Botswana*
7	*Development Finance Institution*	*African Development Bank (AfDB)*	*Zambia*
8	*Development Finance Institution*	*Development Bank of Zambia*	*Zambia*
9	*Development Institution*	*Global Alliance for Improved Nutrition (GAIN)*	*Zambia*
10	*Donor*	*Japan International Cooperation Agency (JICA)*	*Mozambique*
11	*Ecosystem Facilitator*	*African Management Initiative*	*Zambia*
12	*Ecosystem Facilitator*	*Aspen Network of Development Entrepreneurs (ANDE)*	*South Africa*
13	*Ecosystem Facilitator*	*Bertha Center for Social Innovation and Entrepreneurship*	*South Africa*
14	*Ecosystem Facilitator*	*Impact Investing National Task Force*	*South Africa*
15	*Ecosystem Facilitator*	*BongoHive*	*South Africa*
16	*Ecosystem Facilitator*	*Ideialab*	*Zambia*
17	*Ecosystem Facilitator*	*Impact Capital Africa*	*Mozambique*
18	*Ecosystem Facilitator*	*Impact Hub Lusaka*	*Zambia*
19	*Ecosystem Facilitator*	*Investment Support Facility (ISF)*	*Zambia*
20	*Ecosystem Facilitator*	*MUVA*	*Malawi*
21	*Ecosystem Facilitator*	*National Business Initiative*	*Mozambique*
22	*Ecosystem Facilitator*	*NextGen*	*South Africa*
23	*Ecosystem Facilitator*	*Startup Bootcamp Africa*	*South Africa*
24	*Ecosystem Facilitator*	*ThreeArrows Impact Partner*	*South Africa*
25	*Ecosystem Facilitator/CSI*	*FNB Philanthropies*	*South Africa*
26	*Ecosystem Facilitator/CSI*	*ELMA Philanthropies*	*South Africa*
27	*Ecosystem Facilitator*	*PEP Zambia*	*South Africa*
28	*Ecosystem Facilitator*	*Zambia National Advisory Board on Impact Investments*	*Zambia*
29	*Family Foundation*	*Michael and Sudan Dell Foundation (MSDF)*	*Zambia*
30	*Family Foundation*	*Segal Family Foundation*	*South Africa*
31	*Family Foundation*	*The RAITH Foundation*	*South Africa*
32	*Family Foundation*	*Cyril Ramaphosa Foundation*	*South Africa*
33	*Other- Foundation*	*The Aga Khan Development Network (AKDN)/ Aga Khan Foundation*	*South Africa Mozambique*
34	*SFM*	*30Thirty Capital*	*Zambia*
35	*SFM*	*Actis*	*South Africa*

S.No.	Type of stakeholder	Organization Name	Country
36	SFM	AgDev	Zambia
37	SFM	Goodwell Investments	Zambia
38	SFM	Grofin	Mauritius
39	SFM	Innovation Edge	South Africa
40	SFM	Inside Capital Partners	Mauritius
41	SFM	Kagiso Capital	South Africa
42	SFM	Kiva	South Africa
43	SFM	Knife Capital	South Africa
44	SFM	Kukula Capital	Zambia
45	SFM	SA SME Fund	South Africa
46	SFM	Vakayi Capital	Zimbabwe
47	SFM	Verdant Capital	South Africa
48	SFM	ZENGA Ventures	Zambia
49	SFM/Ecosystem facilitator	Tshikululu Social Investments	South Africa
50	Social Enterprise	Asikana Network	Zambia

Annexure 5:

KEY SOCIAL TRANSACTIONS BY TOP SOUTHERN AFRICAN FAMILY FOUNDATIONS (2013-2020)

S.No.	Family Foundation	Country of donation	Amount (US$ Mn)	Recipient organization	Recipient type	Sector/Cause focus	Instrument	Start year
1	*Strive and Tsitsi Masiyiwa/ Higherlife Foundation*	*Zimbabwe*	*60,000,000*	*End Cholera Now: The 10 year promise'*	*Government*	*Healthcare*	*Donation/ Grant*	*2019*
2	*Strive and Tsitsi Masiyiwa/ Higherlife Foundation*	*Zimbabwe*	*10,000,000*	*End Cholera Now: The 10 year promise'*	*Government*	*Healthcare*	*Donation/ Grant*	*2018*
3	*Strive and Tsitsi Masiyiwa/ Higherlife Foundation*	*Zimbabwe*	*100,000,000*	*Steward Bank (Masiyiwa Rural Challenge Fund/ ReImagine Rural)*	*Financial Institution*	*Entrepreneurship*	*Donation/ Grant*	*2019*
4	*Strive and Tsitsi Masiyiwa/ Higherlife Foundation*	*Zimbabwe*	*6,400,000*	*Academia/ Research Rural)*	*Academia/ Research*	*Education*	*Donation/ Grant*	*2013*
5	*Motsepe Foundation*	*South Africa*	*58,580*	*Multiple organizations (COVID-19) Rural)*	*Government*	*Healthcare*	*Donation/ Grant*	*2020*
6	*Motsepe Foundation*	*South Africa*	*8,000,000*	*Department of Basic Education*	*Government*	*Education*	*Donation/ Grant*	*2015*
7	*Motsepe Foundation*	*South Africa*	*4,000,000*	*Graduate-program scholarships*	*Academia/ Research*	*Education*	*Donation/ Grant*	*2017*
8	*Motsepe Foundation*	*Multiple countries in Africa[177]*	*4,000,000*	*Global Fund (HIV/AIDS)*	*Multiple recipients*	*Healthcare*	*Donation/ Grant*	*2014*

[177] South Africa and 7 other African countries

S.No.	Family Foundation	Country of donation	Amount (US$ Mn)	Recipient organization	Recipient type	Sector/Cause focus	Instrument	Start year
9	*Motsepe Foundation*	*Zimbabwe*	*1,000,000*	*Public*	*Government*	*Disaster relief*	*Donation/ Grant*	*2014*
10	*The Allan Gray Orbis philanthropy ecosystem*[178]	*South Africa*	*2,920,000*	*Solidarity Fund (COVID-19) Rural)*	*Government*	*Healthcare*	*Donation/ Grant*	*2019*
11	*The Allan Gray Orbis philanthropy ecosystem*[179]	*South Africa*	*2,920,000*	*Multiple recipients*	*Enterprises*	*Entrepreneurship*	*Donation/ Grant*	*2020*
12	*The Allan Gray Orbis philanthropy ecosystem*[180]	*South Africa*	*1,170,000*	*Covid-19 Innovation & Response Fund*[181]	*Enterprises*	*Entrepreneurship*	*Donation/ Grant*	*2020*
13	*The Allan Gray Orbis philanthropy ecosystem*[182]	*South Africa*	*585,990*	*Coronavirus Rapid Mobile Survey (CRAM)*[183]*, Department of Economics*	*Government*	*Healthcare*	*Donation/ Grant*	*2020*
14	*The Allan Gray Orbis philanthropy ecosystem*[184]	*Botswana*	*205,196*	*COVID-19 Fund*	*Government*	*Healthcare*	*Donation/ Grant*	*2017*
15	*RAITH Foundation*	*South Africa*	*77,674*	*The Children's Institute*	*Academia/ Research*	*Governance*	*Donation/ Grant*	*2018*
16	*RAITH Foundation*	*South Africa*	*81,732*	*The Children's Institute*	*Academia/ Research*	*Governance*	*Donation/ Grant*	*2019*
17	*RAITH Foundation*	*South Africa*	*122,678*	*Democratic Governance and Rights Unit (DGRU)*	*Academia/ Research*	*Governance*	*Donation/ Grant*	*2019*
18	*RAITH Foundation*	*South Africa*	*82,547*	*Friends of the Earth South Africa / groundWork*	*NGO*	*Governance*	*Donation/ Grant*	*2018*

[178] including Allan & Gill Gray Philanthropy, Allan Gray Orbis Foundation Endowment, E2 and Allan Gray Orbis Foundation

[179] including Allan & Gill Gray Philanthropy, Allan Gray Orbis Foundation Endowment, E2 and Allan Gray Orbis Foundation

[180] including Allan & Gill Gray Philanthropy, Allan Gray Orbis Foundation Endowment, E2 and Allan Gray Orbis Foundation

[181] an initiative that the Gray philanthropy ecosystem will establish to fund businesses and start-ups who are providing products and services that are either 'highly innovative', or 'essential', in the fight against Covid-19 pandemic

[182] including Allan & Gill Gray Philanthropy, Allan Gray Orbis Foundation Endowment, E2 and Allan Gray Orbis Foundation

[183] a survey of a nationally representative sample of 10,000 South African individuals every month over the next six months, helping to create a six-wave panel survey to track changes in social and economic outcomes over the period

[184] including Allan & Gill Gray Philanthropy, Allan Gray Orbis Foundation Endowment, E2 and Allan Gray Orbis Foundation

S.No.	Family Foundation	Country of donation	Amount (US$ Mn)	Recipient organization	Recipient type	Sector/Cause focus	Instrument	Start year
19	RAITH Foundation	South Africa	86,675	Friends of the Earth South Africa / groundWork	NGO	Environment	Donation/ Grant	2019
20	RAITH Foundation	South Africa	117,630	Ndifuna Ukwazi	NGO	Governance	Donation/ Grant	2019
21	RAITH Foundation	South Africa	58,962	Parliamentary Monitoring Group	NGO	Governance	Donation/ Grant	2019
22	RAITH Foundation	South Africa	83,137	Planact	NGO	Governance	Donation/ Grant	2017
23	RAITH Foundation	South Africa	85,495	Planact	NGO	Governance	Donation/ Grant	2018
24	RAITH Foundation	South Africa	85,495	Planact	NGO	Governance	Donation/ Grant	2019
25	RAITH Foundation	South Africa	117,925	ProBono.Org	NGO	Governance	Donation/ Grant	2019
26	RAITH Foundation	South Africa	122,256	The Public Affairs Research Institute	Academia/ Research	Governance	Donation/ Grant	2019
27	RAITH Foundation	South Africa	29,481	Western Cape Forum for Intellectual Disability	NGO	Healthcare	Donation/ Grant	2017
28	RAITH Foundation	South Africa	30,660	Western Cape Forum for Intellectual Disability	NGO	Healthcare	Donation/ Grant	2018
29	RAITH Foundation	South Africa	32,429	Western Cape Forum for Intellectual Disability	NGO	Healthcare	Donation/ Grant	2019

Source: Intellecap Analysis from publicly available data sources including websites of family foundations and, data from Bridgespan Group

Annexure 6:

SUMMARY OF KEY REGULATIONS AND POLICIES APPLICABLE TO THE SOCIAL INVESTMENT INDUSTRY

COUNTRY	APPLICABLE REGULATIONS AND POLICIES
South Africa	• BEE Act – In South Africa, CSR initiatives have been in practice since 1970s. The government has set up the BEE Act of 2003 to promote CSR activities in the country. The programs are formalized through 'Corporate Social Investment' guidelines provided by BEE. • Income Tax Act – This includes Donations Tax is levied at a flat rate of 20% on the value of the property donated, and for amount of donations exceeding US$ 1.8 million (30 million Rand), it is taxed at a rate of 25%. The Act also provides tax exemptions to non-profit organisations (NPOs) and public benefit organisations (PBOs). • The code for responsible investing in South Africa (CRISA) – This correlates with the UN-backed Principles for Responsible Investment (PRI) which promote collaborative engagement to better incorporate ESG issues in decision-making and ownership practices of institutional investors. • The Non-profit Organisations (NPO) Act – Provides a regulatory and supportive function for smaller voluntary associations that were established under common law and had no registration or reporting capacity. • Companies Act – Provides for incorporation and regulation of non-profit companies and others. • Trust Property Control Act – Provides for the registration of non-profit trusts and other trusts. • VAT Act – Provides for the regulation of value-added tax. • Lotteries Act – Provides regulations for the funding of NPOs from the proceeds of national lotteries. • National Development Agencies Act – Provides for the funding of NPOs from the government. • Fund Raising Act – It controls the collection of funds from the public, and is administered by the Minister of Social Development.
Zambia	• VAT Act – Any goods purchased for use in donor-funded projects are zero rated for VAT • Public Finance Management Act – It requires that donations given to the Government constitute public resources and must be accounted for accordingly. For instance, the funding received during the COVID-19 pandemic.
Mozambique	• VAT Act – Provides simple VAT exemptions for non-profit organisations or public entity services and goods
Angola	• Income Tax Act – Contribution to social security is tax exempt.
Botswana	• Income Tax Act – Includes any charitable, religious or educational institution or a trust established for public purposes under the category of "company". Income from such organisations is taxable only if it is business income or disposal gains and has not been applied / utilized for public objectives. • VAT Act – Provides exemption to grants from government, • Botswana Trust Property Control Act – Provides for registration and correction of trust deeds that are not in the interests of beneficiaries.
Zimbabwe	• Deeds Registries Act – Provides for registration of an NGO as a Trust. • Private Voluntary Organisation (PVO) Act – Provides for registration of NGOs in Zimbabwe. Registration is done through the Department of Social Welfare under the Ministry of Public Service Labour and Social Welfare. Primarily. A PVO is defined as "anybody or association of persons, corporate, or any institution that seeks to promote the social welfare of people.