avpa AFRICAN VENTURE PHILANTHROPY ALLIANCE

THE LANDSCAPE FOR SOCIAL INVESTMENTS IN WEST AFRICA

intellecap
AAVISHKAAR GROUP

TABLE OF CONTENTS

Abbreviations and Acronyms		01
Acknowledgements		05
Foreword		06
Introduction		07
Executive Summary		08
1.	**Introduction and Overview of the Research**	**24**
1.1	Background and Motivation of the Study	25
1.2	Report Structure and Scope	27
1.3	Methodology Adopted (Data Collection and Analysis)	28
1.4	Research Limitations	30
2.	**The Social Investment Landscape in West Africa**	**31**
2.1	Demographic and Socioeconomic Trends in the Region	32
2.2	The Need for Social Investments in West Africa	35
2.3	Evolution and Trends in the Social Investment Industry at a Regional and National Level	35
3.	**Deep-dive into Social Investors (Supply Side Players) in West Africa**	**45**
3.1	Key Social Investor Archetypes and Their Investment Strategies	47
3.1.1	Development Finance Institutions (DFIs)	49
3.1.2	Sustainability Aligned Private Fund Managers (SFMs)	53
3.1.3	Corporate Social Investors (CSIs)	57
3.1.4	Family Foundations/Trusts/Endowments	61
3.1.5	Multilateral and Bilateral Donors	65
3.1.6	Angel Investors and Angel Networks	68
3.1.7	Faith-Based Giving	70
3.2	Social Investor Roles in the Continuum of Social Impact Capital	70
4.	**Demand for Social Capital in West Africa**	**72**
4.1	Overview of the Demand for Social Capital	73
4.2	Trends and Developments in the Social Enterprise Landscape in the Region	74
4.2.1	Key challenges faced by social enterprises in the region	76
4.3	Trends and Development in the Non-profits Landscape in the Region	77
4.3.1	Key challenges facing Non-profits in the region	79
5.	**Enabling Environment for Social Investments in the Region**	**80**
5.1	Overview of the Policy and Regulatory Environment for Social Investments in the Region	81
5.2	Ecosystem Support for Social Enterprises	83
5.2.1	Key Ecosystem Support Trends	83
5.2.2	Impact Measurement and Management for Social Investments in the Region	86
5.3	Ecosystem Support for Non-profits and Philanthropy	86
6.	**Recommendations for Fostering the Social Investment Industry**	**88**
6.1	Key Recommendation for Fostering Social Investment Industry	89
6.1.1	Recommendations to catalyze diverse and innovative pool of social capital	89

6.1.2 Recommendations to empower organizations delivering social change (demand-side players) 91
6.1.3 Recommendations to develop enabling environment and infrastructure 92
6.2 Scope for Future Research 93
Annexure 1: Case Study – Youth Employment 96
The challenge 96
Key players and interventions focused on youth employment 97
Challenges facing organisations working in the youth employment space 100
Opportunities for increased collaboration and investment in youth employment 101
Benchmarking case study on youth employment 103
Annexure 2: Key Social Investment Sectors in West Africa 110
Financial Inclusion 110
Agriculture and Food Security 111
Energy, Environment and Climate Change 112
Healthcare 113
Water and Sanitation 114
Education & Leadership Development 115
Annexure 3: Case Study – Collaborating for COVID Response 116
Annexure 4: List of Stakeholders Interviewed 117
Annexure 5: Key Social Transactions by Top West African Corporate Social Investors (2010-2019) 119
Annexure 6: Key Social Transactions by Top West African Family Foundations (2010-2019) 122
Annexure 7: Summary of Key Regulations and Policies Applicable to the Social Investment Industry 123

LIST OF TABLES

Executive Summary
Table 1: Summary of Key Social Investments Trends across Focus Countries 11
Table 2: Characteristics of Social Investors Active in the Region 17
Table 3: Overview of Enabling Environment for Social Investments across the Focus Countries 21
Table 4: Summary of Key Recommendations 22
Chapters & Annexures
Table 1: Key Definitions Used in the Study 26
Table 2: Archetypes of stakeholders (financial & non-financial) included in the study 27
Table 3: Summary of data source and transactions mapped for each investor category 29
Table 4: Sample GLI Focused Funds and their Investment Strategies across Focus Countries 39
Table 5: Blended Finance/Catalytic Financing Structures across Key Development Sectors 42
Table 6: Summary of Key Social Investments Trends across Focus Countries 44
Table 7: Summary of Social Investment Approaches Adopted by Selected Family Foundations 61
Table 8: Funding Activities by Top Angel Networks across the Countries (Disclosed) (2014-2019) 69
Table 9: Social Impact Potential by Social Investor Category 71
Table 10: Overview of Existing ‘Tax Incentives for Philanthropy/Charitable Giving’ across the Focus Countries 82
Table 11: Summary of Social Enterprise Trends across the Focus Countries 85
Table 12: Summary of Philanthropy Ecosystem Trends across the Focus Countries 87
Table 13: Summary of Key Recommendations 89
Table 14: Generation’s Funder List across Countries 103
Table 15: List of Youth Employment Initiatives in West Africa 109

LIST OF FIGURES

Executive Summary

Figure 1: Country SDG Ranking and Best and Worst Performing SDGs, 2019 08
Figure 2: Key Milestones in Social Investment Sector in West Africa 10
Figure 3: Overview of Key Social Investors in the Region 12
Figure 4: Summary of DFI activities 2015-2019 13
Figure 5: Summary of SFM activities 2015-2019 13
Figure 6: Summary of West African CSI activities (2010-2019) 14
Figure 7: Summary of North American CSI activities (2015-2019) 14
Figure 8: Summary of West African family foundation activities (2010-2019) 15
Figure 9: Summary of North American Family Foundation activities (2015-2019) 15
Figure 10: Summary of Angel Activities (2014-2019) 16
Figure 11: Type of Financing Requirements for Various Types of Organizations at Various Stages of Growth 18
Figure 12: Challenges faced by Social Enterprises and start-ups in West Africa 19
Figure 13: Challenges faced by Non-profits in West Africa 23

Chapters & Annexures

Figure 1: Continuum of Social Capital 25
Figure 2: Economic Overview of the Focus Countries 32
Figure 3: SDG Index Ranking and Trends, 2019 34
Figure 4: Trends in Traditional Funding Sources 35
Figure 5: Key Milestones in the Social Investment Industry in West Africa 36
Figure 6: Innovative Structures Leveraged by Government 37
Figure 7: Spotlight on Ghana VCTF (Government-Led Social Investment Model) 38
Figure 8: How Social Investors Collaborated to Empower Women Traders in Nigeria 39
Figure 9: Scale of Diaspora Remittances in Nigeria 41
Figure 10: Envisioned Structure of the Africa & Middle East Education Outcomes Fund (EOF) 41
Figure 11: Overview of Key Social Investors in the Region 46
Figure 12: Number of social investors in the region, By type 47
Figure 13: Selected Social Investors and How They Are Operating 48
Figure 14: Capital Deployed by DFIs, by Year (2015-2019) 49
Figure 15: Capital Deployed by DFIs, by Country (2015-2019) 50
Figure 16: Capital Deployed by DFIs, by Sector (2015-2019) 50
Figure 17: Capital Deployed by DFIs, by Investment Mechanism (2015-2019) 51
Figure 18: Sample DFI Deals 51
Figure 19: Capital Deployed by SFMs, by Year (2015-2019) 53
Figure 20: Number of SFMs Operating in the Region, by Type and Country 54
Figure 21: Capital Deployed by Analysed SFMs, by Country (2015-2019) 54
Figure 22: Capital Deployed by SFMs, by Sector (2015-2019) 55
Figure 23: Capital Deployed, by Deal Size (2015-2019) 55
Figure 24: Sample Recent SFM Investment Deals 56

Figure 25: Overview of Investment Strategies Adopted by Corporate Social Investors 57
Figure 26: Social Investments by West African Corporate Social Investors, by Focus Areas (2010-2019) 59
Figure 27: Social Investments by West African Corporate Social Investors, by Recipient Type (2010-2019) 59
Figure 28: Select North American Corporate Social Investors, By value of deployment (US$ Mn) 2015-2019 60
Figure 29: Deployment by North American Corporate Social Investors, By Sector (2015-2019) 60
Figure 30: Giving by West African Family Foundations, by Area of Focus (2010 – 2019) 63
Figure 31: Giving by West African Family Foundations, by Recipient Type (2010-2019) 63
Figure 32: Capital Deployed by North American Family Foundations, by Sector (2015-2019) 64
Figure 33: Top North American Family Foundations Active in the Region, by Number and Value of Grants (2015-2019) 64
Figure 34: ODA Trends across the Focus Countries (2010, 2018) 65
Figure 35: Donor Funding by Sector (2015-2019) 66
Figure 36: Snapshot of USAID Funding Trends in the Region 66
Figure 37: Number of HNWIs and Wealth Held by HNWIs (2018) 68
Figure 37: Business Models Adopted by Angel Networks 68
Figure 38: Type of Financing Requirements for Various Types of Organisations at Various Stages of Growth 73
Figure 40: Overview of Social Enterprises That Received Funding, by Country and by Sector (2015-2019) 74
Figure 41: Global and Africa Start-up Ecosystem Ranking 75
Figure 42: Key challenges faced by social enterprises 76
Figure 43: Corruption Perception and Ease of Doing Business Rank 77
Figure 44: Number of CSOs Registered across the Focus Countries 77
Figure 45: CSO Sustainability Score, 2018 78
Figure 46: Key challenges faced by Non-profits 79
Figure 47: Map of Ecosystem Players 83
Figure 48: Sources of Funds for ESOs 84
Figure 49: TA Funding Models in West Africa 85
Figure 50: Youth Unemployment Rates (2010-2019) 96
Figure 51: Youth Unemployment Trends and Literacy Rates 97
Figure 52: Youth Empowerment Programs by Type of Funder 97
Figure 53: Overview of Key Players/Funders in the Youth Employment Space 98
Figure 54: Youth Empowerment Programs by Type of Initiatives 98
Figure 55: Overview of Key Youth Employment Initiatives across the Countries 99
Figure 56: Roles of Social Investors under Opportunity 1 101
Figure 57: Roles of Social Investors under Opportunity 2 102
Figure 58: Roles of Social Investors under Opportunity 3 102
Figure 59: Overview of Financial Inclusion Rates, 2017 110
Figure 60: Areas Where Investments Are Required for Developing Sustainable Agriculture Sector 111
Figure 61: Share of Population with Access to Electricity (%), 2018 112
Figure 62: Health Indicators across the Focus Countries 113
Figure 63: Water and Sanitation Indicators, 2017 114
Figure 64: Prorpotion of Primary School going Children that are out of School, 2018 115
Figure 65: Overview of Members of CACOVID 116

ABBREVIATIONS AND ACRONYMS

ABAN	African Business Angel Network
ACDB	Agriculture and Cooperative Development Bank
ACGCF	Agricultural Credit Guarantee Scheme Fund
ACT	Aspire Coronation Trust
ADEPME	L'Agence de Développement et d'Encadrement des Petites et Moyennes Enterprises
ADF	Aliko Dangote Foundation
ADRA	Adventist Relief Agency
AECF	Africa Enterprise Challenge Fund
AFDB	African Development Bank
AGAG	Africa Grantmakers Affinity Group
AGDC	After School Graduate Development Centre
AGOA	African Growth and Opportunity Act
AIDS	Acquired Immunodeficiency Syndrome
AIMM	Anticipated Impact Measurement and Monitoring
AKDN	Aga Khan Development Network
AMI	Africa Management Institute
ANDE	Aspen Network of Development Entrepreneurs
APIX	Agence de Promotion des Investissements et des Grands Travaux
ARD	Agriculture and Rural Development
AUM	Assets Under Management
AUN	American University of Nigeria
AVPA	African Venture Philanthropy Alliance
AVPN	Asian Venture Philanthropy Network
AWDF	African Women's Development Fund
BESDA	Better Education Service Delivery for All
BMGF	Bill and Melinda Gates Foundation
BoI	Bank of Industry
BSL	Bank of Sierra Leone
BUILD	Better Utilization of Investments Leading to Development
CACS	Commercial Agricultural Credit Scheme
CACOVID	Coalition Against COVID-19
CBO	Community Based Organisation
CDA	Cooperative Development Authority
CHAG	Christian Health Association of Ghana
CIPE	Center for International Private Enterprise
CNAAS	National Agricultural Insurance Company of Senegal
CNCAS	National Agricultural Credit Fund of Senegal
CPI	Corruption Perception Index
CSI	Corporate Social Investor
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
DCA	Development Credit Authority

DDI	Diamond Development Initiatives
DER	General Delegation for Rapid Entrepreneurship
DFC	Development Finance Corporation
DFI	Development Finance Institution
DFID	Department for International Development
DGGF	Dutch Good Growth Fund
DGIS/IGG	Dutch Ministry of Foreign Affairs
DIB	Development Impact Bond
EBF	Eco Bank Foundation
ECOWAS	Economic Community of West African States
EHS	Environmental, Health, and Safety
ESO	Ecosystem Support Organisation
ESP	Education Sector Plan
EVPA	European Venture Philanthropy Association
FAFIN	Fund for Agricultural Finance in Nigeria
FCO	Foreign and Commonwealth Office
FDI	Foreign Direct Investments
FGN	Federal Government of Nigeria
FHCI	Free Healthcare Initiative
FI	Financial Institution
FinTech	Financial Technology
FMARD	Federal Ministry of Agriculture and Rural Development
FMO	Netherlands Development Finance Company
FSPs	Financial Service Providers
FOMWAN	Federation of Muslim Women's Associations in Nigeria
FONSIS	Sovereign Fund for Strategic Investments Senegal
GAIN	Ghana Angel Investor Network
GAX	Ghana Alternative Market
GDP	Growth Domestic Product
GDP/capita	Growth Domestic Product per Capita
GECT	Girls' Education Challenge - Transition
GEEP	Government Enterprise Empowerment Programme
GES	Growth Enhancement Support
GETF	Ghana Education Trust Fund
GIIRS	Global Impact Investing Ratings System
GIP	Graduate Internship Programme
GIRSAL	Ghana Incentive-based Risk Sharing System for Agricultural Lending
GIZ	Deutsche GesellschaftfürInternationaleZusammenarbeit
GLI	Gender Lens Investing
GPE	Global Partnership for Education
GPEI	Global Philanthropy Environment Index
GSB	Graduate School of Business
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
HNWI	High Net Worth Individuals
HQ	Headquartered
HR	Human Resources

ICGC	International Central Gospel Church
ICT	Information and Communications Technology
IDEAS	Innovation Development and Effectiveness in the Acquisition of Skills
IIF	Impact Investor Foundation
IFAD	International Fund For Agricultural Development
IFC	International Finance Corporation
IFM	Impact Fund Managers
IMF	International Monetary Fund
IRIS	Impact Reporting and Investment Standards
KBF	King Baudouin Foundation
KCB	Kenya Commercial Bank
KFW	German Development Bank
Kg/Ha	Kilograms per Hectare
LACRA	Liberia Agriculture Commodity Regulatory Authority
LAN	Lagos Angel Network
LEEAP	Liberia's Energy Efficiency and Access Project
LP	Limited Partner
LPS	Liberia Philanthropy Secretariat
LSETF	Lagos State Employment Trust Fund
LSSN	Liberia Social Safety Net project
MCF	MasterCard Foundation
MCISE	Moroccan Centre for Innovation and Social Entrepreneurship
MFI	Microfinance Institutions
MSME	Micro Small Medium Enterprises
NASAN	New Alliance for Food Security and Nutrition
NCDC	Nigeria Centre for Disease Control
NEET	Youth Not in Education, Employment or Training
NEIP	National Entrepreneurship and Innovation Plan
NEP	Nigeria Electrification Project
NGO	Non-Governmental Organisation
NIDB	Nigerian Industrial Development Bank
NIRSAL	Nigeria Incentive based Risk-sharing System for Agricultural Lending
NMTDPF	National Medium-Term Development Policy Framework
NSIA	Nigerian Sovereign Investment Authority
NYEP	National Youth Employment Programme
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OHADA	Organization for Harmonization in Africa of Business Law
OOPE	Out of pocket expenditure
OPIC	Overseas Private Investment Corporation
OSIWA	Open Society Initiative for West Africa
PAPD	Pro-poor Agenda for Prosperity and Development
PEPAM	Drinking Water and Sanitation Millennium Programme
PFJ	Planting for Food and Jobs
PIND	Partnership Initiatives in the Niger Delta
PPE	Personal Protective Equipment
PPP	Public Private Partnership

PSDF	Punjab Skills Development Fund
PSE	Plan Senegal Emergent
SAM	Severe Acute Malnutrition
SDG	Sustainable Development Goals
SE	Social Enterprise
SFF	Stone Family Foundation
SGIIF	Support Ghana Infrastructure Investment Fund
SIB	Social Impact Bond
SIDA	Swedish International Development Cooperation Agency
SHS	Senior high school
SLTF	Student Loan Trust Fund
SME	Small and Medium Enterprise
SORMAS	Surveillance Outbreak Response Management and Analysis System
SPHEIR	Strategic Partnerships for Higher Education Innovation and Reform
SSA	Sub-Sahara Africa
SSE	South/South-East
SSG	Skills Future Singapore
SSN	Social Safety Net
SV-NED	Silicon Valley – Nigerian Economic Development
TA	Technical Assistance
TEF	Tony Elumelu Foundation
TETFUND	Tertiary Education Trust Fund
UK	United Kingdom
UN	United Nations
UNCDF	United Capital Development Fund
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
US	United States
USADF	United States African Development Foundation
USAID	United States Agency for International Development
VCTF	Venture Capital Trust Fund
VGG	Venture Garden Group
WAEMU	West African Economic and Monetary Union
WASH	Water and Sanitation
WIA	Women in Africa
WISH	Women's Integrated Sexual Health
WHO	World Health Organisation
YEEP	Youth Employment and Empowerment Programme
YES	Youth Entrepreneurship Support
YIEDIE	Youth-Inclusive Entrepreneurial Development Initiative for Employment

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.

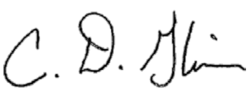
More innovation and collaboration amongst social investors is needed if African countries are to close the enormous Sustainable Development Goals (SDG) financing gap. To achieve any one SDG will require investors and philanthropists, enterprises and non-profits, governments, and donors to work together. 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 WEST AFRICA

The West Africa region is stagnating in achieving the set targets on most Sustainable Development Goals (SDGs), apart from SDG 13 on climate action where all the countries are on track. Further, other than Senegal that has achieved one SDG (responsible consumption and production) no other country has achieved any SDG so far.

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

SDGs	NIGERIA	GHANA	IVORY COAST	SENEGAL	SIERRA LEONE	LIBERIA	
GLOBAL RANK/162 COUNTRIES	159	104	129	124	155	157	
AFRICA RANK /52 COUNTRIES	43	9	17	14	35	40	
3 GOOD HEALTH AND WELL-BEING — GOOD HEALTH AND WELL BEING	Major challenges, stagnating	Major challenges, stagnating	Major challenges, moderately improving	Major challenges, moderately improving	Major challenges, stagnating	Major challenges, stagnating	Worst Performing SDGs
5 GENDER EQUALITY — GENDER EQUALITY	Major challenges, stagnating	Major challenges, moderately improving	Major challenges, stagnating	Major challenges, moderately improving	Major challenges, stagnating	Major challenges, moderately improving	Worst Performing SDGs
6 CLEAN WATER AND SANITATION — CLEAN WATER AND SANITATION	Major challenges, stagnating	Major challenges, stagnating	Major challenges, stagnating	Significant challenges, moderately improving	Major challenges, stagnating	Major challenges, stagnating	Worst Performing SDGs
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE — INDUSTRY INNOVATION AND INFRASTRUCTURE	Major challenges, stagnating	Major challenges, moderately improving	Significant challenges, moderately improving	Major challenges, stagnating	Major challenges, stagnating	Major challenges, stagnating	Worst Performing SDGs
12 RESPONSIBLE CONSUMPTION AND PRODUCTION — RESPONSIBLE CONSUMPTION AND PRODUCTION	Challenges remain, no information	Challenges remain, no information	Challenges remain, no information	SDG achieved, no information	Challenges remain, no information	Challenges remain, no information	Best Performing SDGs
13 CLIMATE ACTION — CLIMATE ACTION	Challenges remain, on track to achieving SDG	Significant challenges, on track to achieving SDG	Challenges remain, on track to achieving SDG	Challenges remain, on track to achieving SDG	Challenges remain, on track to achieving SDG	Challenges remain, on track to achieving SDG	Best Performing SDGs

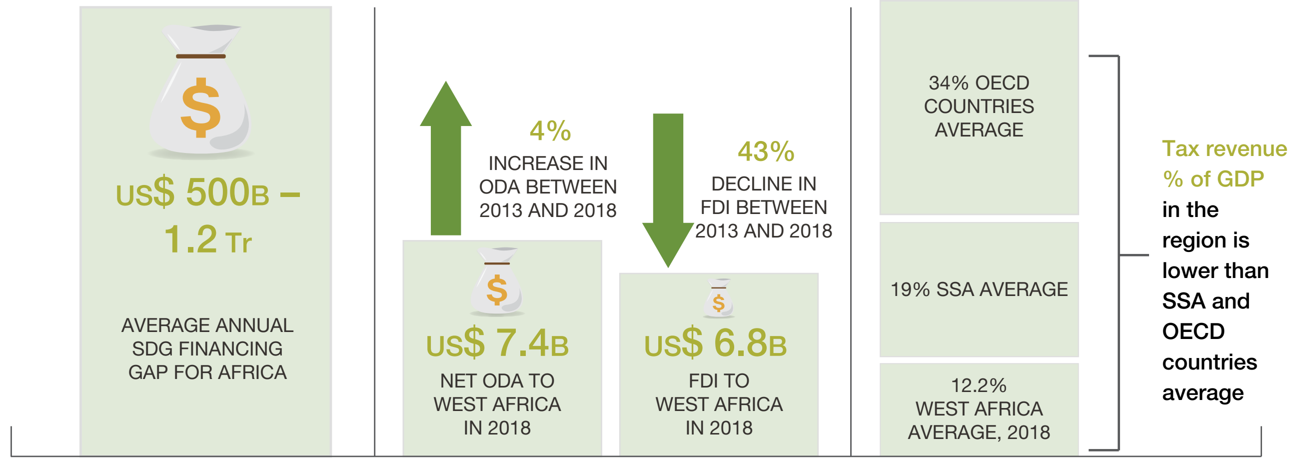
MAJOR CHALLENGES · SIGNIFICANT CHALLENGES · CHALLENGES REMAIN · SDG ACHIEVED · DECREASING · STAGNATING · MODERATELY IMPROVING · ON TRACK TO ACHIEVING SDG · NO INFORMATION

Source:SDG Index and Dashboard

INADEQUATE FUNDING FOR SOCIAL CAUSES IN THE REGION REMAINS A SIGNIFICANT CHALLENGE FOR THE ACHIEVEMENT OF THE SDGS.

INTERNATIONAL SOURCES OF FUNDING REMAIN DEFICIENT

FURTHER, INADEQUATE TAX REVENUE AND HEAVY EXTERNAL BORROWING LIMIT PUBLIC SPENDING CAPACITY ON THE SDGS



NB: West Africa refers to the 6 focus countries

This funding gap necessitates collaboration amongst the local, international, public, and private social capital providers to deploy existing capital resources in new ways. Across Africa, practitioners are increasingly leveraging diverse social investment forms 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 SDGs' achievement. 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 West Africa with a deep dive focus on Nigeria, Ghana, and Ivory Coast, and a high-level assessment of Senegal, Sierra Leone, and Liberia. It analyses strategies used by various international and domestic 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 57 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) 20 online surveys received from social investors in the region.

2. EVOLUTION OF THE SOCIAL INVESTMENT INDUSTRY IN WEST AFRICA

The last decade has seen the evolution of the social investment industry with key initiatives launched by the government and the private sector to drive its growth.

2010

2009: ESTABLISHMENT OF AFRICA GRANTMAKERS NETWORK IN GHANA

Focused on boosting the development of the philanthropy sector in Africa

2010: LAUNCH OF THE TONY ELUMELU FOUNDATION

Based in Nigeria, it is one of the biggest entrepreneurship support foundation in Africa

2009: LAUNCH OF THE NIGERIA INCENTIVE-BASED RISK SHARING SYSTEM FOR AGRICULTURAL LENDING

To boost lending for businesses in the agriculture value chain

2011: LAUNCH OF GHANA ANGEL INVESTMENT NETWORK (GAIN)

GAIN is a network of angel investors with an interest for investing in early-stage businesses

2014: GAIN'S FIRST INVESTMENT

US$ 110k investment into an e-learning startup (Revo)

2015

2015: LAUNCH OF THE AFRICAN UNION FOUNDATION

Focused on mobilizing resources from the private sector, philanthropists, individuals, donors within Africa, and the Diaspora for achievement of Africa's development and 2063 agenda

2015: FUND FOR AGRICULTURAL FINANCE IN NIGERIA FIRST INVESTMENT

The fund was seeded by the government together with KFW and invests in agribusinesses

2015: LAUNCH OF LAGOS ANGEL NETWORK

LAN is a network of angel investors with an interest for investing inearly-stage businesses in Nigeria

2016: ESTABLISHMENT OF THE GHANA PHILANTHROPY FORUM

A philanthropy support entity with the mandate to strengthen the capacities of CSOs, NGOs, community foundations and other third sector networks in Ghana.

2016: LAUNCH OF GHANA CSR POLICY

The document seeks to streamline CSR activities in the country

2016: DRAFT GHANA SOCIAL ENTERPRISE POLICY

Focused promoting and growing social enterprises as a means of improving livelihoods

2017: LAUNCH OF LAGOS STATE EMPLOYMENT TRUST FUND

To enhance financing for MSMEs

2018: LAUNCH OF ALL ON IN NIGERIA

A blended off grid energy impact investment fund

2018: LAUNCH OF AVPA

Focused on building the social investment industry by fostering collaboration

2018: ESTABLISHMENT OF IMPACT INVESTORS FOUNDATION

A private sector player aiming at catalyzing impact investment by creating knowledge and networks

2019: AGDEVCO FIRST INVESTMENT IN IVORY COAST

US$ 1.7Mn investment into an Dekeloil – an agribusiness company

2019: LAUNCH OF SENEGAL START UP ACT

The act aims to promote innovations in the country

2020 AGRIBUSINESS CAPITAL FUND FIRST INVESTMENT

The recently established blended finance fund made its first investment in a cocoa cooperative in Ivory Coast The recently established blended finance fund made its first investment in a cocoa cooperative in Ivory Coast

2020

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

GOVERNMENT LED INITIATIVE

PRIVATE SECTOR LED INITIATIVE

3. EMERGING TRENDS IN WEST AFRICA SOCIAL INVESTMENT INDUSTRY

The evolution and growth witnessed in the industry in the last decade has been driven by key trends summarised in the table below;

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

TREND	NIGERIA	GHANA	IVORY COAST	DESCRIPTION
Institutionalized giving and investing by West African philanthropists				Although philanthropy in the region remains highly informal and unstructured, philanthropists, particularly in Nigeria, have established their foundations to support various social causes.
Participation of government in social investments space				Governments of Nigeria and Ghana have set up schemes to support and advance financing to social enterprises/start-ups. Governments are also offering guarantee schemes to enhance funding, mostly for the SMEs and agriculture sectors. The Government of Ghana is also promoting angel investing through Ghana Angel Investors Network (GAIN). Minimal government-driven social investment programs were witnessed in Ivory Coast.
Presence of corporate social investors (CSIs)				The potential for sustainable corporate social responsibility remains largely untapped, with few active CSIs identified in the region. Most corporate programs remain largely grant-based and/or one-off programs. However, more sustainable strategies are increasingly adopted by corporates in Nigeria as some venture into impact investing and ecosystem building.
A rise in gender lens investing (GLI) and philanthropic support for gender issues				Many new initiatives targeting women as business owners and as beneficiarieshave been launchedTo address women's challenges. These include women-focused funds, angel networks, and incubation programs. There are also philanthropic funds specifically focused on funding causes that support women and girls.
Rise of organized angel investments by HNWIs				More than 20 angel networks have been established in recent years in the region. These organized networks bring together HNWIs to invest in a structured manner. Investment activities by these networks, however, remains low and primarily concentrated in Nigeria.
Establishment of innovative structures for raising diaspora funds				Diaspora remittances in the region remain primarily unstructured.However, West African countries have been developing innovative structures to leverage diaspora funds e.g.,Nigeria raised its first diaspora bond in 2017 to finance its infrastructure programs. Ghana is also currently planning to launch a similar bond.
Presence of blended finance transactions/ initiatives and use of catalytic funds				The region accounts for 57% of the blended finance transactions recorded in Sub-Saharan Africa to date. Concessionary capital and/or technical assistance (TA) funds are the main blended finance structures used. Governments and DFIs have also provided guarantee funds to boost financing in key sectors. Further,innovative finance structures like Impact Bonds are in the early stages of development.
Presence of technology-based fundraising platforms				The West African region accounted for 41% of the funds raised through crowdfunding and peer to peer platforms in Africa in 2016.Most of the funding has been through platforms based in Nigeria.

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

High activities with increasing number of players

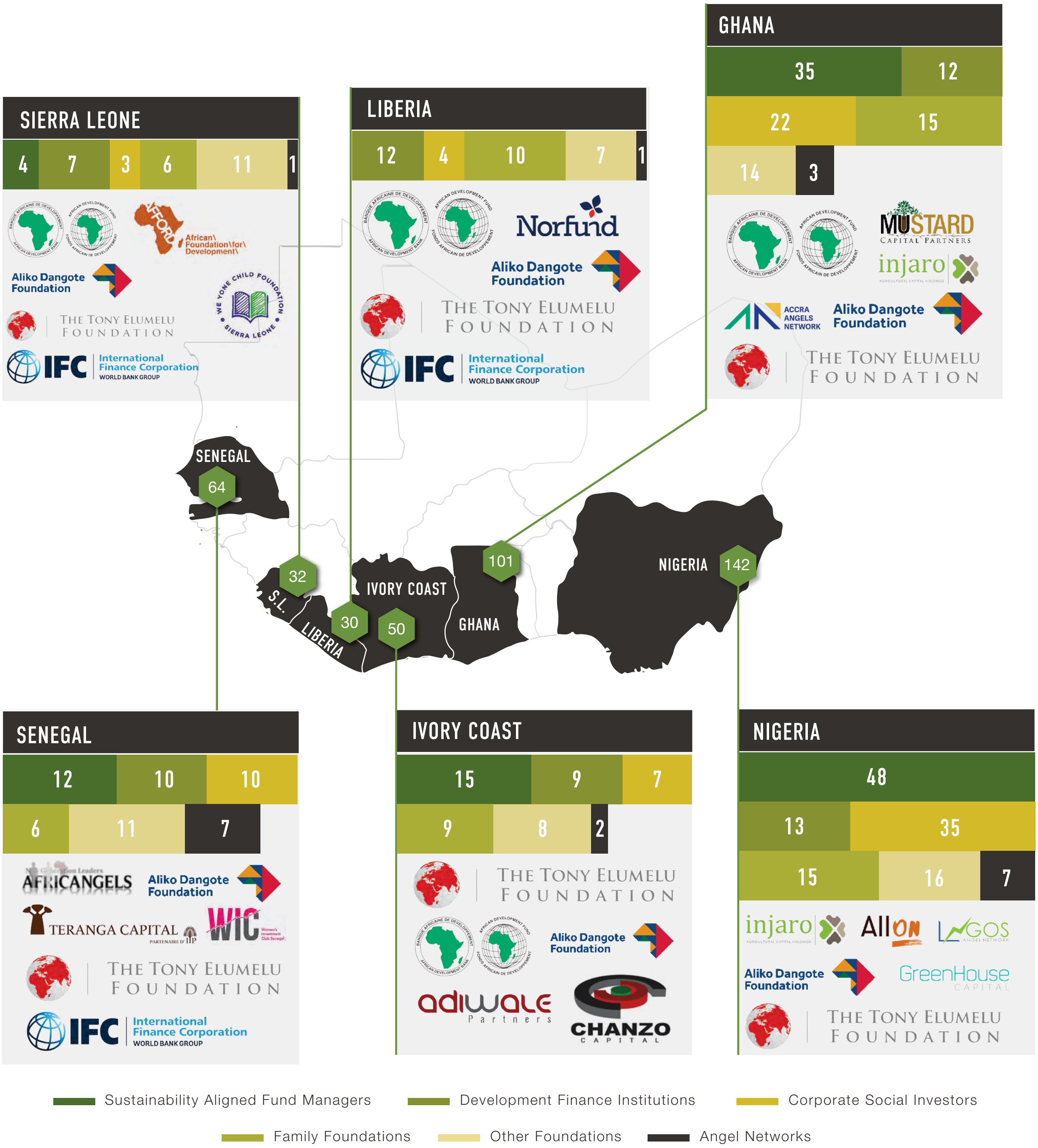
Moderate activities and number of players witnessed

Minimal to no activities witnessed

4. SUPPLY OF SOCIAL INVESTMENT IN WEST AFRICA

An increasingly diverse mix of social investors are actively deploying capital in West Africa. This research identified over 250[1] social investors operating across the focus countries, majorly based in Nigeria (52%). Sustainability Aligned Fund Managers (SFMs) account for the largest proportion (35%) of the identified social investors in the region. The number of social investors headquartered in the region is on the rise, with West Africa-based family foundations and Corporate Social Investors accounting for 4% and 10% of total active investors in the region respectively.

Figure 3: Overview of Key Social Investors in the Region



Source: Intellecap Analysis
NB: Some of the players are active in multiple countries, and thus country totals are not equal to the total number of the investors identified

[1] List not exhaustive

DEVELOPMENT FINANCE INSTITUTIONS (DFIs):

- DFIs provide the largest amount of impact capital in West Africa, with investments mostly targeting growth to mature stage sustainable businesses that can absorb large amount of capital.
- DFIs have particularly been active in the financial inclusion space providing on-lending capital and credit guarantees to financial services providers as well as direct and programmatic funding for energy projects.
- Direct investments, mainly in the form of debt, account for the largest proportion of DFI investments observed over the study period. However, the proportion has been decreasing over the years as DFIs are increasingly shifting their strategies to invest through fund managers.

Figure 4: Summary of DFI activities 2015-2019

14 DFIs INVESTED US$ 8.4BN IN 262 DEALS

TRANSACTION SIZE
Average deal size was US$ 32.1Mn

SECTOR
Financial inclusion, agriculture and energy are top 3 sectors accounting for close to 60% of total capital

INSTRUMENTS
70% of DFI capital deployed through debt

COUNTRY FOCUS
DFIs have deployed capital in all the focus countries; 47% of which was deployed in Nigeria.

TECHNICAL ASSISTANCE
TA provided to investees through external consultants. TA funds also set aside to support fund investments

IMPACT MEASUREMENT
DFIs leverage standard global tools and metrics such as IRIS and GIIRS, and customise to suit specific sector requirements. Impact results are published publicly

SUSTAINABILITY ALIGNED FUND MANAGERS (SFMs)[2]:

- The largest proportion of SFM deals (66%)were made into early-stage enterprises (ticket size less than US$ 0.5Mn), indicating an increasing pool of investible enterprises at this stage driven by a large number of incubators present in the region.
- While impact generation is a key consideration, businesses' sustainability and commercial viability still remain the key investment criteria for most SFMs in the region.
- SFMs have primarily focused on the financial services, agriculture and energy sectors given the potential for higher returns in these sectors, focusing on fintech, ag-techs, and pay-as-you-go solar business models.

Figure 5: Summary of SFM activities 2015-2019

US$ 1.2BN DEPLOYED BY SFMs IN 305 DEALS

TRANSACTION SIZE
Average deal size was US$ 4.05Mn. 91% of the capital deployed in deals more than US$ 5Mn

SECTOR
Financial inclusion account for 61% of total capital with energy and agriculture accounting for 24% of the capital deployed

COUNTRY FOCUS
69% of SFM capital was deployed in Nigeria. No deals recorded in Sierra Leone and Liberia

TECHNICAL ASSISTANCE
More than three-quarters of the SFMs engaged offer TA support majorly through TA providers

IMPACT MEASUREMENT
SFMs leverage global metrics and incorporate those into their in house impact measurement systems. Impact is assessed on a fixed frequency.

[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]:

West African CSIs[4]

- West African CSIs mostly deploy funds to Non-Government Organizations (NGOs) and government agencies. However, more West African CSIs have been changing their strategies to support social enterprises through grants, debt, and equity.
- Most of the West African CSIs' investment has been deployed to support essential service provision, particularly in health and education and economic empowerment and entrepreneurship initiatives.

Figure 6: Summary of West African CSIs' activities (2010-2019)

US$ 396.6MN DEPLOYED BY WEST AFRICAN CSIs IN 37 TRANSACTIONS

TRANSACTION SIZE
Average deal size was US$ 10.07Mn. Higher deal size observed for donations for disaster relief/humanitarian crisis

SECTORS
34% of the total capital deployed towards health initiatives. 17% for disaster/humanitarian relief

RECIPIENTS
32% of the capital deployed through NGOs and 29% through operating foundations. Social enterprises account for 2% of capital deployed

INSTRUMENTS
Largely grants/cash donations. Few debt/equity investments made to social enterprises

IMPACT MEASUREMENT
Mainly leverage internal tools and metrics to collect and measure impact data

North American and European CSIs[5]

- North American and European CSIs operating in the region have mainly been implementing programmatic interventions working with government agencies and NGOs.
- North American CSIs are primarily focused on areas such as entrepreneurship, innovation, and education. On the other hand, European CSIs have mainly been active in the healthcare sector, given European corporates' dominance in the pharmaceutical and health products value chain.

Figure 7: Summary of North American CSIs' activities (2015-2019)

US$ 547MN DEPLOYED BY SELECTED NORTH AMERICAN CSIs

TRANSACTION SIZE
Average deal size was US$ 2.07Mn. Higher deals were recorded for programmatic interventions e.g. by Master-Card Foundation

SECTORS
62% of the capital deployed towards entrepreneurship and economic empowerment

INSTRUMENTS
Largely grants deployed to NGOs and programmatic interventions implemented through government and NGOs

Other international CSIs

- While we believe there are some Asian and Latin American CSIs 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.

---

[3] CSIs refers to corporate foundations, corporate funds, and corporate accelerator/incubator programs
[4] Corporate social investors headquartered in West Africa
[5] Corporate social investors headquartered in North America or Europe

FAMILY FOUNDATIONS:

West African family foundations[6]

- Activities by West African family foundations over the last decade have been relatively low, with a few active players identified. These are mainly registered as operating foundations that run various programmatic interventions as well as deploy grants through NGOs, government agencies, and academic institutions.
- Education and entrepreneurship have received the largest focus by West Africa family foundations accounting for the largest transaction proportion. These foundations also continue to contribute to disaster relief and humanitarian issues.

Figure 8: Summary of West African family foundation activities (2010-2019)

US$ 267MN DEPLOYED BY WEST AFRICAN FAMILY FOUNDATIONS IN 14 TRANSACTIONS

TRANSACTION SIZE
Average deal size was US$ 19Mn. Higher deal size observed for donations towards disaster relief/humanitarian crisis

SECTORS
43% of the capital deployed to support entrepreneurship. A large proportion of funding was also deployed to support multiple causes

RECIPIENTS
79% of the capital deployed through the operating foundations and 10% through government agencies

INSTRUMENTS
Largely grants/cash donations. Few debt/equity investments made to social enterprises

IMPACT MEASUREMENT
Mainly leverage internal tools and metrics to collect and measure impact data

North American and European family foundations[7]

- Two foundations dominate North American family foundation activities in the region – Bill and Melinda Gates Foundation (BMGF) and MacArthur Foundation largely deploying grants to NGOs and government agencies.
- Funding from the North American foundations is largely skewed towards health, given the high focus of BMGF on the sector. Similarly, European foundations working in the region are highly focused on addressing issues in the health and education sectors.

Figure 9: Summary of North American Family Foundation activities (2015-2019)

US$ 547MN DEPLOYED BY SELECTED NORTH AMERICAN CSI

TRANSACTION SIZE
Average deal size was US$ 2.07Mn. Higher deals were recorded for programmatic interventions e.g. by MasterCard Foundation

SECTORS
62% of the capital deployed towards entrepreneurship and economic empowerment

RECIPIENTS
Largely grants deployed to NGOs and programmatic interventions implemented through government and NGOs

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.

---

[6] Family foundations headquartered in West Africa

[7] Family foundations headquartered in North America and Europe

ANGEL INVESTORS:

- Angel investors in the region have focused largely on sectors unrelated to the SDGs. Sixty percent of the angel deals identified were in non-SDG-aligned sectors such as consumer goods (clothing, accessories), information technology, and media. This trend may be related to a strong focus on financial returns amongst these investors, as well as alignment with sectors in which angels themselves have professional experience.

- Angels in the region mainly invest through equity and target early-stage enterprises with an average deal size of US$ 0.17Mn.

Figure 10: Summary of Angel Investors' Activities (2014-2019)

US$ 3.2MN DEPLOYED IN 19 ANGEL DEALS

TRANSACTION SIZE Average deal size observed was US$ 0.17Mn.	***SECTOR*** 60% of the total deals deployed in non-impact sectors	***INSTRUMENTS*** Investments mainly through equity into early stage enterprises
COUNTRY FOCUS Higher angel investing activity recorded in Nigeria accounting for more than 90% of the angel deals recorded	***TECHNICAL ASSISTANCE*** Angels provide mentorship support to entrepreneurs. Angel networks also provide business advisory support as part of the deal facilitation process	***IMPACT MEASUREMENT*** Impact measurement and management is not a big focus for angels

MULTILATERAL AND BILATERAL DONORS:

- Donors continue to deploy large amount of social capital in the region (US$ 7.4Bn in 2018), mainly through programmatic multi-year interventions, the largest proportion (39%) deployed towards health initiatives.

- United States Agency for International Development (USAID) is one of the prominent donors accounting for 24% of total donor funding into the region in 2018.

- In recent years, donors in the region have been shifting strategies from aid to catalytic investments supporting market-based solutions working to solve development challenges such as funding Technical Assistance/ Challenge funds and incubation programs.

FAITH-BASED GIVING:

Faith-based giving has a long history in the region with structured giving witnessed in the health and education sectors. Close to 40% of primary and secondary health facilities in Nigeria are registered under the Christian Health Association – the umbrella body of church-based health facilities in the country. Religious institutions have also played a key role in providing bright, disadvantaged students with scholarships to take them through various levels of education.

Table 2: Characteristics of Social Investors Active in the Region

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	Yes	Low	**Moderately Concentrated** (Nigeria, Ghana, Ivory Coast, Senegal)	Financial Services, Energy, Agriculture and Food	Large capital base can be used to catalyse more innovative finance structures. Longer term financing to cover short term financing by private investors
Sustainability Aligned Fund Managers (SFMs)	Hundreds of Millions	Equity Debt	LIMITED	LIMITED	Low	**Moderately Concentrat-ed** (Nigeria, Ghana, Ivory Coast)	Financial Services, Energy, 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	LIMITED	Medium - High	Across all countries	Health, Agriculture and Food, Education, Water and Sanitation (WASH), Energy	Large capital base, flexible, can drive innovative finance e.g. payment of outcomes for DIB
Family Foundations (West Africa HQ)	Tens of Millions	Grant Debt	Yes	LIMITED	Medium - High	**Concentrated** (Nigeria)	Health, Education, Economic Empowerment/Entrepreneurship/SMEs	Limited capital but there is an opportunity to lead local venture philanthropy practice
Corporate Social Investors (North America and Europe HQ)	Hundreds of Millions	Grants Debt	Yes	LIMITED	Medium - High	**Moderately concentrated** (Nigeria, Ghana, Senegal, Ivory Coast)	Economic Empowerment/Entrepreneurship/SMEs, Health, Governance, Innovation	Potential to mainstream impact through corporate sustainability and shared value approaches
Corporate Social Investors (West Africa HQ)	Tens of Millions	Grants Debt Equity	Yes	LIMITED	Medium - High	**Moderately concentrated** (Nigeria, Ghana)	Economic Empowerment/Entrepreneurship/SMEs, Health, Education	Potential to mainstream impact through corporate sustainability and shared value approaches
Faith-Based Giving	Hundreds of Millions - Billions	Grants	Yes	No	Medium - High	Deep into rural areas across most of the countries	Health, Education	Large capital base and geographic reach, enormous catalytic capital potential
Angel Investors	Millions	Equity Debt	No	LIMITED	High	**Moderately Concentrated** (Nigeria, Ghana)	E-commerce, ICT	Supporting early stage commercial social enterprises
Government Schemes	Hundreds of Millions	Debt Guarantees	LIMITED	Yes	Medium	**Moderately Concentrated** (Nigeria, Ghana, Senegal)	Economic Empowerment/Entrepreneurship/SMEs, Agriculture and Food	Large capital base, can be leveraged for innovative finance like SIBs
Donors	Billions	Grant Debt	Yes	Yes	Medium - High	Across all countries	Health, Agriculture and Food, Education, Water and Sanitation (WASH)	Large capital base can be used to catalyse more innovative finance structures in more sectors e.g. in the form of DIB
Diaspora Remittances	Billions	Bonds	LIMITED	LIMITED	Low - Medium	Across all countries	Infrastructure, Energy, Livelihoods	Large capital base, already looking at innovative structured finance especially in high intensive sectors

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

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

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

Logistics · Real Estate · Infrastructure · E-commerce · Water and Sanitation (WASH) · Governance · ICT · Livelihoods

5. DEMAND FOR SOCIAL INVESTMENT IN WEST AFRICA

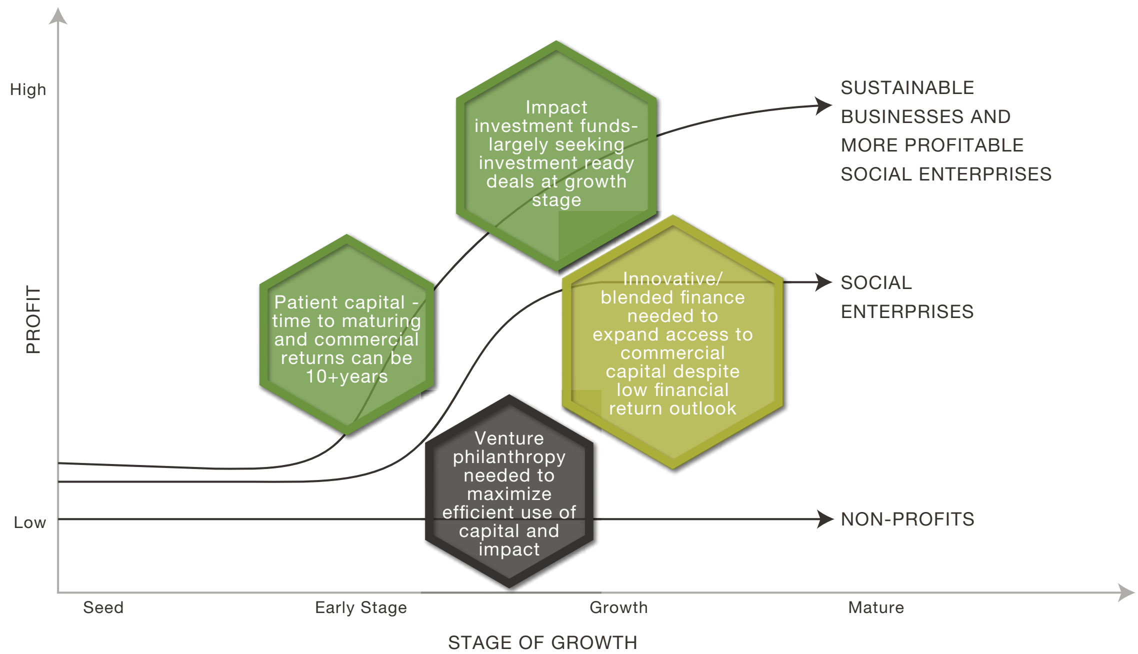
The supply of social investment capital in the region is not well aligned to the demand from social enterprises and impact businesses.

- A significant financing gap exists for small and medium enterprises (SMEs), which are considered too big for microfinance institutions (MFIs) and too small or risky for commercial investors—popularly referred to as the “missing middle”. Further, social investors largely focus on financing organizations with already proven models and established revenue structures.
- The average transaction size by SFMs and DFIs who supply most of the region’s impact capital is much higher than required by most enterprises who are still in the early stages of growth.
- 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.

Non-profit organizations in the region are seeking more local capital and sustainable operating and revenue models, as international grant funding declines.

- Non-profits/non-governmental organizations in West Africa rely almost exclusively on funding from bilateral donors and international foundations, which has been dwindling due to political changes in Western countries and shifting strategies away from grant-making toward impact investment.
- The funding provided has mostly been deployed for programmatic interventions with significant funding gaps identified for capacity building and the NGOs’ general administration.
- These trends could substantially hinder non-profit operations in the region and their provision of essential activities in many social sectors and communities where enterprises often find it difficult to operate profitably.
- More effort is needed to explore the potential of venture philanthropy and other innovative financing models to leverage local capital, improve non-profit operations’ efficiency, and secure sustainable funding.

Figure 11: Type of Financing Requirements for Various Types of Organizations at Various Stages of Growth



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

While the number of social enterprises and start-ups in the region has been growing, only a few have attracted funding.

Limited data exist on the exact number of social enterprises and start-ups operating across the focus countries. Some reports, however, suggest that the number is in the thousands[8]. However, the study identified only 592 enterprises that raised funding from SFMs and DFIs between 2015 and 2019. This could be attributed to the low-quality of SEs in terms of being investment-ready.

[8] British Council: The State of Social Enterprises in Ghana, 2016

The primary focus for venture capital has been on technology-based enterprises.

The growth of tech-based entrepreneurship, particularly in Nigeria and Ghana, has given rise to innovative enterprises addressing challenges majorly in the financial services and healthcare sectors. These start-ups have attracted the largest proportion of venture capital funding, given the high return expectations from these models.

West African entrepreneurship space consists of more local entrepreneurs than expatriates, with most of the funding made into the local enterprises.

Unlike East Africa, the West African entrepreneurship space consists of more local entrepreneurs (90% in Ghana and 95% in Nigeria) than expatriates[9]. Consequently, more funding in the region has gone to locally founded enterprises. In Nigeria, for example, 55% of the total funding in 2019 went to enterprises with local founders [10].The dominance of local founded enterprises is further supported by this research, which showed that nine out of the top 10 deals (in terms of value) made by SFMs were into locally founded businesses.

West Africa, however, lags in gender diversity.

Nigeria and Ghana respectively have only 15% and 13% of enterprises with female co-founders compared to 25% in Kenya[11].This is further reflected in our research, where the top 10 investments (in terms of value) by SFMs were made in enterprises founded by men, with only two of these enterprises having female co-founders[12]. This is an indication of a higher need for investors to focus on GLI strategies.

Various ecosystem, demand, and supply-side challenges hinder the growth of social enterprises and start-ups in the region.

The research identified common challenges facing most social enterprises and start-ups across the West African countries, as outlined below. These challenges are more pronounced amongst youth enterprises due to lack of work experience, business, and technical capacity, and knowledge of formal business practices.

Figure 12: Challenges faced by social enterprises and start-ups in West Africa

SUPPLY SIDE CHALLENGES	DEMAND SIDE CHALLENGES
Mismatch in ticket sizes: The average transaction size by SFMs and DFIs who supply most of the capital is much higher than required by most enterprises who are still in the early stages of growth.	***Challenges understanding investment terms:*** Many enterprises across the focus countries are mainly aware of debt (loan) and grants as funding instruments. The lack of understanding of other instruments such as equity, convertible notes and mezzanine disadvantages the entrepreneur during negotiations with the investors.
Foreign currency challenges facing debt investments: Most of the social investments in the region are from international sources and thus deployed in foreign currencies. This makes capital deployed particularly in the form of debt, expensive for the businesses that earn in local currency but have to repay in foreign currency. This is mainly due to frequent currency depreciation experienced in the region.	***Lack of adequate local human resource skills:*** Key skills required to run tech start-ups e.g. software development skills, are lacking in the region. Thus, most enterprises resorted to hiring expensive foreign talent or outsourcing these skills to other parts of the world e.g. India and Portugal.

ECOSYSTEM LEVEL CHALLENGES
Lack of an overarching framework for registering social enterprises: SEs in most of the focus countries can either be registered as for-profit or non-profit organizations. This presents some challenges as in the for-profit model, they don't enjoy tax benefits which are crucial in early stages of growth while registering as a non-profit limits flow of commercial capital as any surplus generated can only be re-invested in the business.
Bureaucracy and lengthy process of business registration: Most of the countries in the region rank unfavorably in the corruption perception and ease of doing business rank, indicating bureaucracies and challenges in the business and investment environment.
Concentration of support providers in urban areas: Most of the ecosystem support organizations are located in main cities with minimal reach to enterprises operating in rural areas. Rural based enterprises thus experience challenges accessing capacity building and investment readiness support as well as information on investment opportunities.

[9] Timon and Briter Bridges: Compensation Study, 2019 – 778 start-ups across four African countries were analysed as part of this study
[10] Victoria Ventures, 2019
[11] Timon and Briter Bridges: Compensation Study, 2019
[12] Intellecap Analysis

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

Overall, the region has been recording improvement in the Civil Society Organisation (CSO) sustainability index, albeit not substantially over the past years. Most of the countries rank lowly on financial viability.

The CSO sustainability index measures the performance of CSOs in seven key dimensions, including the legal environment, organization capacity, financial viability, advocacy, service provision, sectoral infrastructure, and public image. Across the focus countries, financial viability ranks the lowest as CSOs struggle to raise funding for their activities. Additionally, CSOs, especially those in the areas of governance, democracy, and human rights often report facing harassment from government officials.

With declining funding from donors and international foundations, non-profits are exploring alternative and more sustainable funding models.

Non-Governmental Organisations (NGOs) across the focus countries remain largely dependent on foreign donors and foundations to fund both the programmatic interventions and general administrative activities. International funding has, however, been fluctuating in recent years. This shift is urging NGOs to both identify and explore alternative funding sources. Three key models have emerged in recent years - internal revenue-generating models (these adopt a membership fee and/or an annual subscription), hybrid models (where an NGO operates both a for-profit and a non-profit entity with the profits gained on the commercial entity utilized to fund the non-profit subsidiary); and leveraging crowdfunding models.

The non-profits in the region continue to face various institutional challenges primarily due to limited funding to this sector.

The major challenges include;

Figure 13: Challenges faced by non-profits in West Africa

SUPPLY SIDE CHALLENGES	DEMAND SIDE CHALLENGES
Decreasing funding from international sources: Donors and foundations who are the main financiers of NGO activities have started investing in alternative models such as social enterprises which are considered to generate better value and returns for investments compared to NGOs.	***Human capital challenges:*** Given limited funding for operational expenses, most of the NGOs are not able to hire experienced staff and thus the biggest proportion of the staff members work on contractual terms renewed based on projects. This makes it difficult to strengthen the human resource capacity. Further, NGOs are limited in offering training opportunities to core employees.
Restricted funding: Funding has majorly been to programmatic interventions with low funding to address capacity building needs of the NGOs.	***Limited technical and organizational capacity:*** Most NGOs have limited technical and organizational capacity, particularly in the areas of strategy development and implementation, fundraising, financial management, governance, project management, leadership, and human resource management.

ECOSYSTEM LEVEL CHALLENGES
Inadequate capacity building support: While there are several support providers for social enterprises, there are few support providers that are focusing on building the capacity of NGOs particularly as they transition to sustainable models.
Lack of impact measurement mechanisms: While most local NGOs continue to have a positive impact on their communities, they rarely develop mechanisms to measure the impact generated. Only a few large local NGOs review their programs regularly and engage independent evaluators to assess their impact or do so at donors' directive

6. ENABLING ENVIRONMENT FOR SOCIAL INVESTMENTS IN WEST AFRICA

The enabling environment for social investment, particularly around policy and regulations, remains underdeveloped. Further, while an increase in support has been witnessed for early-stage enterprises, there is a dearth of quality and affordable support providers for the growth stage and mature enterprises. The region also has a scarcity of institutions focused on promoting the sector through academic training, research and data gathering.

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

ECOSYSTEM CATEGORY	NIGERIA	GHANA	IVORY COAST	DESCRIPTION
POLICY AND REGULATORY ENVIRONMENT				
Policies and regulations				None of the focus countries has put in place policy and regulatory frameworks that explicitly define and support social investments. Further, the countries lack policies for philanthropy and charitable giving, which is currently governed under multiple laws and regulations. However, Ghana recently established a CSR Policy to motivate corporate giving while Nigeria's Finance Act tax-exempts start-ups with annual revenues of ~US$ 65,000.
ECOSYSTEM SUPPORT TRENDS FOR SOCIAL ENTERPRISES AND START-UPS				
Incubators and early-stage support				There is a high concentration of ESOs in Nigeria and Ghana, given the thriving start-up ecosystem. However, capacity and sustainability challenges limit their effectiveness. Furthermore, the ESOs mainly operate in the main cities.Most incubators also offer generic support/not sector-specific majorly to tech-based early-stage enterprises.
Accelerators and TA providers				Limited support exists for growing ventures/SMEs with a few affordable accelerators and TA providers operating across the countries. A high gap has mainly been witnessed for early-stage investment bankers/ financial intermediaries
Networks and platforms				There are several growing and well-established networking platforms in the region e.g. ANDE, Impact Investors Foundation, AfriLabs promoting impact investments, and social entrepreneurship.
Knowledge and research				There is ashortage of data, especially on philanthropy and venture philanthropy. Academic centers for teaching and research on philanthropic activities are also almost non-existent.
ECOSYSTEM SUPPORT TRENDS FOR NON-PROFITS				
Philanthropy forums, networks and membership organizations				Only a few philanthropy networks were identified across the region. These include; Ghana Philanthropy Network, Africa Grant Makers, Africa Philanthropy Forum, Africa Philanthropy, and African Venture Philanthropy Alliance
Strategic philanthropy advisors				The region lacks philanthropy advisors/managers focused on strategically mobilizing and deploying philanthropic funds on behalf of individuals and corporates. Such ESOs are also needed to support philanthropists in leveraging innovative finance structures and transitioning to more sustainable models.
IMPACT MEASUREMENT AND MANAGEMENT				
Impact measurement and management standards, tools and frameworks				Various standards, frameworks, and tools are used to collect and measure impact in the region. SFMs, DFIs, and international foundations largely use globally accepted impact measurement tools while local foundations measure on-ground impact using their metrics and tools.However, most of the investors and businesses in the region generally focused on impact measurement with little focus on impact management, i.e. leveraging the impact data collected to make decisions.

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 catalyze diverse and innovative social capital pool, recommendations to empower organizations 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 catalyze diverse and innovative pool of social capital	Enhancing the supply and use of catalytic capital in the region	High
	Enhancing collaboration with the government	High
	Promoting education and awareness of social investment practices	High
	Developing social impact bonds to solve key development challenges	Medium
	Driving shared value collaboration	High
Recommendations to empower organizations delivering social change (demand side players)	Leveraging alternative funding models for NGOs/CSOs	Medium
	Establishment of a technical assistance toolkit and on-site training for NGOs	Medium
	Developing interventions to support human resources (HR) needs of enterprises	Medium
Recommendations to develop enabling environment and infrastructure	Data building and development of knowledge tools	High
	Focused mobilization and deployment of philanthropy funds	High
	Enhancing support for the sustainability of ecosystem support organizations (ESOs)	Medium
	Improving the legal and regulatory frameworks	Medium
	Enhancing impact measurement and management	Medium

7.1 RECOMMENDATIONS TO CATALYZE DIVERSE AND INNOVATIVE POOL OF SOCIAL CAPITAL

- **Enhancing the supply and use of catalytic capital in the region:** The demand for catalytic capital in the region far outweighs the supply, with most of the investors interviewed indicating that they target market-rate returns implying a limited supply of below market-rate capital. This research also identified significant gaps in the supply of funding at the seed and Series C stages. Social investors such as corporate foundations, family foundations, and donors are well-positioned to provide catalytic capital, e.g.,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 missing middle.

- **Enhanced collaboration with the government:** The governments' role in the region's social investment sector has been evolving as they play a pivotal role in funding the SME and agriculture sectors through guarantees and low-cost debt. Social investors working in these sectors, thus, can collaborate with the government to scale up interventions. Government funds can also be leveraged to de-risk investments in other sectors outlined in countries' national development plans.

- **Education and awareness of social investment practices:** More engagement is needed to create awareness amongst the philanthropic community and corporates on methodologies and venture philanthropy tools. This could be achieved by establishing "philanthropy advisors" to support social investors in the effective deployment of philanthropy and catalytic funds in the region, organizing structured networking events,and introducing innovative finance training programs in the universities and training institutions across the region.

- **Driving shared value collaboration:** More often, investors are unable to align their objectives, making it hard to collaborate. Thus, there is a need for shared value collaboration amongst investors to deliver more investments. Such collaborations can be created by leveraging third-party entities that can articulate each investor's objectives and develop synergies. Sector-specific coalitions that incorporate investors in the continuum of capital, for example, could help bring together multiple investors, leveraging the different strengths to mobilize funding for the sectors.

- **Promoting the development of impact bonds:** Impact bonds are considered to be impactful investment models that can drive funding into social sectors such as education, health, and youth employment. However, evidence of such models in the region is limited, with only a few impact bonds in the design and early implementation phases identified. The region can learn from other countries such as South Africa, Cameroon, and India, where such models have been implemented in recent years. Regional foundations, governments, and donors can be leveraged to pay for the bonds' outcomes, attracting more funding from commercial investors.

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

- **Leveraging alternative funding models for non-profits:** With the declining donor funding to NGOs, new and innovative models need to be leveraged to raise and attract more funding to support NGOs' activities. Several funding models can be explored leveraging internal sources (models such as consultancy fees, asset building, event organization, and membership fee) and external sources (models such as crowdfunding, microfinance, incubation, and social/green bonds).

- **Establishment of a technical assistance toolkit and training for NGOs:** One of the critical challenges facing NGOs is the inadequate skills in technical areas such as strategy, financial management, and program management. Most of the funders mainly focus on program funding witha minimal amount allocated to provide TA. Further, most NGO support organizations also rely on funding from international sources to finance the services to NGOs. As such, the development of a readily accessible toolkit providing information and training on various operational areas can help improve the capacities of the NGOs.

- **Human capital development:** Since most social enterprises face challenges in human resources, key players, e.g., corporates, and sector experts, can be leveraged to provide hand holding and mentorship support to the enterprises. Corporates, for example, can volunteer their staff for a few months of secondment in the enterprises. Furthermore, commercial enterprises and corporations can be leveraged for cross-learning and building of skills.

7.3 RECOMMENDATIONS TO DEVELOP ENABLING ENVIRONMENT AND INFRASTRUCTURE

- **Data building and knowledge tools:** The disparate sources of data on the different social investment approaches observed across the region make it difficult to drive collaboration. Thus, continuous research on the sector, and establishing a data portal bringing together different investors can enhance more partnerships and provide data-backed evidence on success models, identifying additional opportunities for strategic interventions amongst key social investors.

- **Focused mobilization and deployment of philanthropy funds:** Currently, most philanthropic organizations deploy funds individually and in an ad-hoc manner. There is a need for support organizations in the form of "philanthropy advisors/managers"that can mobilize and deploy such funds in line with philanthropists' objectives. Such players can also be leveraged to raise awareness on venture philanthropy practice. Besides, they can promote engagement between philanthropists and impact investors to drive the development of blended finance funds.

- **Enhance support for the sustainability of ecosystem support organizations (ESOs):** Current funding sources for the ESOs are limited and unsustainable,limiting the operations of the ESOs. Regional Foundations, donors, as well as international foundations could allocate additional funding to ensure the sustainability of the ESOs, e.g., through subsidizing ESOs services. ESOs could also be used to manage philanthropy funds with some of the funds deployed to ESO staff training.

- **Legal and regulatory framework:** Governments in the region need to put in place critical supply, demand, and ecosystem level regulations that boost the performance of a sector. Proposed rules and policies include; a Start-up Act to drive innovation and entrepreneurship, CSI policies and laws, and an enhanced application process for philanthropy tax incentives.

- **Enhancing impact measurement and management:** While most of the investors in the region measure impact, there is a need for standardization of impact measurement approaches, using models that are (a) relevant to the context in various African countries; (b) affordable and accessible to social investors operating at smaller transaction sizes; (c) relevant to core business operations for companies,and (d) relevant to strategic development and operational efficiency for non-profits.

01

01

INTRODUCTION AND OVERVIEW OF THE RESEARCH

1.1 BACKGROUND AND MOTIVATION OF THE STUDY

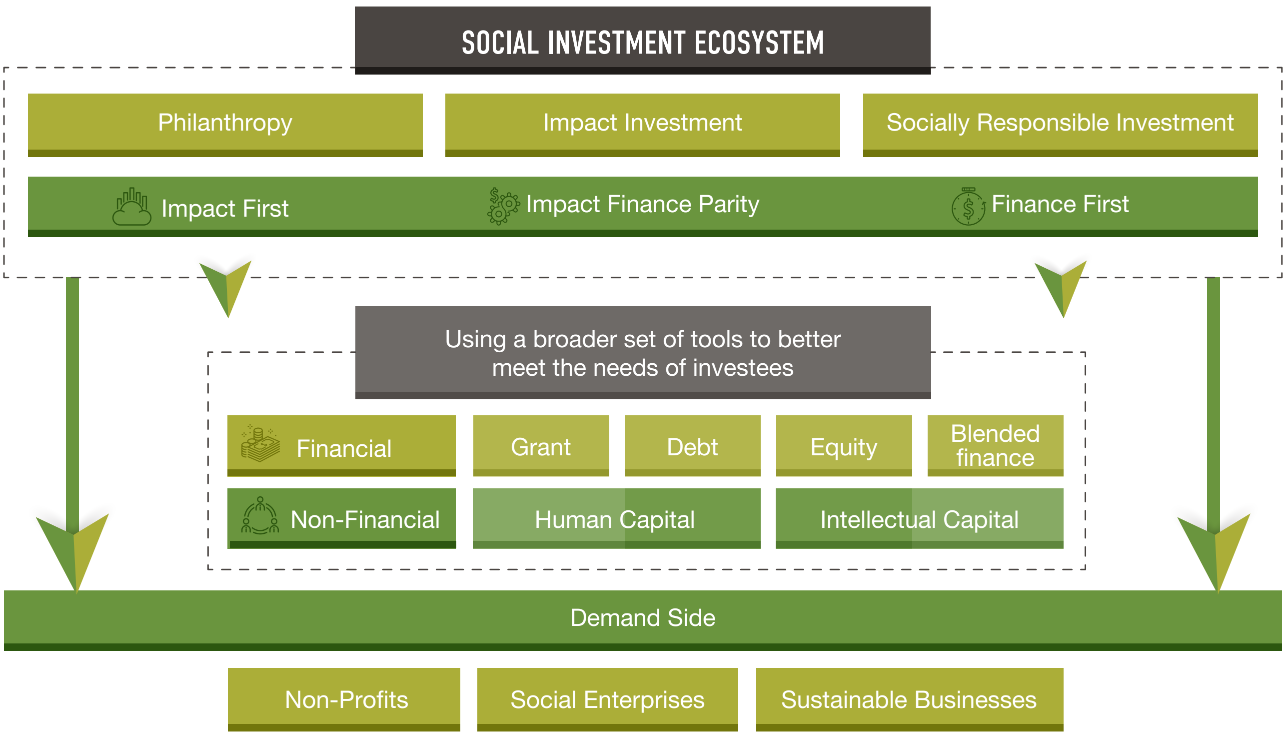
Strategic mobilization of private capital to supplement public and development capital for financing social issues has become a significant focus for countries worldwide.

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 SDG goals, given that 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 and/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 different types of capital and investment strategies is needed, 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 West Africa. It is part of a series of three reports, where the other two focus on the state of social investing in East Africa and Southern 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 industry. The study further makes recommendations on the potential for collaboration amongst diverse funders to scale impact which is 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. Nigeria, Ghana and Côte d'Ivoire.

The report also touches on key social investment activities in **Senegal, Liberia, and Sierra Leone**. 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 organizations 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 organizations 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 West 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 West 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 organised in 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 West Africa, including the demographic and socioeconomic context, the social investment financing gap, 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 is 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 industry 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 industry 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 e.g., questionnaires and discussion guides.

b) ***Stakeholder interviews –*** The report relies heavily on insights from one-on-one interviews conducted with 57 stakeholders in the region, including social investors such as DFIs, international foundations, regional foundations, and impact investors; demand-side players including social enterprises and non-governmental organizations (NGOs); and ecosystem enablers such as incubators, accelerators, professional service providers/firms, research and academia, and government agencies. These interviews aimed to collect both 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 industry. 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 organizational 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 survey responses were received for West 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

INVESTOR	DATA SOURCES
Development Finance Institution (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 283 direct, indirect (fund of funds) and programmatic transactions made by 14 DFIs in the region between 2015 and 2019. However, funding data for only 262 deals was publicly available and these 262 deals form the basis of the analysis.*
Sustainability Aligned Private Fund Managers (SFMs)	*This research mapped 474 transactions made by SFMs in SDG-focused sectors in the region between 2015 and 2019. However, funding data for only 305 deals was publicly available; these 305 deals form the basis of analysis for this section of the report. The researchers 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 and c) online surveys and interviews with SFMs.*
Corporate Social Investors (CSIs)	*This section provides an analysis of West African, North American, and European corporate social investors (CSIs) active in the region. The research has singled out the North American CSIs due to prominent activities in the region as well as data availability compared to other international CSIs. The insights presented for this category rely on interviews with CSIs as well as transaction data collected through resources mentioned below:* *a) **West Africa-Headquartered CSIs** – The research team collected the transaction data reported in this section from a) publicly available data on websites of corporates social investors on their activities in social investment space b) Recent publication by the Bridgespan Group on large scale giving by African philanthropists c) interviews with corporates and corporate foundations from the region and d) other verified press releases and news articles. The team was able to map **37 transactions** (donations/grants/debt) by corporate social investors between 2010 and 2019. 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-Headquartered CSIs** –Data presented was collected from a) websites of foundations b) interviews with foundations and c) Online database - Foundation Centre that aggregates funding activity by top United States (US) and non-US based foundations.*
Family Foundations	*This section of the report provides analysis of West African, North American and other family foundations active in the region. Similar to CSI, 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) **West Africa based family foundations:** The data reported in this section are collected from a) publicly available data on websites of regional 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 family foundations from the region and d) other verified press releases and news articles. The researchers were able to map **14 transactions** (donations/grants/debt) by west african family foundations/trusts between 2010 and 2019. 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. The researchers mapped 733 grants deployed by these foundations.*

INVESTOR	DATA SOURCES
Multilateral and Bilateral Donors	*Total ODA data were derived from World Bank Development Indicators and specific donor websites. 12,061 programs in the region were aggregated (actual amounts spent) from donor websites. These programs formed the analysis of trends in this section.*
Angels and Angel Networks	*This section covers the activities of angel investors in the region. The transaction data were collected from a) publicly available information on angel networks' websites and news articles and b) two online deal platforms i.e. CrunchBase and Baobab Insights. 36 angel investment deals were identified but funding data for only 19 deals were reported.*

1.4 RESEARCH LIMITATIONS

The following are key limitations of the study:

- ***Secondary data availability –*** The research focused on countries with a nascent social investment industry where limited research had been conducted. Hence, access to secondary data was limited.
- ***COVID-19 crisis –*** The Covid-19 pandemic resulted in organizations shifting focus to managing the situation. Thus, some critical stakeholders were unable to participate in research activities.
- ***Willingness to share information –*** Philanthropic and social investment activities, mainly those carried out by West African foundations and corporations across the region are often kept private. Thus, some organizations were reluctant to disclose information.
- ***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 WEST AFRICA

2.1 DEMOGRAPHIC AND SOCIOECONOMIC TRENDS IN THE REGION

Nigeria's large economy overshadows that of its smaller West African neighbors, but the country largely remains closed to the regional trade.

The West African region is home to Africa's most populous country and largest economy (Nigeria). The entire region's population is currently almost 400 million[4], with 70% residing in the focus countries of this study i.e. Nigeria, Ghana, Ivory Coast, Senegal, Sierra Leone, and Liberia. While the large population presents a significant consumer base for various goods and services, underserved and low-income communities in the region are often unable to access quality and affordable essential services. The private, public, and development sector needs to collaborate and combine efforts ensuring that the efforts to provide access to these services are both sustainable and scalable.

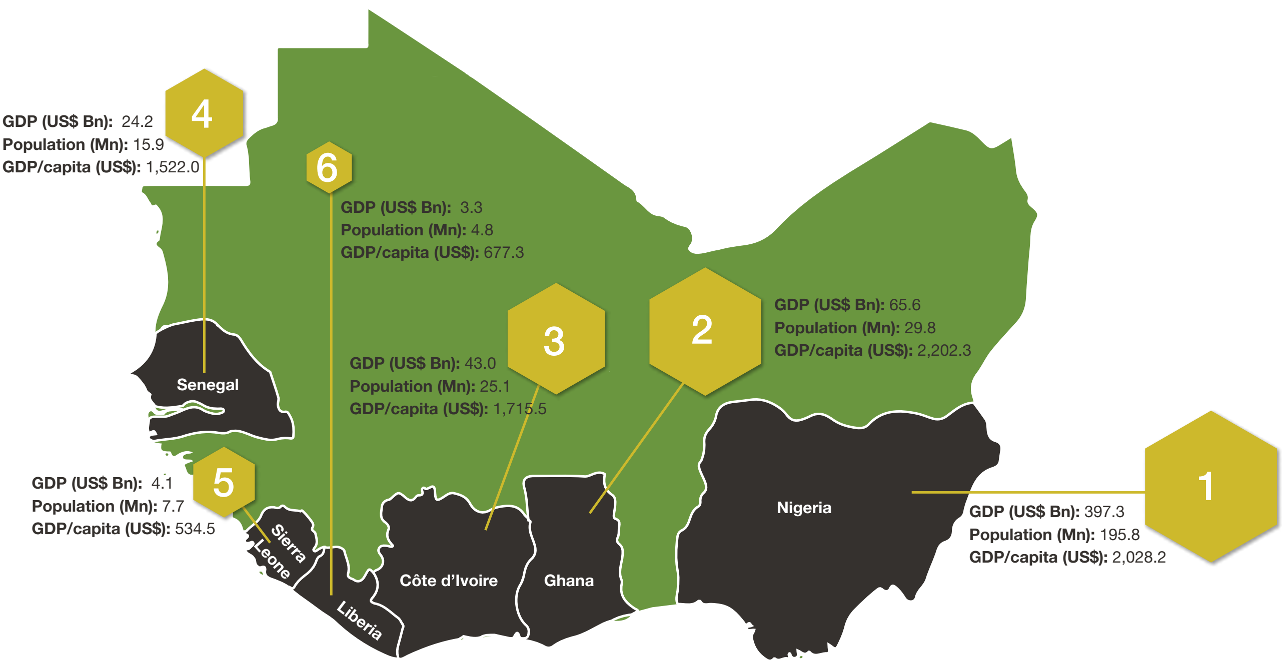
SOCIO-ECONOMIC STATUS IN WEST AFRICA

Over **53%** of the population lives in rural areas with limited access to sanitation, healthcare & electricity

About **60%** of the population *live on less than* US $ 1.25 a day- absolute poverty

Around **30%** of deaths in the region are caused by non-communicable diseases

Figure 2: Economic Overview of the Focus Countries



Focus countries in West Africa

Other countries in West Africa

Bubble size represents economic ranking of the country among the focus countries

Source: World Bank Development Indicators, 2018

[4] Worldometer, 2020

Most West African economies are still largely dependent on commodities—mainly oil and extractives—even though governments are continually attempting to move away from that.

West Africa has experienced a mixed performance in economic growth over the past few years. The region had seen high growth until 2014, but an economic slowdown followed due to the sharp drop in commodity prices and the Ebola crisis in 2016. During this period, –Nigeria, Africa's largest economy and oil exporter, fell into a recession; its gradual recovery between 2017 and 2019, helped by the rebound of oil prices, managed to restore growth in the region. Ivory Coast, Ghana, and Senegal have enjoyed stable economic growth and are projected to be amongst the ten fastest-growing economies globally in 2020-21,[5] with more than 6% growth in their economies in 2019[6]. Liberia and Sierra Leone have been slowly recovering from the Ebola outbreak with economic growth of 0.4% and 5%, respectively, recorded in 2019[7]. The economy of Liberia witnessed a 2.5% decline in 2017[8] due to declining mining exports, rising inflation and currency depreciation. While economic growth rates across the focus countries have been projected to continue increasing in the coming years, the recent Covid-19 global pandemic is expected to affect these projections negatively. Further, although some of the focus countries enjoyed relative political stability and freedom from violence in the last few years, the current surge in Islamist and intercommunal violence in Nigeria and surrounding countries poses a security threat for the region.

West Africa[9] is stagnating in achieving the Sustainable Development Goals (SDGs) as most countries in the region grapple with multiple development challenges.

The West African focus countries are stagnating in achieving the set targets on most SDGs, apart from SDG 13 on climate action where all the countries are on track. Overall, the region is significantly lagging in the achievement of SDG 3 (health), SDG 5 (gender equality), SDG 6 (clean water and sanitation), SDG 9 (infrastructure), and SDG 11 (sustainable cities and communities)[10]. Further, other than Senegal that has achieved one SDG (responsible consumption and production) no other country has been able to achieve any SDGs so far. Nigeria, ranked 43rd in Africa by the SDG index 2019[11], is among the worst performing countries stagnating on twelve SDGs while Ghana, ranked 9th, is among the best performers. Ivory Coast is significantly lagging on six SDGs while Sierra Leone and Liberia, face major challenges in most of the SDGs.

65% OF WEST AFRICAN COUNTRIES ARE DEPENDENT ON COMMODITIES (2013-2017, UNCTAD)

[5] AFDB African Economic Outlook 2020
[6] AFDB African Economic Outlook 2020
[7] AFDB African Economic Outlook 2020
[8] World Bank Development Indicators, 2018
[9] Refers to the entire region (15 countries in total)
[10] 2019 Africa SDG Index and Dashboards Report, SDG Center for Africa and Sustainable Development Solutions Network
[11] Ranking is out of 52 African countries.

Figure 3: SDG Index Ranking and Trends, 2019

SDGs	NIGERIA	GHANA	IVORY COAST	SENEGAL	SIERRA LEONE	LIBERIA
GLOBAL RANK/162 COUNTRIES	159	104	129	124	155	157
AFRICA RANK /52 COUNTRIES	43	9	17	14	35	40
01 NO POVERTY	Major challenges; Decreasing	Challenges remain; Moderately improving	Significant challenges; Moderately improving	Major challenges; Moderately improving	Major challenges; Stagnating	Major challenges; Decreasing
02 ZERO HUNGER	Major challenges; Stagnating	Significant challenges; Stagnating	Significant challenges; Moderately improving	Significant challenges; Moderately improving	Major challenges; Moderately improving	Major challenges; Moderately improving
03 GOOD HEALTH AND WELL BEING	Major challenges; Stagnating	Major challenges; Stagnating	Major challenges; Moderately improving	Major challenges; Moderately improving	Major challenges; Stagnating	Major challenges; Stagnating
04 QUALITY EDUCATION	Significant challenges; Stagnating	Significant challenges; Decreasing	Major challenges; Moderately improving	Major challenges; Stagnating	Major challenges; Moderately improving	Major challenges; Stagnating
05 GENDER EQUALITY	Major challenges; Stagnating	Major challenges; Moderately improving	Major challenges; Stagnating	Major challenges; Moderately improving	Major challenges; Stagnating	Major challenges; Moderately improving
06 CLEAN WATER AND SANITATION	Major challenges; Stagnating	Major challenges; Stagnating	Major challenges; Stagnating	Significant challenges; Moderately improving	Major challenges; Stagnating	Major challenges; Stagnating
07 AFFORDABLE AND CLEAN ENERGY	Major challenges; Stagnating	Significant challenges; Stagnating	Significant challenges; Stagnating	Significant challenges; Stagnating	Major challenges; Stagnating	Major challenges; Stagnating
08 DECENT WORK AND ECONOMIC GROWTH	Major challenges; No information	Significant challenges; Stagnating	Significant challenges; No information	Significant challenges; Moderately improving	Major challenges; Stagnating	Major challenges; Moderately improving
09 INDUSTRY INNOVATION AND INFRASTRUCTURE	Major challenges; Stagnating	Major challenges; Moderately improving	Significant challenges; Moderately improving	Major challenges; Stagnating	Major challenges; Stagnating	Major challenges; Stagnating
10 REDUCED INEQUALITIES	Significant challenges; No information	Significant challenges; No information	Significant challenges; No information	Significant challenges; No information	Challenges remain; No information	Challenges remain; No information
11 SUSTAINABLE CITIES AND COMMUNITIES	Major challenges; Stagnating	Major challenges; Stagnating	Significant challenges; Stagnating	Major challenges; No information	Major challenges; Stagnating	Major challenges; Decreasing
12 RESPONSIBLE CONSUMP-TION AND PRODUCTION	Challenges remain; No information	Challenges remain; No information	Challenges remain; No information	SDG achieved; No information	Challenges remain; No information	Challenges remain; No information
13 CLIMATE ACTION	Challenges remain; On track to achieving SDG	Significant challenges; On track to achieving SDG	Challenges remain; On track to achieving SDG	Challenges remain; On track to achieving SDG	Challenges remain; On track to achieving SDG	Challenges remain; On track to achieving SDG
14 LIFE BELOW WATER	Major challenges; Stagnating	Major challenges; Moderately improving	Major challenges; No information	Major challenges; Moderately improving	Major challenges; Stagnating	Significant challenges; Moderately improving
15 LIFE ON LAND	Challenges remain; Moderately improving	Significant challenges; Stagnating	Significant challenges; Moderately improving	Challenges remain; Moderately improving	Significant challenges; On track to achieving SDG	Significant challenges; Stagnating
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Major challenges; Stagnating	Significant challenges; Stagnating	Major challenges; Moderately improving	Major challenges; Moderately improving	Major challenges; Stagnating	Major challenges; Stagnating
17 PARTNERSHIP FOR THE GOALS	Major challenges; Moderately improving	Significant challenges; Stagnating	Significant challenges; Stagnating	Challenges remain; Moderately improving	Major challenges; Stagnating	Major challenges; On track to achieving SDG

MAJOR CHALLENGES · SIGNIFICANT CHALLENGES · CHALLENGES REMAIN · SDG ACHIEVED · DECREASING · STAGNATING · MODERATELY IMPROVING · ON TRACK TO ACHIEVING SDG · NO INFORMATION

Source: SDG Index and Dashboard

2.2 THE NEED FOR SOCIAL INVESTMENTS IN WEST AFRICA

There has been an increased shift in traditional funding sources for the SDGs in the region, necessitating the blended finance interventions to leverage different capital sources.

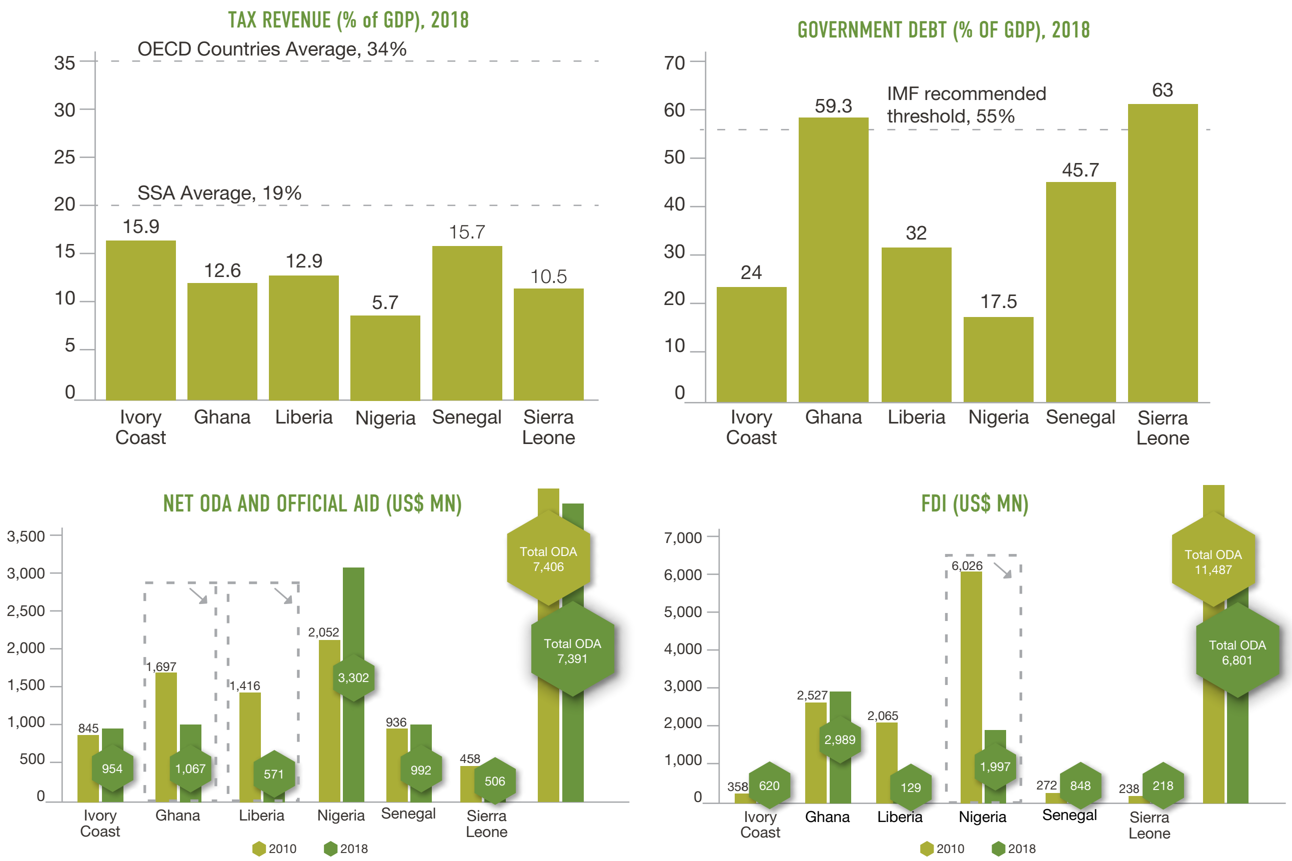
The current public and private financing sources for SDGs-related sectors are inadequate, with a current annual SDG financing gap across Africa estimated to be between US$ 500 billion and US$ 1.2 trillion[12]. Tax revenue that accounts for a significant proportion of financial resources in the focus countries averaged 14.3%[13] of GDP – less than half of the Organization for Economic Co-operation and Development (OECD) country-level of 34%[14] and less than the SSA average of 19%[15]. This, in turn, has resulted in external borrowing with government debt to GDP ratio averaging 40.3% in 2018[16]. The region performs relatively well compared to other regions, with only two of the focus countries surpassing the International Monetary Fund (IMF) recommended threshold for government debt. Official development assistance (ODA) across most of the countries has been steady or increasing, apart from Ghana and Liberia. Foreign Direct Investments (FDI) at the regional level has experienced a substantial decline due to falling commodity prices, high inflation rates, and currency depreciation that some of the countries, particularly Nigeria, have faced.

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

The last decade has seen the evolution of the social investment industry, with some of the mainstream players changing their funding strategies in a bid to drive sustainability and mobilize additional local private and public funds.

Grant making foundations are shifting from supporting only NGOs to providing soft loans and equity capital to social enterprises; governments have established start-up incubation and funding programs, and donors and governments are increasingly providing funds for Technical Assistance (TA). The evolution and growth in the industry over the past 10 years has been driven by various initiatives launched by the government and the private players.

Figure 4: Trends in Traditional Funding Sources



Source: World Bank Development Indicators, OECD Africa Revenue Statistics, Trading economics
NB: Tax Revenue data for Nigeria = 2017, Liberia = 2013, Sierra Leone=2015

[12]The SDG Centre for Africa: Africa 2030 Sustainable Development Goals, 3-year reality check, 2019
[13]World Bank Development Indicators (2018)
[14]Organization for Economic Co-operation and Development (OECD), revenue statistics, 2019
[15]World Band Development Indicators (2018)
[16]World Bank Development Indicators (2018)

Figure 5: Key Milestones in the Social Investment Industry in West Africa

2009: ESTABLISHMENT OF AFRICA GRANTMAKERS NETWORK IN GHANA
Focused on boosting the development of the philanthropy sector in Africa

2010: LAUNCH OF THE TONY ELUMELU FOUNDATION
Based in Nigeria, it is one of the biggest entrepreneurship support foundation in Africa

2009: LAUNCH OF THE NIGERIA INCENTIVE-BASED RISK SHARING SYSTEM FOR AGRICULTURAL LENDING
To boost lending for businesses in the agriculture value chain

2010

2011: LAUNCH OF GHANA ANGEL INVESTMENT NETWORK (GAIN)
GAIN is a network of angel investors with an interest for investing in early-stage businesses

2014: GAIN'S FIRST INVESTMENT
US$ 110k investment into an e-learning startup (Revo)

2015: LAUNCH OF THE AFRICAN UNION FOUNDATION
Focused on mobilizing resources from the private sector, philanthropists, individuals, donors within Africa, and the Diaspora for achievement of Africa's development and 2063 agenda

2015

2015: FUND FOR AGRICULTURAL FINANCE IN NIGERIA FIRST INVESTMENT
The fund was seeded by the government together with KFW and invests in agribusinesses

2015: LAUNCH OF LAGOS ANGEL NETWORK
LAN is a network of angel investors with an interest for investing inearly-stage businesses in Nigeria

2016: ESTABLISHMENT OF THE GHANA PHILANTHROPY FORUM
A philanthropy support entity with the mandate to strengthen the capacities of CSOs, NGOs, community foundations and other third sector networks in Ghana.

2016: LAUNCH OF GHANA CSR POLICY
The document seeks to streamline CSR activities in the country

2016: DRAFT GHANA SOCIAL ENTERPRISE POLICY
Focused promoting and growing social enterprises as a means of improving livelihoods

2017: LAUNCH OF LAGOS STATE EMPLOYMENT TRUST FUND
To enhance financing for MSMEs

2018: LAUNCH OF ALL ON IN NIGERIA
A blended off grid energy impact investment fund

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

2018: ESTABLISHMENT OF IMPACT INVESTORS FOUNDATION
A private sector player aiming at catalyzing impact investment by creating knowledge and networks

2019: AGDEVCO FIRST INVESTMENT IN IVORY COAST
US$ 1.7Mn investment into an Dekeloil – an agribusiness company

2019: LAUNCH OF SENEGAL START UP ACT
The act aims to promote innovations in the country

2020 AGRIBUSINESS CAPITAL FUND FIRST INVESTMENT
The recently established blended finance fund made its first investment in a cocoa cooperative in Ivory Coast The recently established blended finance fund made its first investment in a cocoa cooperative in Ivory Coast

2020

GOVERNMENT LED INITIATIVE

PRIVATE SECTOR LED INITIATIVE

More advancement in the social investments industry has, however, been witnessed in the Anglophone countries, specifically in Nigeria and Ghana, compared to the Francophone countries. This can be attributed to these countries' efforts in developing the 'philanthropy ecosystem' through initiatives such as establishing sustainable CSR deployment models like corporate foundation, the establishment of philanthropy support institutions, and increased involvement of government in the sector. Key trends witnessed in the social investment space include;

01 *The West Africa region has witnessed an evolution in 'institutional-based giving and investing' influenced by the growing wealth in the region over the last two decades.*

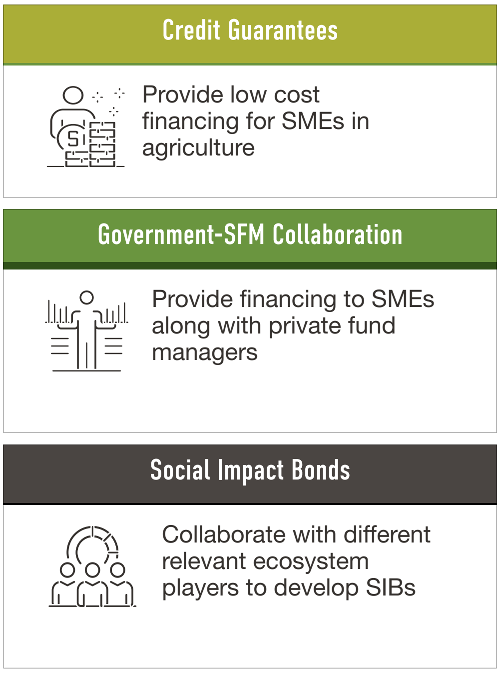
Similar to the rest of Africa, the culture of giving is deep-rooted in West African societies as well—most of which is given informally in the form of support to friends and family. However, with the advancement of ultra-rich individuals in the region, many of them have adopted an institutional form of giving to achieve more scalable and sustainable social returns for their capital. Many of the wealthy individuals in the region have started foundations supporting various social challenges in their respective countries or throughout the region. Billionaires Aliko Dangote and Tony Elumelu are ranked among the top 100 influential philanthropists in the world based on the amount of donations they have provided[17]; they both donated millions of dollars through their foundations in the last decade. In 2018, the Tony Elumelu Foundation's (TEF) Entrepreneurship Program invested US$ 20 million to empower almost 4,000 entrepreneurs. In the same year, Aliko Dangote donated nearly US$ 2.6 million to support displaced persons affected by the Boko Haram crisis in the North-Eastern region of Nigeria[18]. These philanthropists leverage their strong relationships across public, private, and development sectors to drive their mission and use their monies for creating better lives for all.

02 *Governments in the region have been focusing on the 'agriculture sector and Small and Medium Enterprises (SMEs) evident through various innovative funding structures recently launched; there is a need to replicate these innovative models across other sectors as well.*

The role and participation of governments in the social investment space are increasingly becoming evident. Governments are participating in the sector in various ways – starting from providing credit guarantees and low-cost financing for SMEs in the agriculture sector (e.g. Nigeria Incentive based Risk-sharing System for Agricultural Lending (NIRSAL), Nigeria Agricultural Credit Guarantee Scheme Fund (ACGSF), and Ghana Incentive-based Risk Sharing System for Agricultural Lending (GIRSAL)) as a way to de-risk the financial services providers. They are also establishing social investment funds focused on incubation, mentorship, and funding of start-ups (e.g. Lagos State Employment Trust Fund (LSETF) Nigeria, National Entrepreneurship and Innovation Programme Ghana, and GEEP Nigeria). Governments are also collaborating with mainstream social investors e.g. the Ghana Venture Capital Trust Fund (fully funded by the government of Ghana) operates an angel investor network as well as works with private fund managers to deploy financing to SMEs. The General Delegation for Rapid Entrepreneurship (DER) in Senegal has also recently signed a co-investment partnership with GreenTech Capital Partners (a private impact fund manager). Governments are leveraging collaboration with outcome payers to develop innovative funding structures e.g., the proposed Education Outcomes Fund in Ghana.

> *"We are increasingly working with other social investors including donors like UNDP, GIZ and corporates like Access Bank and Visa in various ways including skills development, running hackathons and financing micro and small businesses and startups in the country".*
>
> *Lagos State Employment Trust Fund (LSETF)*

Figure 6: Innovative Structures Leveraged by Government



[17] Nigeria's Aliko Dangote and Tony Elumelu named among the 100 most influential philanthropists in the world, Business Insider, 2018
[18] Nigeria's Aliko Dangote and Tony Elumelu named among the 100 most influential philanthropists in the world, Business Insider, 2018

Figure 7: Spotlight on Ghana VCTF (Government-Led Social Investment Model)

Ghana Venture Capital Trust Fund(VCTF) was established in 2004 through an Act of Parliament to provide financing to SMEs in Ghana. It is funded by the Government of Ghana

FUND STRUCTURE	KEY ACHIEVEMENTS
VCTF works as a 'Fund of Fund' providing capital in the form of debt and equity to SME focused funds.	VCTF was instrumental in the establishment of the Ghana Alternative Market (GAX) launched in 2013. GAX is an alternate listing on Ghana's stock market specifically established for companies with significant growth potential.
The fund also runs technical assistance programmes to train and build capacity of VC fund managers and other investment professionals	In 2014, it launched the Ghana Angel Investor Network (GAIN)- the first angel network in the country- to organise HNWIs in the country to invest in and mentor enterpreneurs.
To date, it has deployed close to US$ 20Mn in 6 funds with about 10 exits so far. Some of the fund managers that VCTF has worked with include: Oasis Capital Ghana Ltd, Mustard Capital Partners, and Gold Coast Fund Management.	VCTF is one of the founding members of Impact Investing Ghana (IIGh) established in 2019 as the national platform for promoting impact investing in Ghana It is also working with Ghana's stock exchange to promote the listing of Small and Medium Enterprises

03 *The potential of sustainable corporate social responsibility (CSR) remains largely untapped, with mostly mining and extractive companies at the forefront.*

With no existing working policies and laws on CSR, except in Ghana that has developed and is implementing a CSR Policy, corporate giving remains mostly unstructured for most of the countries. Mining and extractive companies have been the biggest drivers of CSR, with a significant focus on health initiatives delivered through NGOs. Some advancements have, however, been witnessed in recent years including a) the establishment of ecosystem institutions like Centre for CSR West Africa focused on the promotion of CSR agenda b) setting up of grant making and operating corporate foundations deploying funds through NGOs, and social enterprises e.g., Aspire Coronation Trust by Access Bank Nigeria, Proshare Foundation by Proshare Group Nigeria and c) adoption of impact investing by banks e.g., Sterling Bank. The bank has also recently set up Sterling Bank Foundation that intends to operate as a "philanthropy fund manager" – to mobilize and strategically deploy funds from various philanthropic actors. Through this, Sterling Bank Foundation aims to assist and advise philanthropists in the region to collaborate and deploy their capital so that it can create maximum social impact.

04 *Over the last decade, the region has witnessed a significant increase in the number of Gender Lens Investing (GLI) focused funds and philanthropic activities geared towards addressing issues facing women.*

Women account for a large proportion of businesses in the region, with Ghana ranked 2nd after Uganda in the women business ownership rank where women owned 38% of companies in the country in 2019[19]. Yet, women businesses continue to face challenges, particularly in areas of access to finance. According to an IFC study, the financing gap for Women-owned SMEs in developing countries is US$ 1.48 trillion[20]; extrapolating the trend, the financing gap for women entrepreneurs in West Africa is expected to be in billions of dollars. In response to this, over the past five years, the region has witnessed the launch of multiple women-focused funds and initiatives such as Aruwa IDF Fund for Women, GroWoman (by GroFin), Alitheia Capital Fund, and SME.NG Impact Investor. These initiatives are focused on supporting women-owned businesses and/or businesses that provide goods and services to women, and are currently deploying a significant amount of capital in the region. The region has also witnessed a rise in women-focused angel networks like Rising Tide Africa and incubators/ accelerators like *She Leads Africa and She Works Here.* These institutions are providing tailor-made financial and non-financial support to women entrepreneurs. The Women in Africa (WIA) initiative operating in Nigeria also aims to support African Women through specific sectorial capacity building programs leveraging funds mobilized from global philanthropists. The African Women Development Fund is one of the oldest grant making institutions providing grants to NGOs addressing women

[19]Mastercard Index of Women Entrepreneurs, 2019
[20]MSME Finance Gap –Assessment of the shortfalls and opportunities in Financing MSMEs in Emerging markets, IFC

issues. The UN Women, which is active in most of the countries in West Africa, has also been collaborating with other social investors to solve the problems of women entrepreneurs. For instance, in 2016, it united with MasterCard Foundation and Zamani Foundation to drive a campaign increasing identity registration for women in Nigeria. It also collaborated with Mara Foundation in 2014 to provide training, mentoring, and business tools to women entrepreneurs in Nigeria. In July 2020, UN Women, along with AFDB and Impact HER developed transformative policy solutions in West (and Central) Africa to support women-led businesses in the post-COVID-19 era[21]. Such multi-stakeholder engagements can catalyze the required technical and financial support to women entrepreneurs in the region.

Figure 8: How Social Investors Collaborated to Empower Women Traders in Nigeria

PROBLEM

Women contribute a large proportion of the economic activities across the focus countries. Ghana, for example, is ranked among the top three countries with highest percentage of women-owned businesses in the world. Across the countries of focus, just like in most of the other African countries, women face various challenges that limit access to financial services for their individual as well as business needs, despite their high participation in the economy.

SOLUTION

In Nigeria, Diamond Bank (now Access Bank) and the Women's World Banking, supported by Visa and EFinA, partnered to design the BETA (meaning "good" in pidgin English) savings account for low-income self-employed market women who were found to save more than 60% of their earnings. The product was built around delivering services in the market they work, and it had no minimum balance requirements or fees. As an affordable product offering doorstep service, BETA accounts have attracted more than 480,000 new customers to Access Bank since its launch in 2013.

PARTNER ORGANIZATIONS

access | VISA | Women's World Banking | EFInA Enhancing Financial Innovation & Access

Table 4: Sample GLI Focused Funds and their Investment Strategies across Focus Countries

Gender-lens investing strategy	Fund/ Fund Manager Name (year of launch)	LPs	Fund Size (US$ Mn)	Countries	Investment approach	Instruments used
Investing in women-owned or women-led enterprises	Alitheia IDF fund for women (2019)	AFDB & FinDev Canada	75	Nigeria, Ghana	Focuses on women-led SMEs, which have difficulty accessing finance through traditional channels and require support to professionalize and improve operations	Equity
	Grofin (2014)	Shell Foundation, IFC, CDC, FMO, Proparco	36.5	Ivory Coast	Focused on women entrepreneurs from agro-processing, education, healthcare, retail, and financial services to scale their business operations	Debt
	SME.NG Impact Investor (2019)	UN Women, FCMB, Grofin, AGS Tribe	30	Nigeria	Sector agnostic fund supporting women scale their business, get into a new market, and help with succession planning	Debt & Equity
	Janngo Capital Startup Fund (2018)	European Investment Bank	66.2	Ivory Coast	Target women in the tech start-up space, since women talent, is available but the capital opportunity is limited for them	Equity

[21]Policy Brief - Transformative policy solutions to support women-led businesses in Africa in a post covid-19 world, July 2020

Gender-lens investing strategy	Fund/ Fund Manager Name (year of launch)	LPs	Fund Size (US$ Mn)	Countries	Investment approach	Instruments used
Investing in enterprises that offer products and services that significantly improve the lives of women and girls	Palladium Impact Fund 1 (2019)	Currently fundraising (anchored by US$ 5Mn from Palladium)	40	Ghana, Nigeria, Kenya	Prioritizes benefits to women through "economic empowerment and opportunities with agribusiness and off-grid renewable energy businesses	Debt and Quasi-Equity
Investing in enterprises that promote workplace equity (in staffing, management, boardroom representation, and along the supply chain)	Aruwa Capital (2019)	International and West African based family offices and HNWIs	20	Nigeria, Ghana	Rapidly growing companies in the small to lower middle market, businesses that help empower women in society and improve the ratio of women in the workforce	Equity

05 *While several angel investor networks have recently been established to facilitate structured giving by HNWIs, angel investment activity in the region remains limited.*

Many West African HNWIs have businesses in traditional sectors such as oil and gas, telecommunication, banking, and real estate. These HNWIs are often unfamiliar with new and emerging business models used by start-ups; particularly the tech-based models and may therefore shy away from making angel investments into these start-ups. Angel investments in the region are thus largely driven by individuals who do not fall into the ultra HNWI category, with a significantly lower proportion of publicly reported angel investments (US$ 3.2Mn)[22] made relative to the total wealth by HNWIs (US$ 327 Bn in 2018)[23] in the region. More than 20 angel networks have been established across all the focus countries in recent years to tap into the opportunity presented by angel investing. These organized networks bring together individuals to invest in a more structured manner by developing a pipeline for the angels, facilitating syndicated deals, and enabling mentorship and networking between investors and entrepreneurs. These include Lagos Angel Network (considered one of the most active networks in Africa), Ghana Angel Investors Network (GAIN), Dakar Network Angels, and Accra Angels Network.

"In Nigeria, when a company has many investors, it automatically turns into a public company. Thus investing as an angel network through syndicated deals is advantageous to the enterprises".

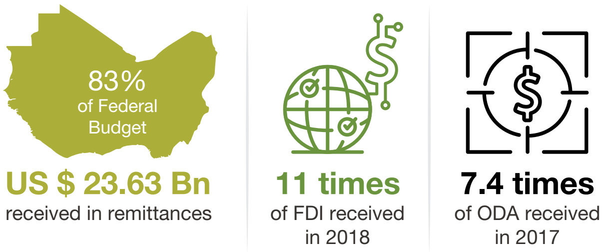
Angel Network in Nigeria

06 *Diaspora remittances in the region remain primarily unstructured, indicating a large untapped potential for raising development finance.*

Remittances are of great significance to most West African countries. In 2018, the region received ***US$ 34Bn***[24] in remittances from its citizens living abroad, which was more than 50% growth from 2008. On average, 75% of the remittances in the region between 2008 and 2018 went to Nigeria[25]. Other significant contributors included Ghana (7%) and Senegal (6%). The West African countries have been leveraging diaspora bonds to raise funds to solve development challenges. In 2017, Nigeria raised its first diaspora fund, which was a total of US$ 300Mn for investment in infrastructure—the bond was oversubscribed by 130%[26]. Ghana is also currently targeting to raise US$ 3Bn for economic development (specifically for infrastructure for agriculture and tourism industries) from its diaspora[27]. However, the COVID-19 pandemic may have significant implications on the number of international remittances to Sub-Saharan Africa, with remittances predicted to decline by 23% in 2020[28].

[22]Intellecap analysis based on publicly disclosed deals
[23]AfrAsia Bank Africa Wealth Report, 2019
[24]World Bank: Migration and Remittances
[25]World Bank: Migration and Remittances
[26]Quartz Africa Article: Nigeria's first ever diaspora bond has raised $300 million
[27]Bloomberg Article: Ghana Targets Its Diaspora for $3 Billion in Investments
[28]The World Bank's Migration and Development Brief

Figure 9: Scale of Diaspora Remittances in Nigeria



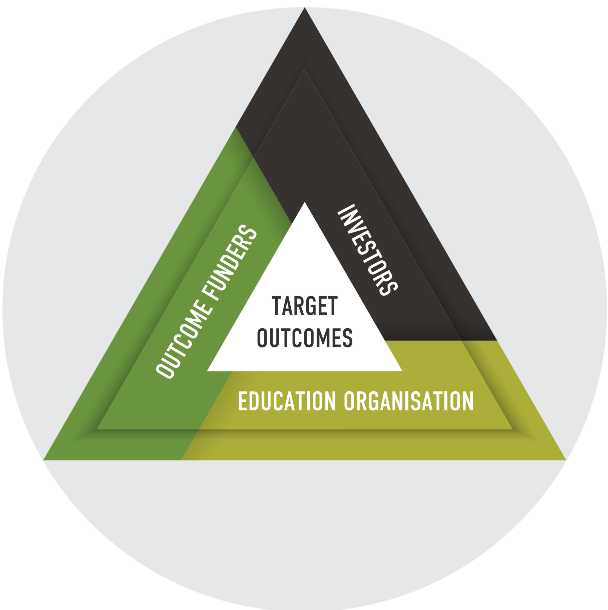
Source: PWC Strength from Aboard – The economic power of Nigeria's Diaspora (2018)

07 *Blended financing mechanisms such as concessional capital, and technical assistance funds are commonly used to catalyze investment in the region.*

The West Africa region account for the second largest share (57%) of blended finance transactions (216 transactions) recorded in the Sub-Saharan Africa (SSA) as per the current Convergence (a global network for blended finance) database.[29] Ghana and Nigeria remain the most preferred investment countries, each accounting for 19% of the total blended transactions in SSA with most of these transactions occurring in the financial services sector. In addition to credit guarantees offered to financial institutions mostly by DFIs, private fund managers have also succeeded in raising concessionary capital and/or Technical Assistance (TA) funds from donors, DFIs, and international foundations. Initiatives such as Catalyst Fund, and Africa Enterprise Challenge Fund (AECF) operating in several African countries, including Nigeria, provide catalytic funding to un-tested early-stage innovative business models in a bid to build the pipeline of investable businesses that can attract follow-on investments from private fund managers for their growth and scale. All On and the United States African Development Foundation (USADF) have also collaborated to invest blended capital (grants and debt) to indigenous energy start-ups in Nigeria. Additionally, the region has started exploring the development of outcomes bond with Ghana currently in the process of designing an Education Outcomes Bond. Further exploration of impact bonds and their potential to solve development challenges in the region is necessary.

57%
West Africa's share of blended finance transactions (216 in total) recorded in the Sub-Saharan Africa (SSA) region to date – second highest in the region.[32]

Figure 10: Envisioned Structure of the Africa & Middle East Education Outcomes Fund (EOF)



THE GOVERNMENT
through the Ministry of Education helps set the objectives and co-fund outcomes to enhance learning

INVESTORS
will provide upfront capital at risk to support education organisations

EDUCATION ORGANISATION
innovative and find context-specific solutions to help children and youth learn

OUTCOME FUNDERS
pay only for results after they have been achieved ensuring better value for money and alignment. The bond will leverage aid, philanthropy, and corporate CSR Contributions to fund education outcomes

The Africa & Middle East Education Outcomes Fund (EOF) is an initiative of the Global Steering Group (GSG) that intends to to pool $1 billion of public funds, aid, philanthropy, and corporate CSR contributions to repay investors investing to improve education outcomes in several Africa and Middle East Countries. Ghana is one of the initial pilot countries for the initiative with the target to support over 100,000 out of school children into mainstream education over 4- 6 years. At the time of this research, the bond was in the design phase and specific details on the partners, outcomes and return expectations were not available

[29] Convergence: Blended Finance transactions in Sub-Saharan Africa, 2020; total proportion across the regions is more than 100% since some deals are implemented across multiple SSA regions and counted in each region.

Some of the blended finance/catalytic financing structures across key development sectors in the region are outlined in the table below.

Table 5: Blended Finance/Catalytic Financing Structures across Key Development Sectors

Types of Initative	Example Of Initiative And Type Of Investor Involved	Outcomes Achieved
Challenge / TA funds	**Catalyst Fund – Financial inclusion** The fund is an accelerator that seeks to support fintech start-ups in India, Mexico, Kenya, South Africa and Nigeria with grant funding and TA support to facilitate follow on investments from impact funds. It is an initiative of ***BMGF*** (family foundation), ***JP Morgan Chase $ Co.*** (Investment bank), along with ***Rockefeller Philanthropy Advisors*** (Philanthropy advisors) and ***DFID*** (Donor) launched in 2016. BMGF and JP Morgan Chase were the initial investors in the accelerator. Rockefeller Philanthropy Advisors is providing fiscal sponsorship to the fund. DFID brought in additional funding of US$ 20 Mn in 2020 to support 30 additional start-ups.	Fund 1 backed 25 fintech companies between 2016 and 2019. These companies went on to unlock follow on capital of close to US$77Mn Launched in 2020, fund 2 seeks to support 30 fintech companies across the focus countries.
	The Nigeria Off-Grid Energy Challenge – Energy This is a US$ 100Mn challenge fund to provide ***financial as well as non-financial (TA) support*** to enterprises in Off-Grid energy space in Nigeria. The challenge is a joint venture between ***All On*** (Fund manager) and ***U.S. African Development Foundation*** (Donor) where USADF provides each of the selected energy enterprises US$50,000 ***in grant seed capital*** while All On provides US$50,000 in ***convertible debt***. In addition to funding, the winners also receive technical assistance from USADF's local Nigerian technical partner ***Diamond Development Initiatives*** (DDI) and governance support from All On. ***The Rockefeller Foundation has supported the initiative with an additional US$ 3Mn in TA funds.***	16 companies have so far been selected and supported through the 2018 and 2019 editions of the challenge.
Financial + Non-financial (TA) fund	**Fund for Agricultural Finance in Nigeria (FAFIN) – Agriculture** Established in 2014, the US$ 66Mn fund seeks to provide equity and quasi-equity investments and TA to agribusinesses Social investors involved in the fund include; ***Sahel Capital*** (Fund Manager),***Ministry of Agriculture and Rural Development*** (Government), ***Nigerian Sovereign Investment Authority*** (Government),***KFW*** (DFI), ***CDC*** (DFI). Sahel Capital is the fund manager for FAFIN. The fund received seed funding from KFW and the government of Nigeria through the Ministry of Agriculture and the Sovereign Investment Authority. It received additional funding from CDC to invest in agribusinesses.	The fund has so far invested in 7 companies.

Types of Initative	Example Of Initiative And Type Of Investor Involved	Outcomes Achieved
Guarantee Scheme	**Nigeria Incentive-Based Risk Sharing System for Agriculture Lending (NIRSAL) – Agriculture** Launched in 2013, NIRSAL is a US$500 million Non-Bank Financial Institution established to de-risk financing for the agribusiness value chain. NIRSAL is wholly-owned by the government through the ***Central Bank of Nigeria (CBN).*** NIRSAL provides risk-sharing, technical assistance, and insurance to partner banks for on-lending to borrowers. FSPs provide direct lending to borrowers in the agribusiness sector against guarantee (up to 75%) given by NIRSAL. Some of its partner financial institutions include; Access Bank, UBA, Wema Bank, Standard Chartered, Jaiz Bank (FSPs)	Through the support provided, NIRSAL has helped to facilitate US$ 270Mn (105Bn) credit to over 250,000 customers in the sector since 2013.
Non-profit impact investment fund	**Medical Credit Fund – Healthcare** Established in 2009, it is a non-profit impact investment fund and a part of the PharmAccess Group that provides loans in partnership with local financial institutions primarily to private health clinics and pharmacies across Sub-Saharan Africa and particularly in Ghana and Nigeria in West Africa. The Fund is managed by PharmAccess group. PharmAccess, through the fund, offers pre-and post-technical assistance support to its investees as well as to the banks with which it co-invests. In 2018, the fund partnered with the Lagos State Government to launch the ***'Access to Finance'*** and ***'Medical Equipment Leasing Schemes'*** to finance private facilities to access health equipment. The fund has also partnered with PharmAccess Foundation to provide TA to the potential borrowers (health facilities, pharmacies).	Since its inception, the Medical Credit Fund has disbursed 2,930 loans to 1,446 health SMEs in Ghana, Kenya, Liberia, Nigeria, Tanzania, and Uganda. A total of US$ 50Mn was disbursed by the end of 2018, of which 33% was deployed in the focus countries.
Blended investment Fund	**African Urban Sanitation Investment Fund (AUSIF) – Water, Sanitation and Hygiene (WASH)** Established in 2018, the program builds on the partnership between the Gates Foundation, the African Water Facility, and the African Development Bank started in 2011 that seeks to mobilize public and private investments for sanitation. This is an initiative of the ***Africa Water Facility, Bill and Melinda Gates Foundation*** (Family foundation), and ***AFDB (***DFI). The Gates Foundation committed US$ 14.5Mn grant funding for the design and structuring of the fund and to prepare urban sanitation projects in 19 countries in Africa for over 4 years, from 2018 to 2021. AFDB has committed US$ 500Mn to the fund. The fund is managed by Africa Water Facility and is supporting initiatives in Senegal, Ghana, Ivory Coast, and Liberia, among other African countries.	The program is currently undertaking feasibility studies for the establishment of sanitation projects in the focus countries.
Pooled funding	**Global Partnership for Education (GPE) – Education and leadership** GPE offers different types of grants to support education in partner countries (including all the focus West Africa countries) and globally. It supports the pooling of more finances from other sources (donors and DFIs) through the GPE Multiplier. These grants are available to countries that can mobilize at least US$3 in new and additional external financing for every US$1 from the GPE. Further, GPE supports partner countries in the development and implementation of education sector plans.	Increased number of children completing schools in the focus countries. US$ 5.3Bn has been globally deployed since 2003

08 *Fundraising through technology-based crowdfunding and peer-to-peer platforms has been increasing over the years.*

In 2016, West Africa accounted for 41%[30] of the total funds raised in Africa through crowdfunding and peer-to-peer platforms. Nigeria accounted for the largest proportion of these funds, with over US$ 35Mn raised in the same year - approximately 20% of the total market in Africa[31]. *The region experienced a close to 240% year on year growth between 2013 and 2016, with a total of US$ 103.4Mn raised over the period[32].* Some of the crowdfunding platforms existing in the region include KIVA, Global Giving, Naijafund, and FarmCrowdy, and these have mainly focused on raising funds for health, agriculture, and business funding. Most of the funds in the region (and Africa broadly) have been raised through platforms based outside Africa.

Table 6: Summary of Key Social Investments Trends across Focus Countries

TREND	NIGERIA	GHANA	IVORY COAST	DETAILS
Participation of government in social investments				In Nigeria and Ghana, governments have set up schemes to both support and advance financing for social enterprises/start-ups. Governments are also offering guarantee schemes to enhance the funding, mostly for the SME and agriculture sectors. Furthermore, the government of Ghana is promoting angel investing through GAIN, which is an initiative of VCTF. Minimal government-driven social investment programs have been witnessed in Ivory Coast.
Rise of organised angel investments by HNWIs				Angel networks, such as Lagos Angel Network (LAN), Ghana Angel Investors Network (GAIN), Rising Tide Africa (all-female angels network) Ivoire Business Angels, are bringing together HNWIs and entrepreneurs for more structured angel investing. More networks have been set up in Ghana and Nigeria, with more activity witnessed in the two countries.
Presence of corporate foundations and sustainable corporate programs				Corporate foundations have been set across the three deep dive countries. However, the investment activities of these foundations remain largely grant-based and/or one-off programs. More sustainable strategies have however, been adopted by foundations in Nigeria than the other two countries.
Presence of blended finance transactions/ initiatives and use of catalytic funds				Innovative finance structures like SIB/DIBs are almost non-existent or in the early stages of development in the region. Impact funds, however, raise low risk/low-cost capital to de-risk the commercial capital. There also exist initiatives like AECF, Catalyst Fund, providing catalytic capital as well as government guarantee mechanisms.
Presence of locally funded impact funds				Most impact funds across the countries continue to rely on international funding. A few funds in the region e.g. however, Sahel Capital has managed to leverage local capital for TA.
Presence of philanthropy infrastructure building organisations				More support philanthropy organisations have been established in Nigeria compared to the other two countries. While some of these institutions mentioned having a regional focus; they are constrained by resources and thus mostly implement initiatives in Nigeria.
Innovative structures of raising diaspora funds				Nigeria has already leveraged diaspora bonds to raise funds to finance infrastructure programs. Ghana is also planning to launch a similar bond.
Presence of technology-based crowdfunding and peer-to-peer platforms				Nigeria and Ghana have a significant proportion of crowdfunding platforms leveraged to raise funds for various 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

[30] Cambridge Centre: The 2nd Annual Middle East & Africa Alternative Finance Industry Report, 2018
[31] Cambridge Centre: The 2nd Annual Middle East & Africa Alternative Finance Industry Report, 2018
[32] Cambridge Centre: The 2nd Annual Middle East & Africa Alternative Finance Industry Report, 2018

03

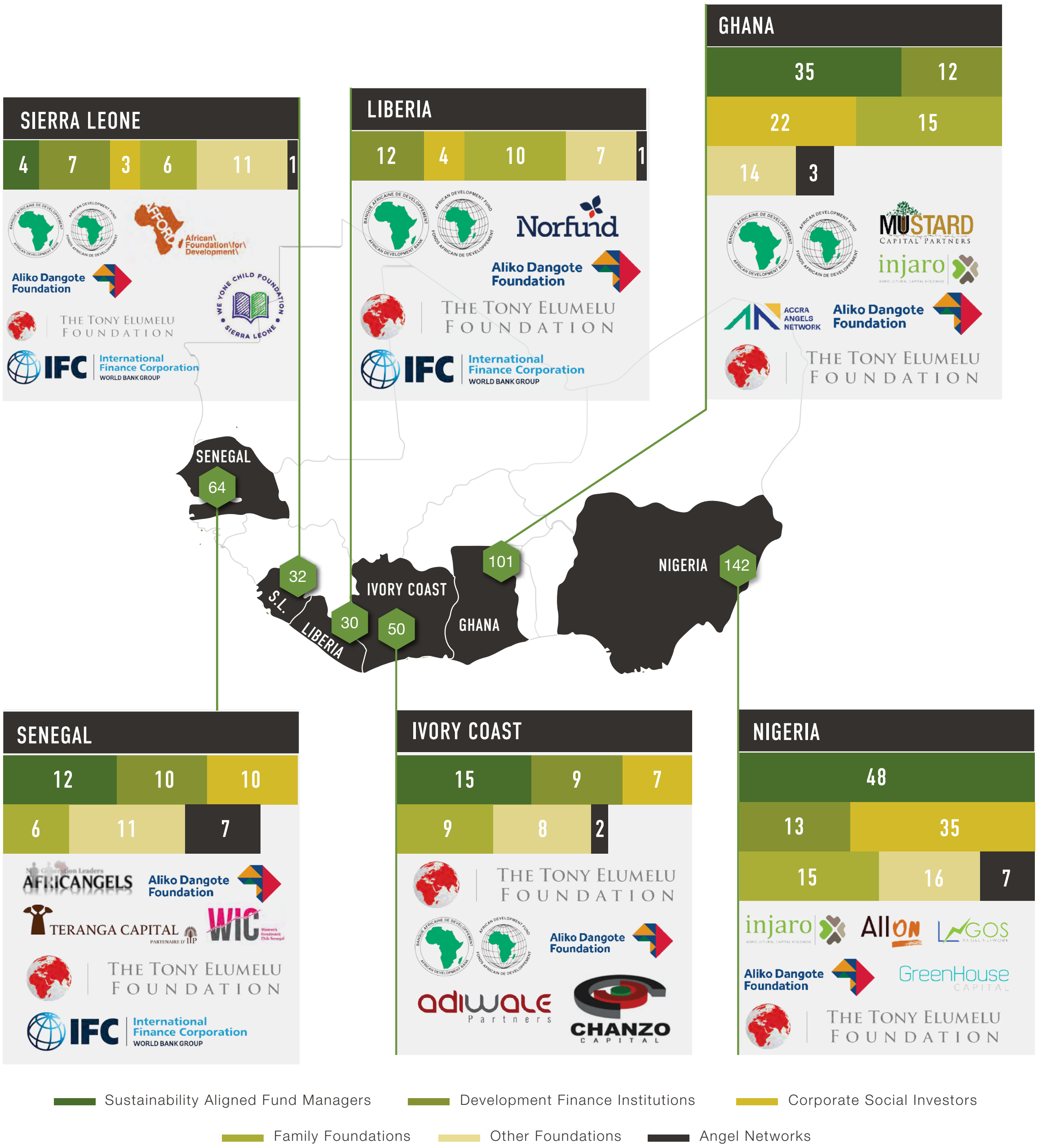
03

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

3.1 KEY SOCIAL INVESTOR ARCHETYPES AND THEIR INVESTMENT STRATEGIES

An increasingly diverse mix of social investors are actively deploying capital in West Africa. This research identified over 250[33] social investors operating across the focus countries, majorly based in Nigeria (52%). Sustainability Aligned Fund Managers (SFMs) account for the largest proportion (35%) of the identified social investors in the region. The number of social investors headquartered in the region is on the rise, with West Africa-based family foundations and Corporate Social Investors accounting for 4% and 10% of total active investors in the region respectively.

Figure 11: Overview of Key Social Investors in the Region

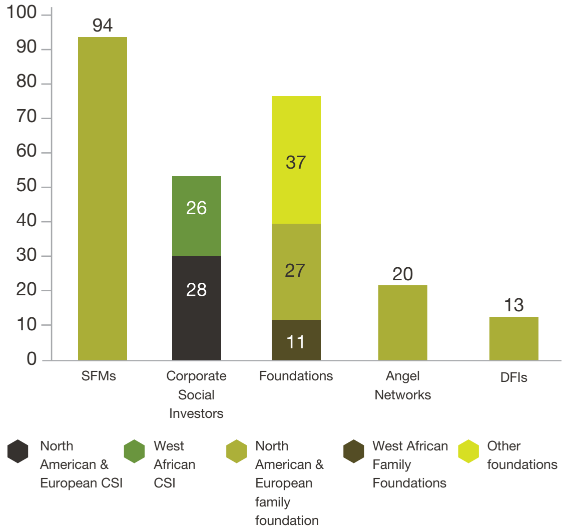


Source: Intellecap Analysis

NB: Some of the players are active in multiple countries and thus country totals will not equal total number per investor category.

[33] List not exhaustive

Figure 12: Number of social investors in the region, By type



Source: Intellecap analysis

3.1 KEY SOCIAL INVESTOR ARCHETYPES AND THEIR INVESTMENT STRATEGIES

Impact investing and venture philanthropy strategies are increasingly gaining traction amongst social investors in the focus countries.

Regional and international foundations, for instance, are shifting from traditional grant making approaches of only supporting NGOs to making investments (equity and debt) in social enterprises. The governments are increasingly deploying low-cost debt, investing in impact-focused funds, and establishing angel networks. On the other hand, corporates are moving into more sustainable CSI approaches, and high net worth individuals are increasingly engaging in angel investing to boost the growth of early-stage enterprises.

Figure 13: Selected Social Investors and How They Are Operating

SUPPLY	DEMAND: Non-Profits	DEMAND: Social Enterprises	DEMAND: Sustainable Businesses
SUSTAINABILITY ALIGNED FUND MANAGERS		Catalyst fund (Grant)	
		Brightmore capital (Equity, quasi equity)	Sahel Capital (Equity, quasi equity)
		All On (Debt, convertible note)	Oiko Credit (Equity, debt)
		Grofin (Debt)	
		Incofin (Equity, Debt)	Zebu Investments (Equity)
		Wangara Green Ventures (Debt)	Alitheia Capital (Equity, Quasi equity)
DEVELOPMENT FINANCE INSTITUTIONS			Proparco (Equity, debt)
		Norfund (Equity, debt)	
		FinDev (Debt, guarantees, equity)	
FAMILY FOUNDATIONS	MacArthur Foundation (Grants)	Jacobs Foundation (Debt, equity)	
	TY Danjuma Foundation (Grants)	Tony Elumelu Foundation (Grants, debt, equity)	
	Chris Ogunbanjo (Operating foundation)	Canopus foundation (Grants)	
	Bill and Melinda Gates Foundation (Grants)	Stone Family Foundation (Grants, debt)	
	Ovie Brume Foundation (Operating foundation)		
CORPORATE SOCIAL INVESTORS	Johnson and Johnson (Grants)	Lundin Foundation (Equity)	
	ACT Foundation (Grants)		
	MasterCard Foundation (Grants)	Shell Foundation (Grants)	
	Ford Foundation (Grants)	Africa Capital Alliance Foundation (Grants)	Danone Communities (Equity)
	Proshare Foundation (Operating foundation)	A. Dangote (Microgrants - women businesses)	
	A. Dangote (Grants)	Sterling Bank (Debt, equity)	
GOVERNMENT SCHEMES		Lagos State Employment Trust Fund (Debt)	
	Government agencies and ministries (Grants)	National Entrepreneurship and Innovation Programme Ghana (Debt)	Venture capital Trust Fund (Equity, debt)
		DER Senegal (Debt)	ADEPME Senegal (Grants, debt)
HIGH NET WORTH INDIVIDUALS		Individual angels (Grants, Equity)	
	Individual philanthropists (Grants)	Ghana Angel Investment Network (Equity)	
		Nigeria SSE Angels Network(Equity)	

Source: Intellecap Analysis

3.1.1 Development Finance Institutions (DFIs)

SUMMARY OF TRENDS AND OBSERVATIONS ON DFI INVESTMENTS

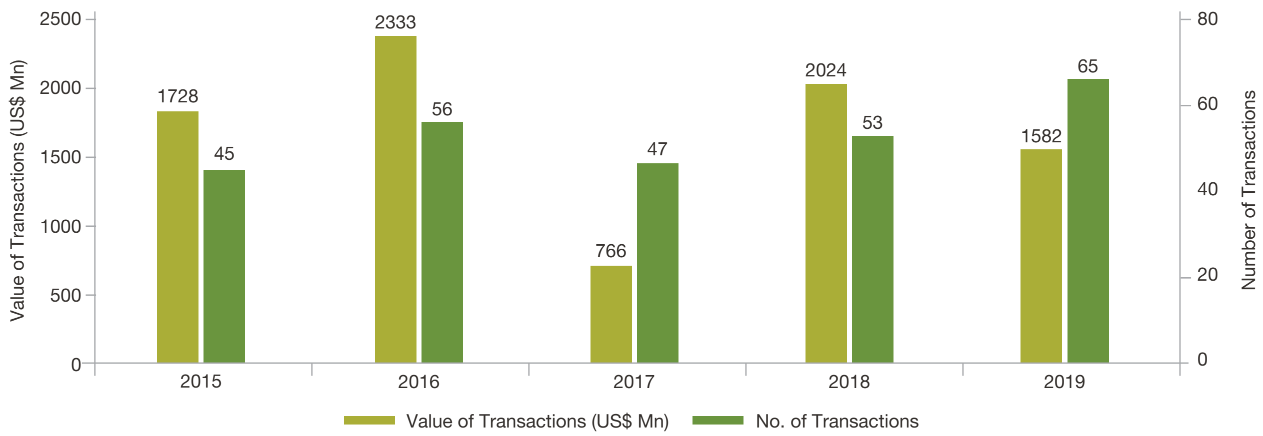
- *14 DFIs invested **US$ 8.4 Bn** in **262 deals** between 2015 and 2019; **US$ 938 Mn** of the total capital was indirectly deployed through funds of funds.*
- *DFIs are increasingly shifting their strategies from direct investments to indirect investments through fund managers.*
- *Ivory Coast is becoming a preferred destination for DFI investment and was ranked second after Nigeria in DFI investment value and deals.*
- ***Debt** is a preferred mode of investment for DFIs accounting for over **70%** of capital deployed in **the region between 2015 and 2019.***
- *Financial services sector dominates the DFI portfolio value (29%) overtaking the energy sector which topped DFI portfolio pre-2015.*

OVERVIEW

DFIs are the prominent providers of social capital in the West African region through direct investment, 'fund of funds' investments, and programmatic interventions.

The research identified 14 DFIs, majority headquartered outside of the region, operating across the focus countries. The total capital deployed between 2015 and 2019 was ***US$ 8.4Bn.*** DFI investment in the focus countries recorded mixed performance increasing by 35% between 2015 and 2016 and declining by 67% between 2016 and 2017.

Figure 14: Capital Deployed by DFIs, by Year (2015-2019)



YEAR	2015	2016	2017	2018	2019
AVERAGE DEAL SIZE (US $ MN)	38.4	41.7	16.3	38.2	24.3

Source: Intellecap Analysis, DFI websites

COUNTRY FOCUS

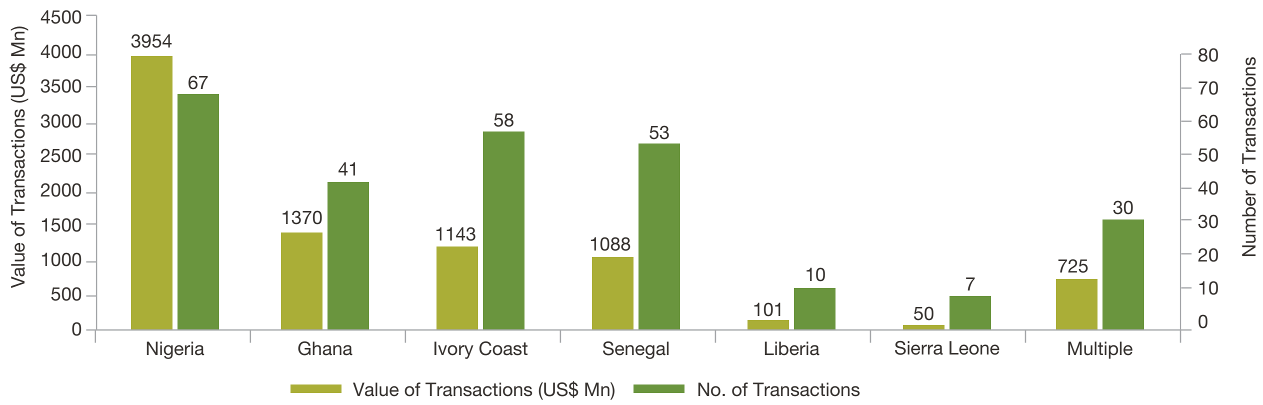
Most of the DFI funding was deployed in Nigeria, given the large size of the economy and hence the presence of more companies capable of absorbing the DFI ticket sizes.

Nigeria accounted for 47% of total DFI deal value and only 25% of the number of deals. Ivory Coast is increasingly becoming a preferred investment destination for DFIs, given the political and economic stability witnessed in recent years. The country accounted for 14% of DFI deal value and 22% of DFI transactions.

"Because DFIs invest in larger ticket deals, the size of the economy is a key determinant on which countries to invest in. Further, the interest rates in Anglophone West Africa are higher than Francophone, hence the preference for countries such as Nigeria and Ghana".

DFI operating in the region

Figure 15: Capital Deployed by DFIs, by Country (2015-2019)



COUNTRY	NIGERIA	GHANA	IVORY COAST	SENEGAL	LIBERIA	SIERRA LEONE	MULTIPLE
AVERAGE DEAL SIZE (US $ MN)	59.0	33.4	19.7	20.5	10.1	7.2	24.2

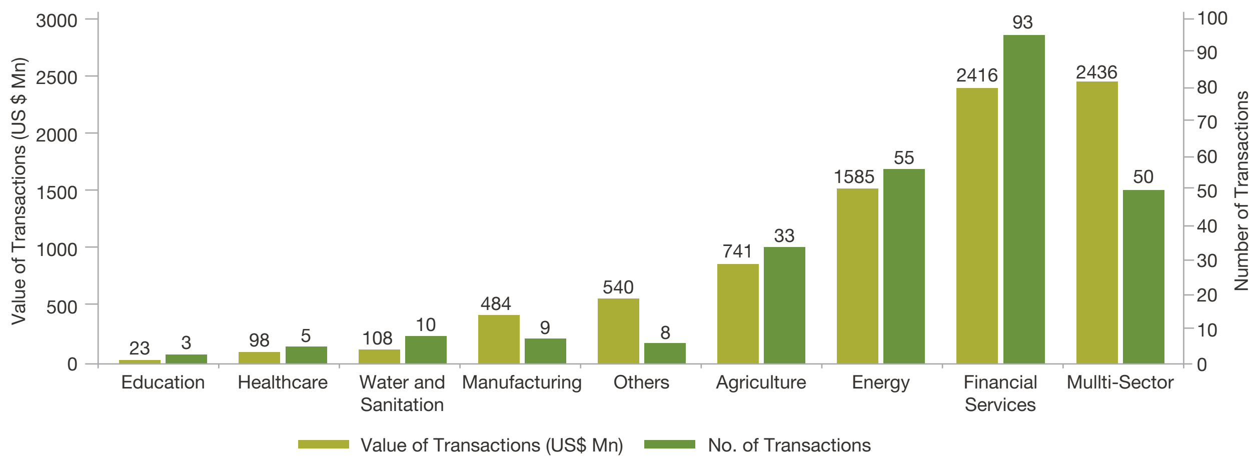
Source: Intellecap Analysis, DFI Website

SECTOR FOCUS

Financial services, energy, and agriculture are the preferred sectors for DFIs, given the high capital requirements in these sectors.

The three sectors cumulatively account for 68% of the number of DFI deals and 56% of portfolio value, showing a high preference of DFIs in sectors solving critical development gaps in the region. Financial services accounted for 29% of DFI capital and 35% of total deals overtaking the energy sector, which accounted for the largest proportion of DFI deals between 2005 and 2015[34]. The energy sector received the majority (70%) of DFI capital between 2015 and 2016, primarily into large scale traditional and renewable energy projects across the region.

Figure 16: Capital Deployed by DFIs, by Sector (2015-2019)



SECTOR	EDUCATION	HEALTHCARE	WATER & SANITATION	MANUFACTURING	OTHERS	AGRICULTURE	ENERGY	FINANCIAL SERVICES	MULTI-SECTOR
AVERAGE DEAL SIZE (US $ MN)	7.5	19.7	10.8	53.7	67.5	22.4	28.8	26.0	48.7

Source: Intellecap Analysis, DFI Websites; Others include real estate, logistics and hospitality

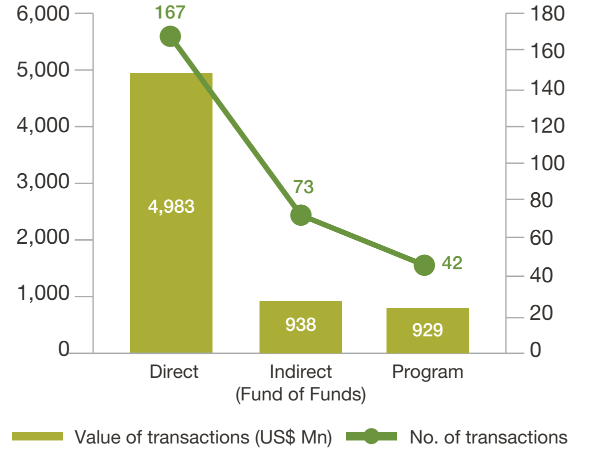
[34] GIIN: The landscape for impact investing in West Africa, 2015

INVESTMENT STRATEGY

DFIs made most of their investments between 2015 and 2019 directly into enterprises, although an increasing shift towards indirect investments was also observed.

Direct investments by DFIs (mostly through debt) account for the largest proportion (averaging 74% over the study period) of the DFI portfolio. This proportion declined from 83% in 2017 to 78% in 2019[35] as the DFIs increasingly shifted strategy to invest through fund managers (mostly using equity). In the financial services sector, DFIs have increasingly leveraged guarantees to enhance financing for key segments such as SMEs. These guarantees, however, just accounted for 5% of total DFI deals. Furthermore, DFIs are also a primary source of funds for TA facilities in the region – grant and TA support by DFIs accounted for 13% of total DFI deals.

Figure 17: Capital Deployed by DFIs, by Investment Mechanism (2015-2019)



Source: Intellecap Analysis, DFI Websites

Figure 18: Sample DFI Deals

OASIS AFRICA SME FUND

SME FINANCING

Launched in 2017, the Oasis Africa VC Fund is a US$ 50.5Mn private equity investment vehicle investing in SMES in in Ghana and Ivory Coast across a number of sectors - education, financial services, housing, healthcare, food services and hospitality sectors. The fund has to date made more than 5 investments.

- **Sector:** Multi-Sector/SMEs
- **Country:** Ghana, Ivory Coast
- **Amount raised:** US$ 50.5Mn
- **Funding year:** 2019
- **Funding type:** Equity
- **Investors:** ***DFIs*** - European Investments Bank, Norfund, Proparco, International Finance Corporation (IFC), Norfund, ***impact fund*** - Dutch Good Growth Fund, ***government*** - Venture Capital Trust Fund (VCTF), ***financial institution - GCB Bank***

The fund targets to invest between US$500,000 to US$5million to high growth business across the focus sectors.

Kobo

AGRICULTURE (LOGISTICS)

Founded in 2017, Kobo360 is a technology company that aggregates end-to-end haulage operations to help cargo owners, truck owners, drivers, and cargo recipients to achieve an efficient supply chain framework. The company has a focus on empowering rural farmers by leveraging big data and technology to reduce farm logistics friction. The company has 12,908 fleet and has supported 2,345 businesses. The company has raised several founds of funding from multiple investors.

- **Sector:** Agriculture (Logistics)
- **Country:** Nigeria, Kenya, Ghana, Uganda
- **Amount raised:** US$ 37.3Mn in 6 rounds
- **Funding year:** 2018-2019
- **Funding type:** Seed and Series A
- **Investors:** ***Investment Bank***- Goldman Sachs, ***DFI*** - IFC, ***impact fund*** - Western Technology Investment

[35]Intellecap analysis

While most DFIs get funding from bilateral and multilateral governments, a few of the DFIs have also begun exploring engagement with philanthropic organizations for additional funding.

This has been driven by the tightening of funding from international governments, particularly in Europe and the United States. The African Development Bank (AFDB) case shown below is an example of such an engagement.

SPOTLIGHT: SOURCING FOR NON-TRADITIONAL FUNDING – THE CASE FOR AFRICAN DEVELOPMENT BANK (AFDB)

AFDB is currently implementing its 2013-2022 strategic plan with the overarching objectives to achieve inclusive growth and the transition to green growth through five operational priorities: infrastructure development, regional economic integration, private sector development, governance and accountability, and skills and technology. In 2015, AFDB launched the five development agendas of the bank (High 5s) created in line with the strategy and the SDGs. These include Light up and Power Africa; Feed Africa; Industrialise Africa; Integrate Africa; and Improve the Quality of Life for the People of Africa. Key investments made by AFDB have been in support of these initiatives.

This necessitated the need for AFDB to mobile more funding from non-traditional sources. Thus, since 2015, the bank has been engaging with various philanthropic organisations to secure additional financing for its projects. In 2018, AFDB secured US$3 million to support two of its "High 5s" development priorities from Rockefeller Trust Fund. This was AFDB's second formal alliance with a foundation. In 2015, AFDB collaborated with the Bill and Melinda Gates Foundation on investment into the Africa Digital Inclusion Fund. These partnerships follow the implementation of the "guidelines for engagement with non-sovereign entities" launched in 2015 and which forms the basis for resource mobilisation and strategic collaboration between the bank and philanthropic organizations, corporate foundations, and the private sector. The guidelines among other things outline the due diligence process to be undertaken, risk-mitigation measures of the partnership, and the monitoring and evaluation process. The guidelines particularly advocate for partnerships that align with AFDB's strategies.

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$ 1.2Bn** was deployed into 305 sustainability-themed deals by SFMs.*
- *The research identified 94 SFMs active in the region – Nigeria (58%), Ghana (41%) and Ivory Coast (18%).*
- *While impact consideration is key, the ability to meet the expected financial returns still determines the viability of an investment. Most SFMs in the region expect financial returns of between 15-25% on debt and 2-3X for equity on the dollar value.*
- *The amount of **seed capital** (lower ticket size) deployed in the region has seen consistent year on year growth between 2015 and 2019, highlighting the shifting focus of SFMs towards early stage enterprises as well as increased presence of more early stage investors in the region attracted by booming start-up ecosystem.*

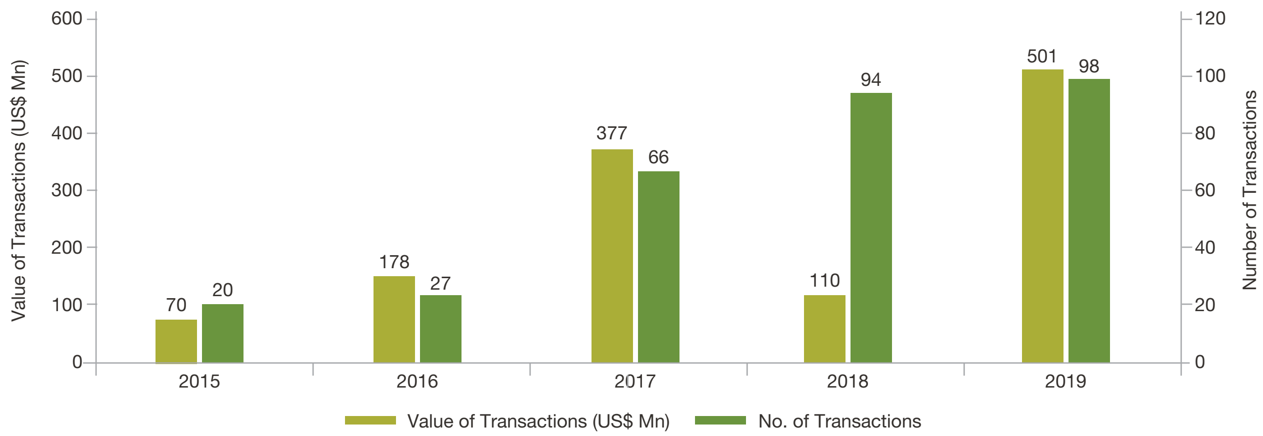
OVERVIEW

Sustainability aligned fund managers' (SFMs) investing activity in focus West African countries recorded an increasing but fluctuating growth in the last five years.

Between 2015 and 2019, a total of ***US$ 1.2Bn*** was deployed into ***305*** sustainability-themed deals by ***94*** different SFMs active in the region. The value of annual investments grew by more than 526% between 2015 and 2019 as the focus economies continued to recover from the recession experienced between 2014 and 2016 and thus boosting the confidence of investors to deploy more capital into these countries.

*Top **10 deals** made by SFMs between 2015 and 2019 account for over **60%** of the capital deployed in the region.*

Figure 19: Capital Deployed by SFMs, by Year (2015-2019)



YEAR	2015	2016	2017	2018	2019
AVERAGE DEAL SIZE (US $ MN)	3.5	6.6	5.7	1.2	5.1

Source: Intellecap Analysis, CrunchBase, Baobab Insights

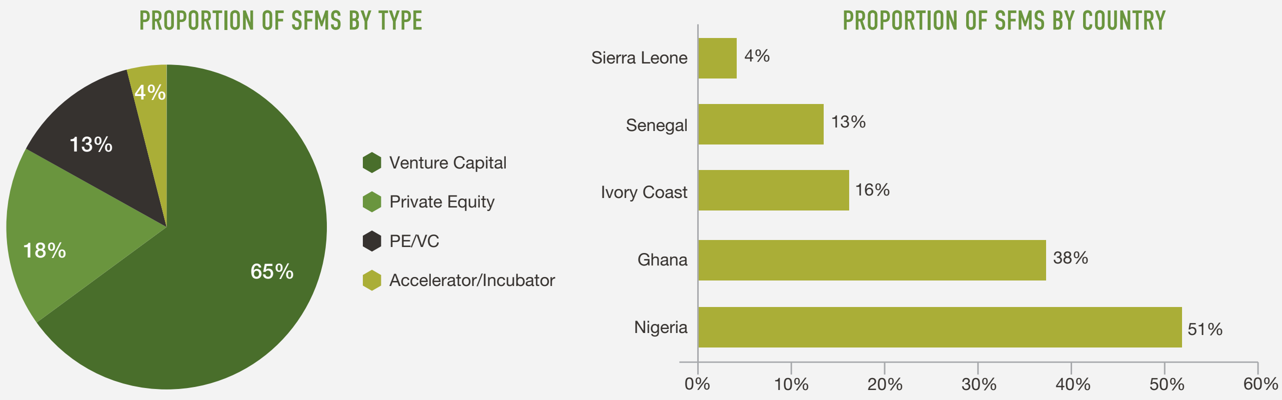
COUNTRY FOCUS

Despite overall growth in terms of capital deployed in the region, countries remain at varying stages of the entrepreneurial ecosystem growth and, thus, large variations in SFM capital deployment.

The research mapped 94 SFMs mostly operating in Nigeria (51%), Ghana (38%) and Ivory Coast (16%)[36]. Close to 65% of the SFMs identified focus exclusively on the West African region while the rest have either a Pan-Africa and/or a global focus[37].

[36] Intellecap Analysis based on aggregated database of 94 SFMs

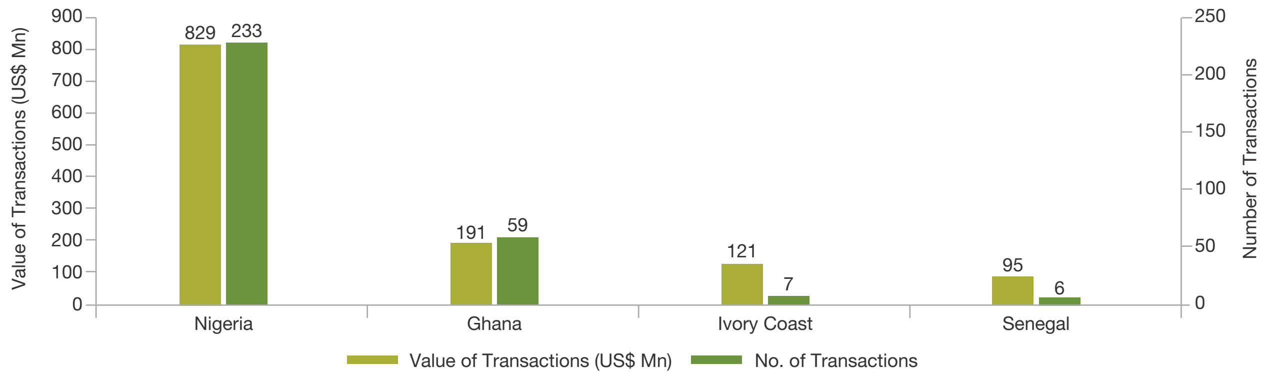
Figure 20: Number of SFMs Operating in the Region, by Type and Country



Source: Intellecap Analysis

While Nigeria remains the preferred investment destination, Ivory Coast is slowly catching up. The average deal size in Senegal and Ivory Coast also remains higher than in Nigeria and Ghana. Despite the low number of SFMs focused on the Ivory Coast, the country still attracted a substantial amount (11%) of the total funding deployed into the region. Greater political stability and economic growth in Ivory Coast are driving investments into the country. The research did not identify any social investment deals by SFMs in Liberia and Sierra Leone.

Figure 21: Capital Deployed by Analysed SFMs, by Country (2015-2019)



COUNTRY	NIGERIA	GHANA	IVORY COAST	SENEGAL
AVERAGE DEAL SIZE (US $ MN)	3.6	3.2	17.4	15.8

Source: Intellecap Analysis, CrunchBase, Baobab Insight

SECTOR FOCUS

The financial services sector is the preferred sector for SFMs, accounting for 43% of the total number of deals identified and over 61% of the total value of deals made by SFMs in the region.

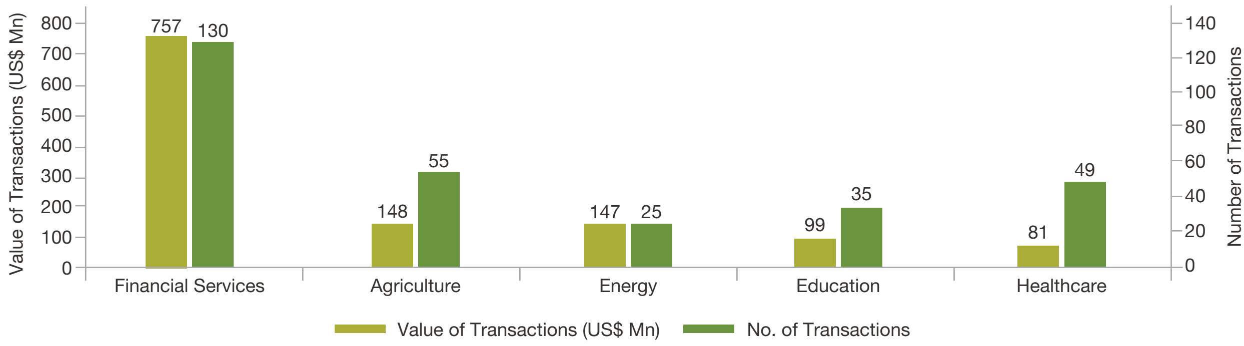
Financial technology (Fintech) companies enhancing access to financial services, such as savings, credit, and payments, have received the greatest attention from SFMs. Over two-thirds of the capital deployed in the financial service sector was deployed in 2017 and 2019 majorly into two large deals—Opay and Enterprise Group. Energy, education, healthcare, and agriculture are the other common sectors of interest, with the majority of investors interviewed indicating that they are now also increasingly focusing on the agriculture sector, given its relevance to the region.

"We focus on three main sectors; financial services, agriculture and renewable energy. Over the years, we have identified more opportunities in the financial services sector accounting for 75% of our total portfolio while agriculture takes up the remaining 25%. We are currently trying to build the renewable energy pipeline".

SFM in Ivory Coast

[37] Intellecap Analysis based on aggregated database of 94 SFMs

Figure 22: Capital Deployed by SFMs, by Sector (2015-2019)



COUNTRY	FINANCIAL SERVICES	AGRICULTURE	ENERGY	EDUCATION	HEALTHCARE
AVERAGE DEAL SIZE (US $ MN)	5.8	2.7	5.9	2.8	1.6

Source: Intellecap Analysis, CrunchBase, Baobab Insights

DEAL SIZE

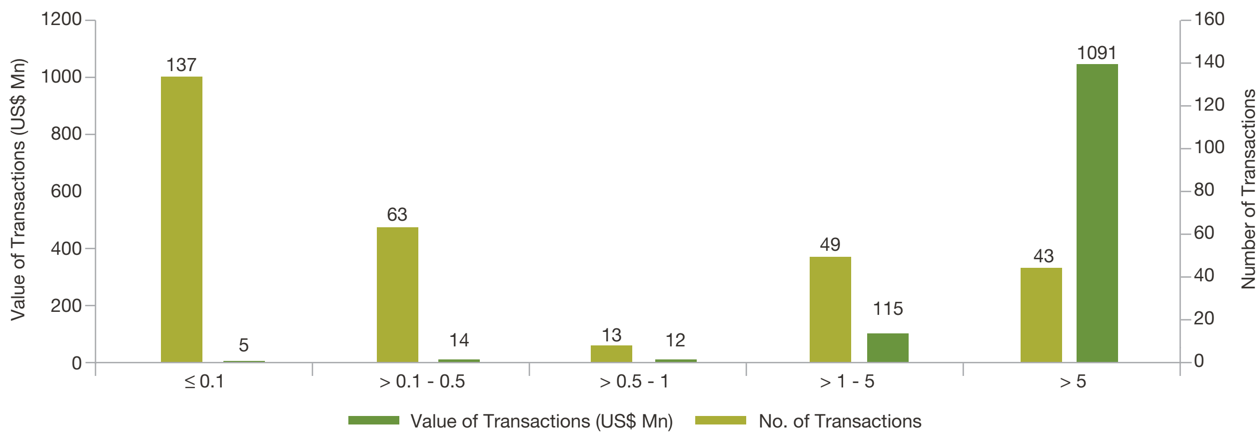
A significant gap exists for enterprises raising capital between US$ 500,000 and US$ 1 Mn, which reflects the "missing middle" gap in the investment continuum.

The average ticket size of capital deployed by SFMs in the region is US$ 4.05Mn, while the median is around US$ 0.15Mn. A significant proportion of the deals (66%) were made at the early stage (less than US$ 0.5Mn), however, accounted for only 2% of the total capital deployed by SFMs. Financial services and healthcare sectors attracted the highest amount of capital deployed at the early stage owing to SFM's interest in early-stage tech start-ups typical in both these sectors. A significant gap was identified at the pre-seed level with limited funding deployed to support enterprises for validation of their business models.

"We deploy capital to enterprises operating in sectors such as agriculture and renewable energy and by that virtue we are generating impact and have tools that we use to measure impact; however, commercial viability of an enterprise and ability to generate financial returns remain key investment criteria as we want to create long term sustainable impact".

SFM in Nigeria

Figure 23: Capital Deployed, by Deal Size (2015-2019)



COUNTRY	< 0.1	> 0.1 - 0.5	> 0.5 - 1	> 1 - 5	> 5
AVERAGE DEAL SIZE (US $ MN)	0.04	0.22	0.89	2.34	25.37

Source: Intellecap Analysis, CrunchBase, Baobab Insights

SOURCES OF CAPITAL

> *Most of the SFMs rely on international funders to raise capital for investing as well as for technical assistance support.*

Most of the SFMs in the region have raised their capital from international Limited Partners (LPs) such as DFIs, foundations, and asset managers. Grant funding from these investors has also been leveraged to provide TA support to enterprises. SFMs have also recently started to engage local capital providers like the government to finance technical assistance (TA) facility. For example, **Sahel Capital Agribusiness Manager** has received funding from the government for its TA facility. Engagement with local capital providers for TA support, however, remains minimal. Furthermore, some SFMs in the region are engaging with donors and foundations as co-investors. For instance, **The Nigeria Off-Grid Energy Challenge** is a collaborative structure between All On and United States African Development Foundation (USADF) where USADF provides each of the selected indigenous energy enterprises US$50,000 in ***grant seed capital*** while All On provides $50,000 in ***convertible debt.***

TA SUPPORT BY SFMs

More than three-quarters of the SFMs engaged for this study indicated that they usually set aside funds for technical assistance either off their balance sheet or as a percentage (which varies from 2% to 8%) of the funds invested in a business. Given the focus on early-stage businesses, particularly by some SFMs, TA is considered essential as it helps de-risk the investment by building organizational resilience and financial sustainability, and maximize a business's chance of success. The investors interviewed, however, noted that the TA funds available are usually not adequate, especially for pre-investment support and most used for post-investment support. TA support to businesses has generally been in the areas of strategy development, financial management, governance, and board advisory, marketing and distribution channels, human resources and talent management as well as compliance, especially in the agro-processing industry. While more generic support (e.g. through incubation) is provided for early-stage businesses, more customized support is provided for growth-stage companies.

> *"Technical assistance is a major component of all the investments we make. We provide TA of up to 8% of the investment and have a dedicated TA fund of US$ 4.2Mn which is funded by the Nigerian government through the Federal Ministry of Agriculture and Rural Development (FMARD), and DFIs who have invested in our fund".*
>
> *SFM in Nigeria*

Figure 24: Sample Recent SFM Investment Deals

rensource — ENERGY, ENVIRONMENT, AND CLIMATE CHANGE

Rensource Energy was Founded in 2015 by ***Ademola Adesina*** and ***Jussi Savukoski*** The startup provide affordable energy on a Power-as-a-Service (PaaS) basis by introducing a subscription-based model that enabled customers to pay to use energy rather than own it. It is currently operating in six of the country's 36 states. Key information about the deal.

- **Sector:** Renewable energy
- **Country:** Nigeria
- **Amount raised:** US$ 20Mn
- **Funding year:** 2019
- **Funding type:** Series A
- **Investors:** Funding was made on a co-investment basis by; CRE Venture Capital (***SFM***), Investisseurs & Partenaires (***SFM***), PROPARCO (***DFI***)

The funds raised will enable the company to connect 20 Nigerian markets to electricity within 1.5years. It mainly targets small businesses, especially traders in Nigeria's large urban markets.

paystack — FINANCIAL INCLUSION

Founded in 2015, Paystack is a technology company enabling seamless payment from local and global channels for businesses. As at 2018, the company had 25,000+ merchants, and had facilitated 2.9+Mn transactions worthUS$ 27.5Mn. It has raised several rounds of funding since 2016 from investors such as the Y combinatory, Google Launchpad Key information about the deal.

- **Sector:** Financial Service & Payment
- **Country:** Nigeria
- **Amount raised:** US$ 8Mn
- **Funding year:** 2018
- **Funding type:** Series A
- **Investors:** Funding was made on a co-investment basis by; Tencent (***corporate***), Stripe (***corporate***), VISA (***corporate***) and Y Combinator (***SFM***), Singularity Investments (***SFM***)

The funds raised are intended to be applied in the expansion plans of the company to other African markets Including Ghana

3.1.3 Corporate Social Investors (CSIs)[39]

TRENDS AND OBSERVATIONS ON CSI INVESTMENT

West African CSIs

- *West Africa Corporate Social Investors provided **US$ 396.6 Mn** in social capital through **37 transactions** between 2010 and 2019*
- *Most corporate foundations leverage their own operating foundations to deploy funds (through programmatic interventions) as opposed to making grants to other recipients.*
- *Health, education and economic empowerment are the key social causes of interest for corporate social investors.*
- *Corporate social investors in the region are increasingly working with social enterprises*

North American and European CSIs

- *North American and European CSIs operating in the region have mainly been implementing programmatic interventions working with the government agencies and NGOs.*
- *North American CSIs are primarily focused on areas such as entrepreneurship, innovation, and education while European CSIs have mainly been active in the healthcare sector, given the dominance by corporates in the pharmaceutical and health products value chain.*
- *More in-depth research is needed to understand the full scope and potential for CSI activity in the region, including corporates headquartered in other regions.*

INVESTMENT STRATEGIES

> *Corporates in the region[40] are increasingly adopting programmatic and sustainable approaches for corporate giving.*

North America-based corporation foundations such as MasterCard Foundation, Ford Foundation, Coca Cola Foundation, and ExxonMobil Foundation deploy the largest amount of publicly recorded corporate giving in West Africa. There is also active participation from European-based foundations such as Siemens Stiftung, Sanofi Espoir Foundation, Swiss Re Foundation, Phillips Foundation. West African corporate social investors such as Dangote Foundation, Aspire Coronation Trust (ACT) Foundation, and Africa Capital Alliance Foundation have also been actively working to solve development challenges in the region. Corporates in the region use different strategies to deploy social capital, e.g. philanthropy/grant making, impact investing, venture philanthropy, and ecosystem building through acceleration/incubation programs.

Figure 25: Overview of Investment Strategies Adopted by Corporate Social Investors

CORPORATE SOCIAL INVESTORS

	Shared Value Approach/ Sustainable CSR	Ecosystem Building (Policy, Research, Convening)	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 sustainable and longer term strategies	Supporting knowledge building, advocacy, and research for social investment	Running entrepreneurship/ accelerator and incubator programs to build the capacities of enterprises solving social and environmental issues	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 centres and government agencies
EXAMPLE OF CORPORATE SOCIAL INVESTORS	Unilever United Bank for Africa PLC Shell Companies Total G4S Ghana	Ecobank Foundation Sterling Bank Ford Foundation Swiss –Re Foundation Proshare Foundation Siemens Stiftung Foundation	VISA (Hackathon) Microsoft 4Afrika Ecobank Foundation MasterCard Foundation MTN Foundation	Sterling Bank Microsoft 4Afrika Shell foundation Danone Communities Lundin Foundation	Aliko Dangote Foundation MasterCard Foundation Ford Foundation Africa Capital Alliance Foundation ACT Foundation Johnson and Johnson Foundation

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

[40]Both West Africa based and international (headquartered outside the region) corporates

The strategies adopted by the corporates are described below:

Shared value approach/Sustainable CSR:

Sustainability is increasingly being embraced by corporates in the region who seek to derive shared value from their activities. The Nigeria Stock Exchange, for example, has put in place sustainability reporting guidelines for private companies listed at the exchange, which helps drive social and environmental considerations in business operations. Corporates have also been supporting actors within their value chains to generate business value. For instance, in 2015, Unilever entered into a partnership with the Growing Business Foundation, where it provided the foundation with five-year funding for capacity building of women entrepreneurs and provision of grants to these entrepreneurs. The women are then leveraged as distribution agents for Unilever.

"In Ghana, companies in oil and gas sectors provide capacity building to SMEs that they work with in addition to their value chains as part of their CSR agenda aimed at building shared value".

Philanthropy network in Ghana

Ecosystem building:

Corporates have been supporting the development of the social investment sector through ecosystem building efforts, including undertaking research, policy advocacy, organising social investment convening, in addition to setting up ecosystem support organisations. Ford Foundation, for example, is one of the founding members of the Impact Investors Foundation Nigeria, which seeks to grow the industry through policy advocacy, capacity development, knowledge sharing, and networking. Proshare Foundation Nigeria has been enhancing financial inclusion through the development and implementation of innovative solutions in the sector. In 2020, Sterling Bank Nigeria set up the Sterling Bank Foundation to streamline and professionalise philanthropy activities and intends to operate as a "philanthropy fund manager" - mobilising and strategically deploying funds on behalf of philanthropists.

"We intend to work as a philanthropy fund manager to streamline and professionalize philanthropy activities in the region"

Sterling Bank Foundation Nigeria

Acceleration/incubation/entrepreneurship programs:

Corporates have been supporting social entrepreneurship in the region by both establishing and supporting acceleration / incubation / entrepreneurship programs and promoting entrepreneurship particularly among the youths. For example, the MasterCard Foundation is a key player in the promotion of youth entrepreneurship in the region through the Young Africa Works initiative in Ghana, Nigeria, and Senegal. MTN Foundation complements government efforts in enhancing youth employment through its youth entrepreneurship development program in Nigeria. Corporates have also been supporting the growth of enterprises through incubation and acceleration programs. In 2018, VISA partnered with Lagos State Employment Trust Fund (LSETF) to run hackathons for tech-based start-ups. In 2018 and 2019, Sterling Bank partnered with the Nigeria Economic Summit Group to run start-up pitch events that sought to identify, fund, and provide business training to start-ups in Nigeria. Since 2017, Ecobank has been running an annual Fintech challenge that aims to identify and support Fintechs across Africa.

Impact investing and venture philanthropy:

Corporates have been directly and indirectly (through funds) deploying grants, debt, and equity to social enterprises and sustainable businesses. For example, Sterling Bank has been making impact investments into innovative social enterprises in the health, education, agriculture, renewable energy, and transport sector through debt and equity since 2017. The bank has so far made equity investments in up to eight enterprises. Aliko Dangote Foundation has also been providing micro-grants to women to promote their businesses with US$ 0.6Mn[41] worth of grants disbursed to date. Microsoft 4Afrika currently offers both financial and non-financial support to start-ups in Nigeria and Ghana. On the other hand, Lundin for Africa, the philanthropic arm of the Lundin Group of Companies, seeded Injaro Agricultural Capital, an agricultural SME fund focused in Africa in 2014, thus indirectly providing debt and equity to these SMEs. Shell Foundation is one of the main foundations adopting the approach of venture philanthropy, where it provides grants and zero-interest debt supporting the growth of enterprises in the energy and mobility sector in various.

"We deploy grants to both NGOs and social enterprises given their social impact focus. We are, increasingly shifting to working with social enterprises given that they are more sustainable. Currently, 70% of our grantees are NGOs while 30% are social enterprises".

Corporate Foundation in Nigeria

Philanthropy/grant making:

Most of the corporate foundations operating in the region continue to deploy funds through grants deployed to individuals and institutions. Aspire Coronation Trust (ACT) Foundation by Access Bank Nigeria, African Capital Alliance Foundation, and Foundation for Partnership Initiatives in the Niger Delta (PIND) by Chevron actively support NGOs and social enterprises through grants. MTN Foundation provides scholarships to bright low-income students in Ghana. International corporate foundations, such as MasterCard Foundation, Coca Cola Foundation, Ford Foundation, ExxonMobil Foundation, are also some of the active grant providers in the region.

[41] Dangote Foundation website

SPOTLIGHT: ALIKO DANGOTE FOUNDATION (ADF)

ADF, the CSR arm of the Dangote Group of companies, is one of the largest philanthropic organisations in Africa with an endowment of US$ 1.25Bn. ADF's main objective is to reduce the number of lives lost to malnutrition and disease. The foundation also seeks to combat Severe Acute Malnutrition (SAM) in children and improve the outcome of their lives through investments in health, education, and economic empowerment. Some key programs include:

- *Health – aims to reach one million households with community-based management of acute nutrition by 2025;*
- *Education – has deployed US$ 2.6Mn for the enhancement of Nigerian universities, in addition to a donation of student housing facility constructed at a cost of US$ 3Mn;*
- *Empowerment – has disbursed US$ 0.6Mn micro grants to women in Nigeria in order to support an additional 106,000 women through disbursement of US$ 2.8Mn*

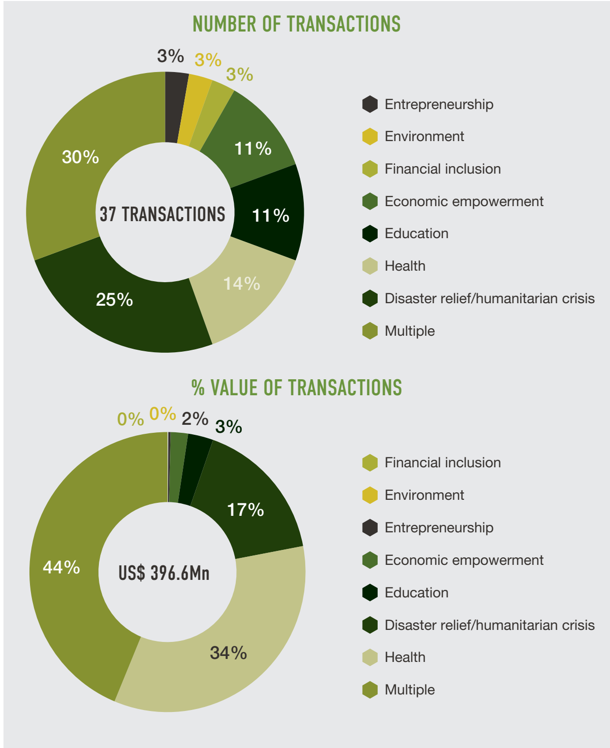
In 2016, ADF partnered with the Bill and Melinda Gates Foundation and key northern states governments in Nigeria to co-finance and implement a US$ 100Mn plan to fight malnutrition in Nigeria.

INVESTMENT ACTIVITIES: TRENDS AND FOCUS AREAS

West African corporate social investors active in the region

The research mapped 37 transactions worth US$ 396.6Mn[42] deployed by West Africa-headquartered corporate investors between 2010 and 2019. The deployment has primarily been towards disaster relief/ humanitarian crisis, and health care with a significant corporate response witnessed in the eradication of Ebola, flood, and the recent COVID-19 pandemic where corporates are some of the biggest contributors to the Coalition Against COVID-19 (CACOVID)[43] facility in Nigeria. Dangote Foundation is one of the largest corporate social investors supporting initiatives in health, education, and economic empowerment and mainly working with government agencies to implement the projects.

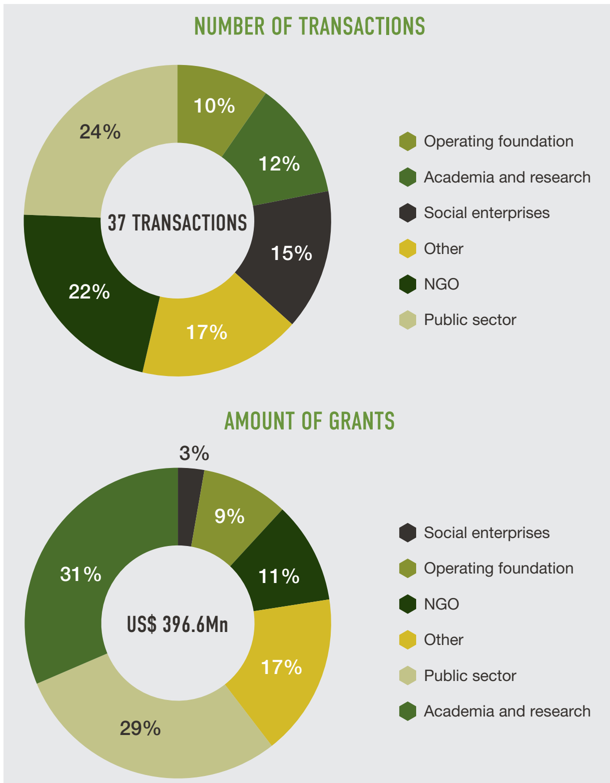
Figure 26: Social Investments by West African Corporate Social Investors, by Focus Areas (2010-2019)



Source: Intellecap Analysis

While NGOs and the public sector remain the primary recipients, more corporates are also shifting to support social enterprises through grants, debt and equity.

Figure 27: Social Investments by West African Corporate Social Investors, by Recipient Type (2010-2019)



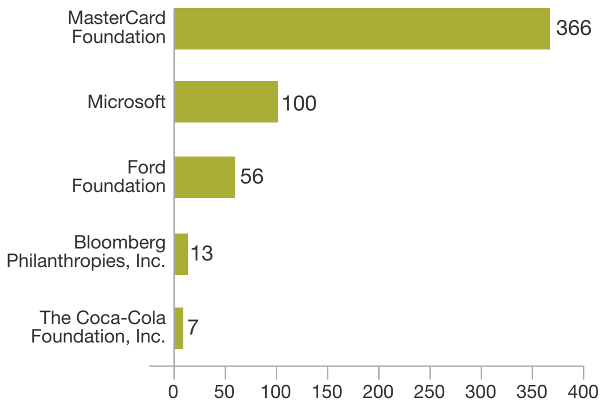
Source: Intellecap Analysis

[42] Intellecap analysis
[43] Discussed in detail in Annexure 3

North American corporate social investors active in the region

The research identified more than 20 North American corporate social investors operating in the region deploying grants directly to NGOs, academic and research centers, and government agencies in addition to running programmatic interventions. Some of the most active players are highlighted below;

Figure 28: Select North American Corporate Social Investors, By value of deployment (US$ Mn) 2015-2019



Source: Intellecap Analysis
NB: Microsoft amount refers to investment in building a tech hub in Kenya and Nigeria

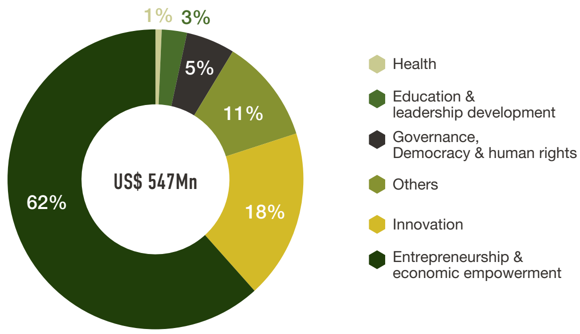
MasterCard Foundation (MCF) is one of the most active international corporate foundations in the region, with a significant focus on agriculture development and youth employment. The foundation is implementing several interventions such as the Young Africa Works Initiative, Next Generation Cocoa Youth Program, 2016-2020, and the Youth-Inclusive Entrepreneurial Development Initiative for Employment (YIEDIE) 2015-2020 and the MasterCard Foundation Fund for Rural Prosperity. Ford Foundation has also been playing a significant role in supporting non-profit organisations in the area of governance and human rights. Between 2015 and 2019, the foundation deployed more than 200 grants worth US$ 55.9Mn[44] to organisations such as Africa Centre for Energy Policy, Foundation for Partnership Initiatives in the Niger Delta and Eko-Konnect Research and Education Initiative. In 2020, Google launched a freehub in Nigeria, focused on supporting developers in Africa. Microsoft is also focused on developing the tech-based entrepreneurship in Africa and has committed investing up to US$ 100Mn in building a tech hub that will have sites in Kenya and Nigeria. Coca Cola Foundation supports organisations working in the health and entrepreneurship sectors. City Foundation has also been supporting the growth of young entrepreneurs in Nigeria through the US$150,000 grant awarded to FATE foundation.

> *North America-headquartered corporate social investors are primarily focused on entrepreneurship, innovation, and education.*

The skew towards entrepreneurship is due to the high focus on the sector by MasterCard Foundation.

[44] Ford Foundation Grantees List

Figure 29: Deployment by North American Corporate Social Investors, By Sector (2015-2019)



Source: Intellecap Analysis

Other corporate social investors active in the region

The research identified seven active European corporate foundations in the region, which include; Siemens Stiftung, Sanofi Espoir Foundation, Swiss Re Foundation, Phillips Foundation, and the Vitol Foundation. These foundations have mainly been active in the healthcare sector, given the dominance by corporates in the pharmaceutical and health products value chain. With a budget of approximately US$ 25Mn (£21Mn), for the period 2019-2021, Sanofi Espoir Foundation has been implementing projects in the health, education, and gender inclusion space across 50 countries. Some of its projects include improving access to care for Nigerian women in prostitution in Nigeria; fighting care deficits related to maternal and newborn mortality and raising awareness and education for women and young children on nutrition in Senegal and a midwifery training program in Ivory Coast. Besides, the foundation has been running an annual health tech challenge in Africa to identify innovative enterprises, enhancing access and affordability of healthcare. Swiss Re foundation also seeks to promote innovations that strengthen access to health and income opportunities and climate risk management. Through its entrepreneur for resilience awards, it identifies and supports enterprises solving challenges in its focus areas.

More in-depth research is needed to understand the full scope and potential for CSI activity in the region, including corporates headquartered in other regions such as Asia, Latin America and the Middle East.

3.1.4 Family Foundations/Trusts/Endowments

SUMMARY OF TRENDS AND OBSERVATIONS ON FAMILY FOUNDATIONS

West African family foundations

- *Activities by West African family foundations remain relatively limited, with a few active players identified. A total of US$ 267Mn was deployed in 14 transactions between 2010-2019.*
- *These are mainly registered as operating foundations that run various programmatic interventions as well as deploy grants through NGOs, government agencies and academic institutions.*
- *Education and entrepreneurship has received the largest focus by West Africa family foundations accounting for the largest proportion of transactions. These foundations also continue to contribute towards disaster relief and humanitarian crisis.*

North American and European family foundations

- ***US$ 796Mn** was deployed in form of 733 grants during the period between 2015 and 2019 by North American foundation.*
- *North American family foundations' activities are dominated by two foundations – Bill and Melinda Gates Foundation (BMGF) and MacArthur Foundation largely deploying grants to NGOs and government agencies.*
- *Funding from the North American foundations is largely skewed towards health given the high focus of BMGF on the sector. Similarly, European foundations working in the region are highly focused on addressing issues in the health, and education sector.*
- *More in-depth research is needed to understand the full scope and potential for family-based social investment in West Africa, including foundations headquartered in other regions.*

INVESTMENT STRATEGIES

Philanthropy/grant making remains the most common approach adopted by family foundations operating in the region.

Giving by most West African philanthropists remains mostly anonymous, going to dedicated causes at the community level. However, some activities have been recorded for institutionalized philanthropy deployed through operating foundations. Such institutions are backed by philanthropists, with some also raising funds from donors, international foundations, and corporates and implementing critical programs based on the interest of the funders. Local philanthropists have also leveraged governments to give to several causes, particularly for disaster relief.

Similarly, grant making remains the most used approach by most North American and European foundations who deploy capital in the region through intermediaries/NGOs headquartered outside of West Africa. Some of the largest grant providers in the region include Bill and Melinda Gates Foundation (BMFG), John D. and Catherine T. MacArthur Foundation, Conrad N. Hilton Foundation, Rockefeller Foundation, and William and Flora Hewlett Foundation. While some active foundations in the region like MacArthur Foundations are big proponents of impact investing in the US, they continue to deploy grants across the region, indicating a large untapped opportunity.

"To enhance sustainability of our funds, we decided to deploy funds to social enterprises in the form of debt and equity as opposed to grants. The returns generated are then recycled back in the fund".

European-based family foundation

Family foundations in the region, however, are increasingly looking beyond grant making to provide market-based solutions to local social and development challenges.

Shifting into impact investing and venture philanthropy, these foundations aim to reduce risk in markets and sectors often perceived as unviable by commercial investors. Jacobs Foundation, LGT Venture Philanthropy, and Canopus Foundation are some of the active players investing in social enterprises through grants, debt, and equity. The Aga Khan Development Network (AKDN) is also actively working in Ivory Coast through a microfinance model enhancing access to financial services while, in Senegal, it has invested in packaging enterprises.

Some of the approaches adopted by family foundations are outlined below:

Table 7: Summary of Social Investment Approaches Adopted by Selected Family Foundations

#	Foundation Name	Headquarter	Acceleration/ Incubation support	Impact Invest-ing	Venture Philanthropy	Grants/ philanthropy	Description
1	Tony Elumelu Foundation (TEF)	Nigeria	✓	✓		✓	The Tony Elumelu Foundation (TEF) aims to support social entrepreneurship through its TEF entrepreneurship program. The TEF Entrepreneurship program is one of the largest Pan-Africa focused youth entrepreneurship initiative backed by an individual philanthropist. Launched in 2015, this US$ 100Mn program seeks to empower 10,000 African entrepreneurs over ten years by providing mentorship, training/capacity building, and funding (grants, debt and equity) to enterprises.

#	Foundation Name	Headquarter	Acceleration/ Incubation support	Impact Investing	Venture Philanthropy	Grants/ philanthropy	Description
2	TY Danjuma Foundation	Nigeria				✓	TY Danjuma Foundation is one of the largest grant providers in Nigeria, working with NGOs/CBOs to enhance access to quality education and healthcare
3	Dr.Osei Foundation	Ghana				✓	This is an operating foundation backed by Dr. Osei that provides cash and equipment donations to health facilities, in addition, to running economic empowerment programmes.
4	Bill and Melinda Gates Foundation	United States	✓			✓	BMGF primarily deploys grants to NGOs and government agencies in addition to establishing and implementing massive programmatic interventions. The foundation focuses on the health, agriculture, and financial services sectors. BMGF has been working with other social investors. For example, it collaborated with the Dangote Foundation (West African corporate foundation) and the government to finance a substantial child malnutrition program in Nigeria. BMGF is also one of the main funders of the Catalyst Fund – a TA fund for Fintech operating across six countries in Sub-Saharan Africa and Asia.
5	MacArthur Foundation	United States		✓		✓	Deploys grants to NGOs working to address education, human right, environment challenges and population and reproductive health. The foundation has been a key player in impact investment in the US and recently launched the Catalytic Capital Consortium focused on mobilising catalytic capital to boost impact investment.
6	Jacobs Foundation	Switzer-land		✓		✓	It is focused on promoting the education sector in Ivory Coast by supporting the growth of enterprises that can enhance the affordability and accessibility of education. The foundation supports these enterprises through debt and equity. Some of the enterprises supported include Eneza Education and Chalkboard Education. The foundation also supports scholars in the education field through the global Jacobs Foundation Research Fellowship program.
7	LGT Venture Philanthropy	Switzer-land			✓		Invests into for-profit and non-profit social enterprises and currently only focuses on Liberia where is has supported two enterprises in health and education with grant funding and capacity-building support.
8	Segal Family Foundation	United States	✓	✓			The foundation supports enterprises working across Sub- Saharan Africa (SSA) through a social impact incubator – an incubation program that aims to equip enterprises with tools and knowledge to grow their business. It also makes impact investments and has supported two enterprises in Liberia.
9	Stone Family Foundation	United Kingdom		✓		✓	The foundation provides grants and risk capital (in the form of debt and equity) as well as non-financial support to innovative enterprises and new ideas significantly solving water and sanitation access challenges. It focuses on 5 countries in SSA and South East Asia with a focus on Ghana in West Africa.
10	Canopus Foundation	Germany			✓		The foundation leverages a venture philanthropy approach to build social enterprises in Nigeria and Senegal.

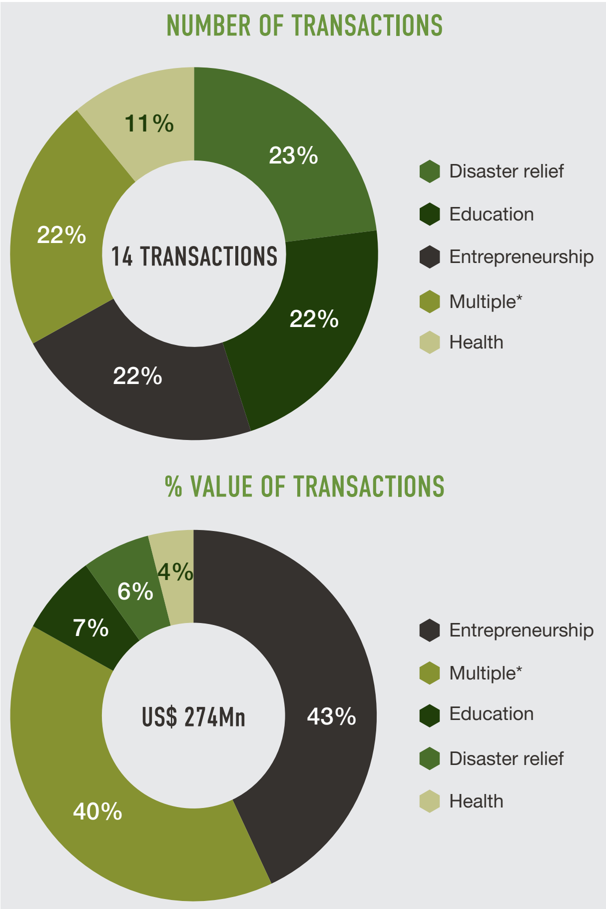
INVESTMENT ACTIVITIES: TRENDS AND FOCUS AREAS

West Africa-based family foundations

> *Health, education, and economic empowerment are the focus areas for West Africa-based family foundations.*

This research identified US$ 267Mn deployed across 14 transactions by West Africa-based family foundations in the region between 2010 and 2019. Most of the identified West African family foundations have deployed funds mostly for essential services provision, particularly in health and education. This finding is supported by a recently conducted study by Bridgespan Group, which reported that 77% of Africa donors give to basic needs causes[45]. Entrepreneurship programs are other vital areas that have received support from family foundations particularly from TEF. TY Danjuma Foundation has focused on health and education and given grants worth US$ 7.7Mn since 2009 to CBOs and NGOs working in the sectors. Dr. Osei Foundation in Ghana has been providing medical equipment to health facilities and runs economic empowerment programs for rural women in the country.

Figure 30: Giving by West African Family Foundations, by Area of Focus (2010 – 2019)



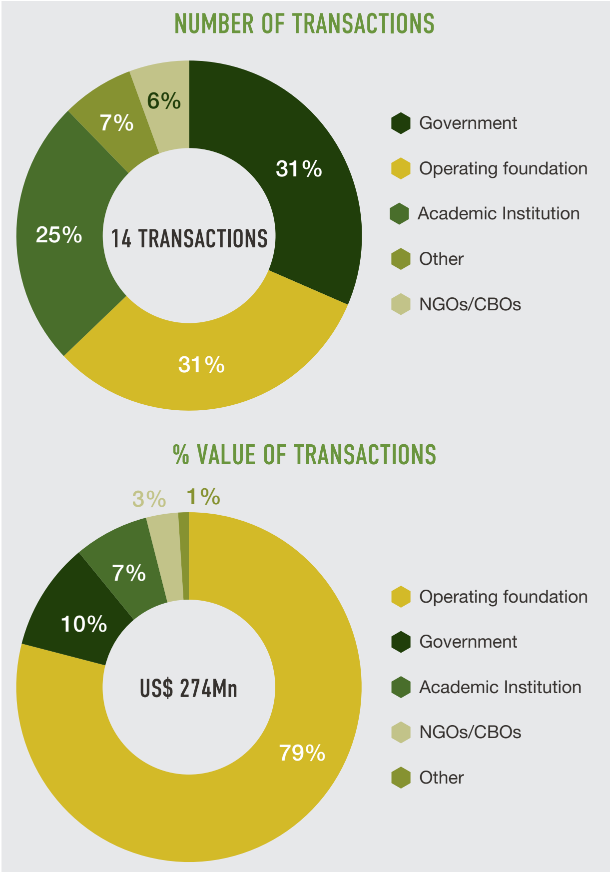
Multiple refers to instances where initiatives are focused on addressing various needs mainly health, education and economic empowerment

Source: Intellecap Analysis

> *Giving by West African philanthropists has mainly been through their operating foundations.*

These foundations run various programmatic interventions with government agencies mostly engaged in the deployment of funds for disaster relief and humanitarian crisis. The largest proportion of the funding was deployed by the Tony Elumelu Foundation which works to build the capacity and enhance access to finance for enterprises.

Figure 31: Giving by West African Family Foundations, by Recipient Type (2010-2019)



Source: Intellecap Analysis

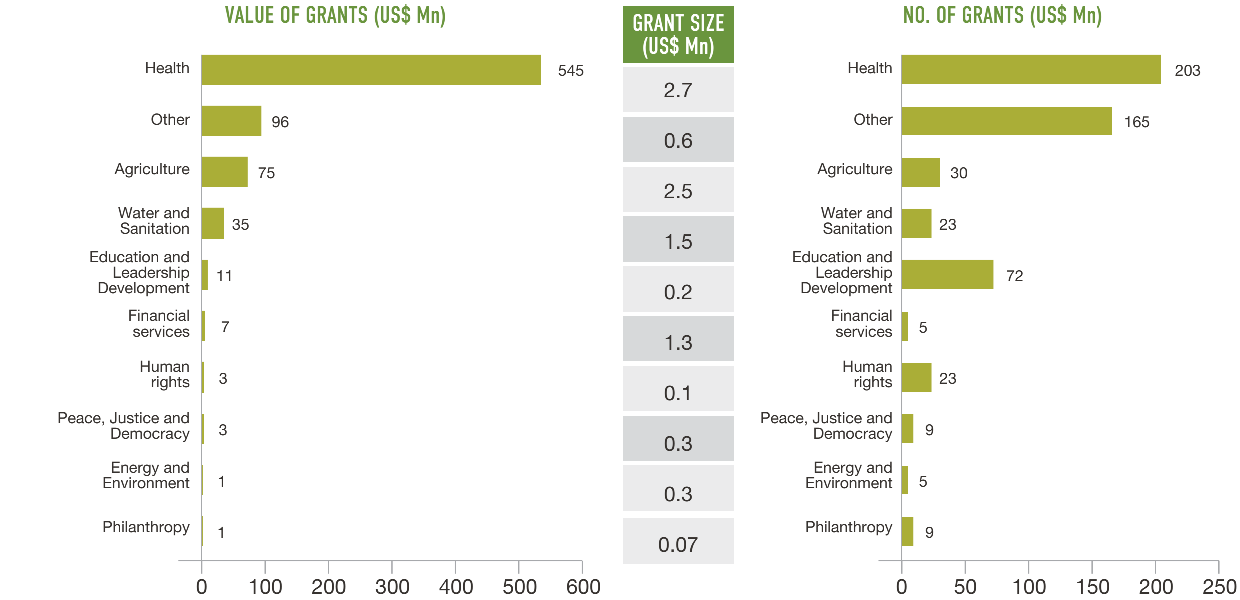
North American family foundations

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

The research mapped 733 grants valued at US$ 796Mn deployed by family foundations headquartered in North America between 2015 and 2019. Funding by these foundations is highly skewed towards healthcare, given the high focus on the sector by one of the most prominent foundations – the Bill and Melinda Gates Foundation (BMGF). The sector accounted for 69% of the grant value (US$ 545Mn) and 28% of total grants (203) made by North American family foundations between 2015 and 2019. Funding towards the sector has mainly focused on polio eradication, maternal and child health, strengthening healthcare systems, and addressing malnutrition. Healthcare, agriculture, financial services and water and sanitation (WASH) have attracted bigger ticket sizes compared to other sectors; the average ticket size for these four sectors is five times the average for the other sectors.

[45]The Bridgespan Group: The Landscape of Large-Scale giving by African Philanthropists

Figure 32: Capital Deployed by North American Family Foundations, by Sector (2015-2019)

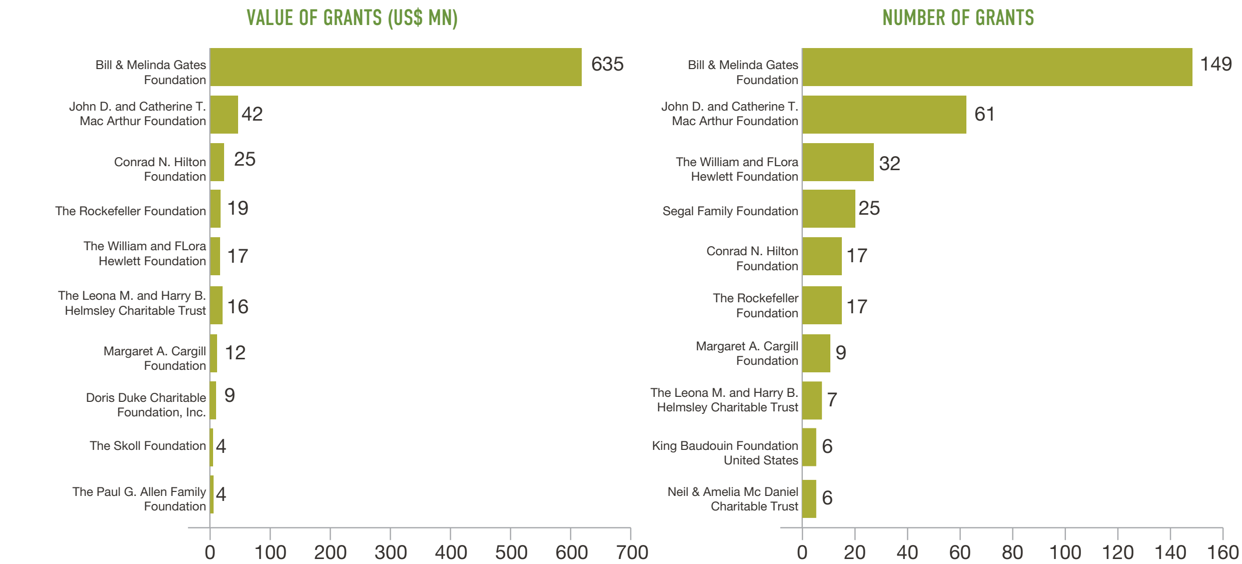


Source: Intellecap Analysis, Foundation Centre

> *Two foundations – BMGF and MacArthur dominate North American family foundation grant making in the region.*

Operating across all the focus countries, BMGF accounts for the largest proportion of North American grants – 79% of grant value and 20% of the number of grants. The foundation works with local and international partners in the health, agriculture, and financial services sector. MacArthur Foundation provides grants to mission-driven organisations working to address education, human rights, environment challenges, and population and reproductive health

Figure 33: 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

European foundations working in the region are highly focused on addressing issues in the health, and education sector. Some of the active foundations include the Jacobs Foundation, Channel Foundation, King Baudouin Foundation (KBF), and the Stone Family Foundation (SFF). Healthcare has received the highest focus from European foundations, with 57% of the foundations highlighting it as a focus sector. Jacobs Foundation has a significant focus on education; it has also been supporting innovative enterprises in the sector to enhance affordability and access in Ivory Coast. It currently has a US$ 6Mn fund through which it invests debt and convertible notes of up to USS$ 300K. KBF Foundation is known for the annual 'King Baudouin Prize for Development in Africa' that recognises outstanding contributions made by individuals or organisations across African countries with winners awarded with approximately US$ 236,000 (£200,000). SFF is a big advocate of market-based solutions in the WASH sector with close to 75% equivalent to approximately US$ 4.7Mn (£4Mn)[46] annually per year of its funding committed to the sector deployed mainly in Ghana, Kenya, Uganda, Rwanda, and Cambodia.

3.1.5 Multilateral and Bilateral Donors

SUMMARY OF TRENDS AND OBSERVATIONS ON DONOR

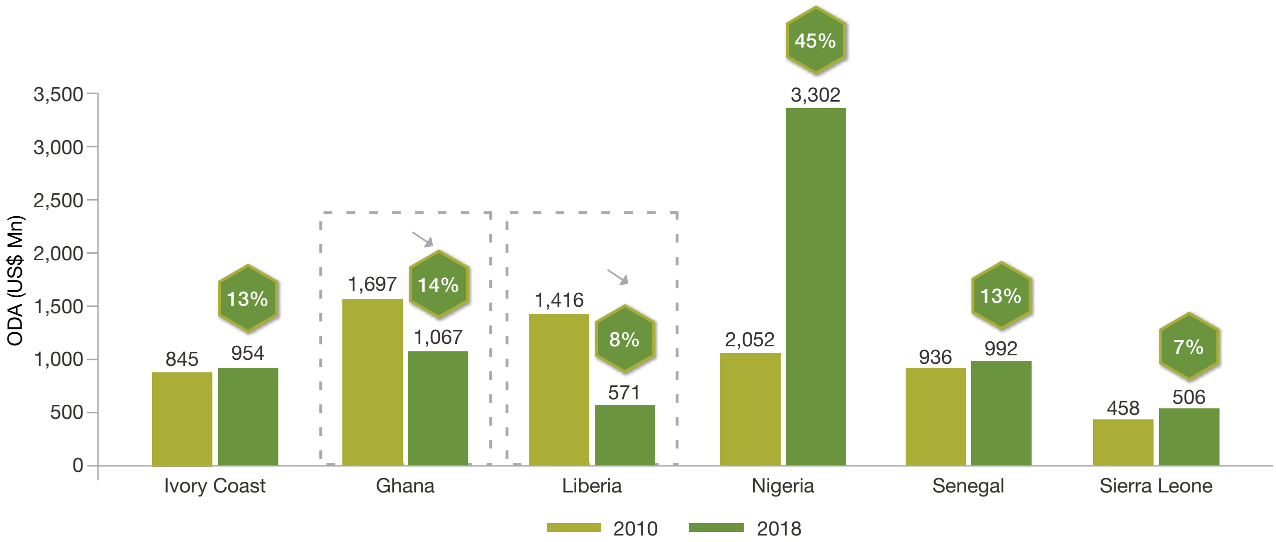
- *Donor funding to the region experienced a slight (2%) decline between 2010 and 2018.*
- *United States Agency for International Development (USAID) accounts for a large proportion (24%) of donor funding in the region in 2018. USAID funding to the region experienced a decline between 2018 and 2019 with further decline expected due to the political pressure facing the institution.*
- *Donors are increasingly working towards catalysing more private sector investments into SDGs through challenge funds and TA programs that support innovative businesses.*

COUNTRY FOCUS

Donors account for a significant proportion of development funding in the region, with mixed performance in donor funding witnessed across the countries over the years.

In 2018, the total net Official Development Assistance (ODA) to the focus countries was US$ 7.4Bn, 45% of which was deployed in Nigeria[47]; Nigeria is also ranked second highest ODA recipient in Africa. USAID is one of the most active donors in the region, accounting for approximately 24% of the total ODA[48]. While ODA to most of the countries increased between 2010 and 2018, it decreased in Ghana and Liberia. The Government of Ghana has deliberately been focused on reducing the reliance on donor aid through the implementation of the Beyond Aid in Ghana policy (discussed in the box below), which seeks to mobilise local capital and enhance the partnership between government and international funders.

Figure 34: ODA Trends across the Focus Countries (2010, 2018)



Source: World Bank Development Indicators
NB: Circle represent share of total ODA to the focus countries (2018)

SPOTLIGHT: THE GHANA'S BEYOND AID POLICY

Since 2017, the Government of Ghana has been putting in place measures towards the implementation of its Beyond Aid policy. In 2019, the Ghanaian president launched the charter and strategy document articulating the strategies to be leveraged to mobilise more national resources to drive the economic and social transformation of the country. As such, the government is implementing several key initiatives aimed at mobilising local and international private capital sources. This includes Ghana Incentive-Base Risk Sharing System for Agricultural Lending, Support Ghana Infrastructure Investment Fund (SGIIF), and 2019 Eurobond Issuance. Government is looking for social investors to collaborate and partner with the government particularly under the SGIIF to enhance development in key identified sectors.

[47] World Bank Development Indicators, 2018
[48] Intellecap analysis

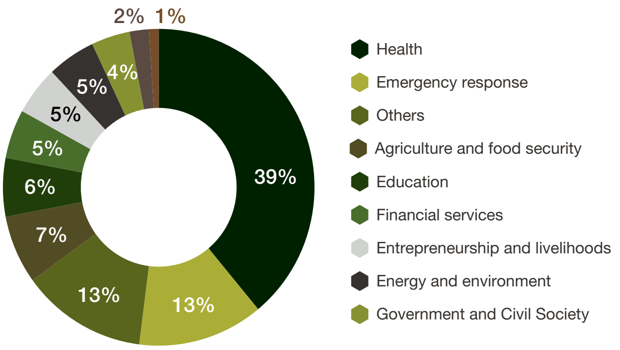
SECTOR FOCUS

> *Donors in the region have been mainly deploying programmatic multi-year intervention with a large emphasis on healthcare.*

Donors in West Africa have been active particularly in the area of HIV/AIDS and maternal and child care. Agriculture and food security, and education are also sectors of preference for donors. Donors also continue to offer emergency response to natural disasters and humanitarian crisis that continues to face the region. These sector trends are also reflective of the USAID funding (one of the largest donors in the region).

Figure 35: Donor Funding by Sector, 2015-2019

DONOR FUNDING BY SECTOR, 2015-2019



Source: Intellecap Analysis, Donor Websites

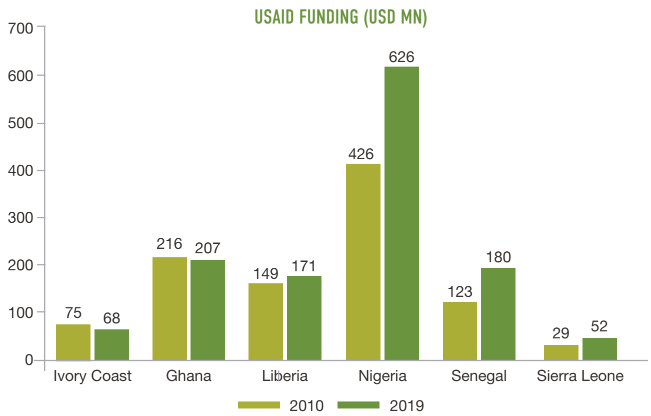
> *Major donors in the region are undergoing significant transitions necessitating the need for innovative strategies to leverage more private sector capital.*

Donors have traditionally been uniquely placed with strong financial backing from international governments. However, international financing sources have been undergoing significant transitions, which may ultimately lead to a reduction in funding to development countries. Key donor shifts at a global level that are likely to affect funding for West Africa include:

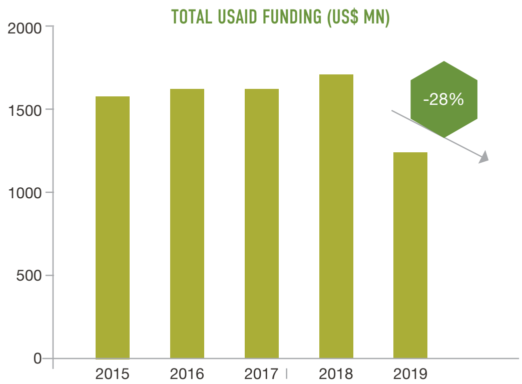
- DFID was recently merged with the Foreign and Commonwealth Office (FCO) to form the Foreign, Commonwealth and Development Office. It is expected to impact funding for addressing social challenges in developing countries as FCO has traditionally focused on advancing security and diplomatic issues rather 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 funding to the region, disrupting the implementation of key development programmes – USAID funding to the focus countries was reduced by 23% between 2015 and 2018.

Figure 36: Snapshot of USAID Funding Trends in the Region

USAID FUNDING TO ALL THE FOCUS COUNTRIES INCREASED BETWEEN 2010 AND 2019

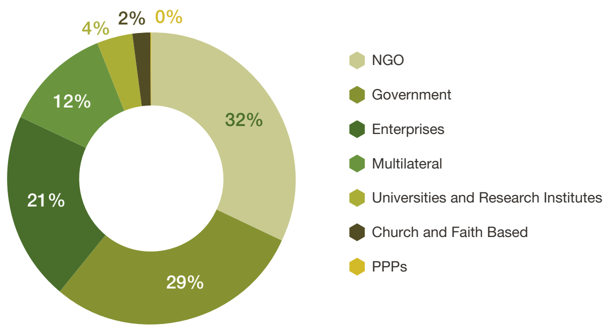


FUNDING TO THE REGION EXPERIENCED A LARGE DECLINE IN 2018, WHICH COULD BE ATTRIBUTED TO POLITICAL PRESSURE THAT USAID IS CURRENTLY FACING



A SIGNIFICANT PROPORTION OF THE FUNDING HAS BEEN DEPLOYED THROUGH GOVERNMENT AGENCIES AND NGOS

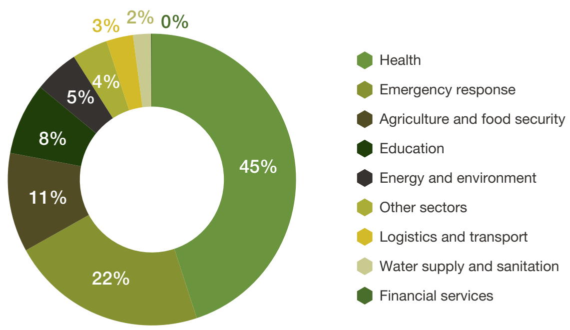
AVERAGE PROPORTION OF USAID FUNDING (2015-2019)), BY RECEPIENT



Total Value= US$ 8,084 Mn

HEALTH HAS RECEIVED THE LARGEST PROPORTION OF FUNDING FOLLOWED BY EMERGENCY RESPONSE/HUMANITARIAN

AVERAGE PROPORTION OF USAID FUNDING (2015-2019), BY SECTOR



Total Value= US$ 7,077 Mn

More than USD 1Bn was spent on program administration and oversight, capacity building This is excluded from this analysis

Source: USAID Database

Given the decreasing funding from their government sources, donors have been exploring innovative and sustainable approaches to deploying their funds to catalyse private sector investments.

Donors in the region, for example, have been funding challenge funds like Catalyst and AECF aimed at strengthening early-stage enterprises through the provision of grant and interest-free loans. Further, donors have focused on implementing market-based programs aimed at catalysing more capital. The West Africa Trade and Investment Hub - a recently completed USAID program, for example, sought to enhance productivity and trade in the agriculture sector. The program enabled the facilitation of US$ 57Mn in new sales and US$ 4.6Mn in regional and international trade through technical assistance and support to African Growth and Opportunity Act (AGOA) trade resource centers in the region. The Fate Foundation is also managing the US$ 560,000 'Orange Corners Fund' funded by the Embassy of the Kingdom of Netherlands in Nigeria. The fund provides incubation support and funding (grants and debt) to youth businesses in Nigeria.

3.1.6 Angel Investors and Angel Networks

SUMMARY OF TRENDS AND OBSERVATIONS ON ANGEL INVESTING

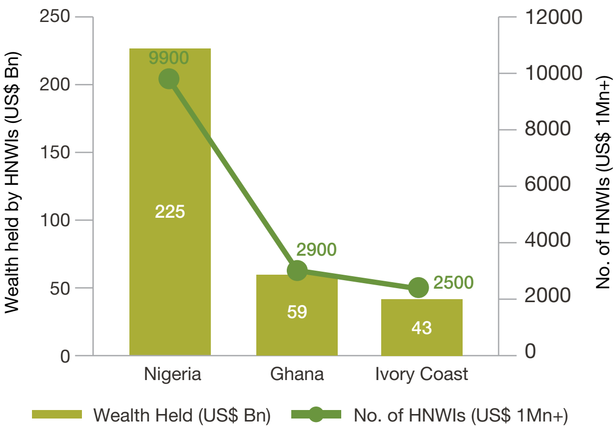
- *Although quite a substantial number of angel investor networks (20 identified) exist across the focus countries, most have been established in the last five years and thus are still in nascent stages of operation with minimal investment activities recorded.*
- *Only 10% of the identified angel networks operate as pooled investment vehicles (funds) whereas the rest primarily operate as networks and structured groups for sourcing and investment facilitation.*
- *Financing by angels in the region ranges between US$ 10,000-250,000 and is mostly financed through equity.*
- *Angels have mainly focused on non-social focused sectors like e-commerce, consumer goods (clothing, accessories), and information technology.*

Angel investing in West Africa has been growing in support of the flourishing start-up ecosystem, with more angel networks established in recent years.

West Africa's, particularly Nigeria's (Lagos) start-up ecosystem is considered to be one of the most vibrant in Africa, ranked 56th globally and 3rd in Africa after South Africa and Kenya in the 2019 start-up ecosystem ranking[49]. Angel investors are increasingly supporting start-ups and sustainable businesses through seed and venture capital finance. This growth is driven in large part by increasing individual wealth in the region, with HNWIs and other wealthy business people exploring alternative channels for deploying their personal funds. Nigeria, Ghana, and Ivory Coast ranked top 10 in the wealth held by HNWIs in Africa in 2018[50].

> *"I look at businesses that have a focus on creating impact for women and population at the bottom of the pyramid. I support very early stage businesses through grants and equity funding. I give grants to the very early promising entrepreneurs with great ideas and between 5-10% equity stake to already well established businesses. Ticket sizes range between US $15,000-$100,000."*
>
> *Angel investor in Nigeria*

Figure 37: Number of HNWIs and Wealth Held by HNWIs (2018)

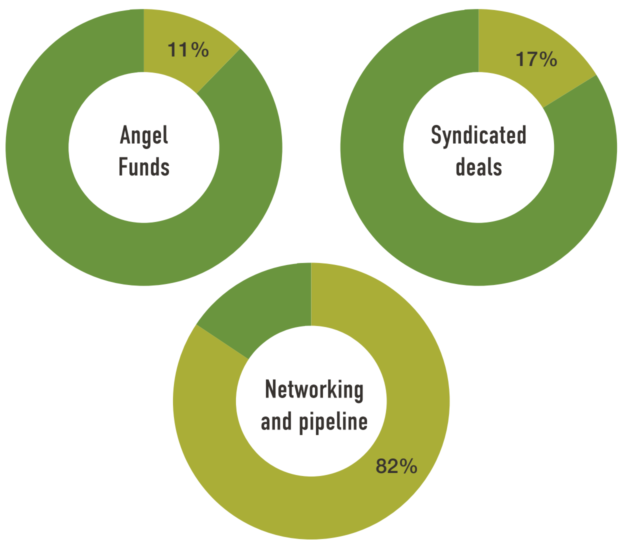


Source: AfrAsia Bank Africa Wealth Report, 2019

The region has witnessed a sprout of angel investor networks in the last five years.

Some of the active angel networks include the Lagos Angel Network (LAN), Ghana Angel Investors Network (GAIN), Rising Tide Africa (all-female angels network) Ivoire Business Angels, and Dakar Network Angels. Angel networks focus on providing mentorship, business networking, capacity building of both investors and enterprises, and early-stage investments. Despite the high number of networks mushrooming in the region, minimal investment activities have been recorded given the nascent nature of the networks and the difficulties in closing a deal. According to African Business Angel Network (ABAN), once an angel group is active, it takes an average of 3.8 months to close a deal[51]. The angel networks identified in the region are also primarily focused on networking and pipeline development. Nigeria's Tomi Davies, the founder of ABAN is one of the top angels in Africa and has been at the forefront in developing the ecosystem for angel investing.

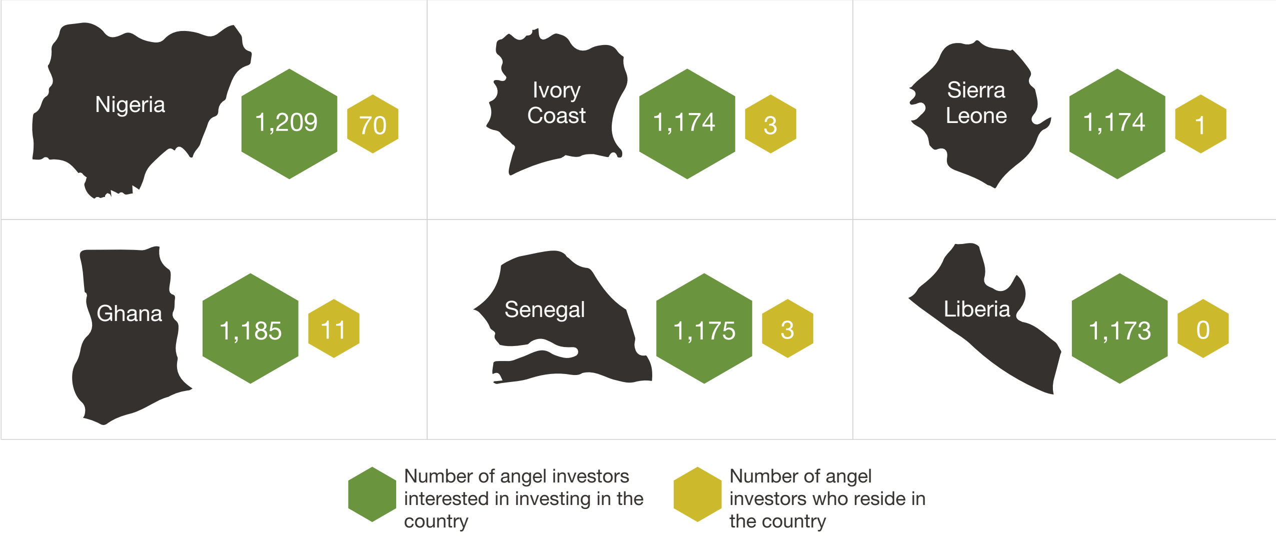
Figure 38: Business Models Adopted by Angel Networks



Source: Intellecap Analysis

[49] Startup Blink: Startup Ecosystem Ranking, 2019
[50] The AfrAsia Bank Africa Wealth Report 2019

There is a substantial number of international angel investors who are interested in investing across the focus countries



Source: List of angels registered on Angel List

Angels have mainly focused on financing non-social/SDG focused sectors, as they have a commercial focus with impact often being secondary to their investment strategies.

Of the 36 angel investor deals identified in the focus countries, 60% were in non-SDG aligned sectors such as consumer goods (clothing, accessories), information technology, and media. The SDG sectors of preference for angels were financial services and education. More than 90% of these deals were recorded in Nigeria, which could be attributed to the relatively mature market as well as a high number of HNWIs.

The angel investor deals identified total US$ 3.2Mn[52] – a significantly low amount compared to the total wealth held by HNWIs, although the figure is likely underreported, with many angel deals remaining undisclosed in the region. Angel investing presents a high opportunity for HNWI philanthropists seeking to shift to more sustainable strategies.

Only 40% of angel investor deals mapped as part of this research were in SDG-aligned sectors

SPOTLIGHT: CATALYST – AN INITIATIVE OF AFRICAN BUSINESS ANGEL NETWORK (ABAN) AND AFRILABS

In late 2019, ABAN—the largest network of angel investors in Africa—and AfriLabs, the largest network of technology and innovation hubs, partnered to launch Catalyst. Catalyst is a collaborative stakeholder initiative with the objective to increase the pool of capital available to promising African growth-stage entrepreneurs. Catalyst will operate as co-investment fund that will match investments from qualifying angel investors into African growth-stage companies. Start-ups will be required to register on the Catalyst Platform through hubs that are members of the AfriLab network and receive investments from angel investors who are members of a network registered with ABAN. The initiative aims to raise funds from various institutional partners to add to a pool. Investments are yet to be made through the platform.

Table 8: Funding Activities by Top Angel Networks across the Countries (Disclosed) (2014-2019)

#	Name	Year of establishment	Amount (US$)	Country	Sectors of focus	Example of investees
1	Lagos Angel Network	2015	1.5Mn (by 2018)	Nigeria	Media, E-commerce	Big Cabal Media, Café Neo
2	Rising Tide Africa	2016	100,000 (2018)	Nigeria	Tech or tech-enabled	Migo
3	Ghana Angel Investors Network	2011	100,000 (2014)	Ghana	Education	Revo Technology Solutions
4	Dakar Network Angels	2019	25,000 (2019)	Senegal	Tech or tech-enabled	Coliba

[52] Refers to data for only 19 deals

3.1.7 Faith-Based Giving

Faith-based philanthropy has a long history in the region, given the profoundly religious fabric across the countries.

Christianity and Islam are two dominant religions accounting for an average of 43.6% and 50.1% of the total population across the six countries, respectively[53]. Giving by churches, their relief agencies, and NGOs like Adventist Relief Agency (ADRA) and the Catholic Relief Agency has existed in the region for many years. Most churches tend to adhere to the biblical principle of tithing, which enforces a 10% mandatory contribution from an individual's gross income. The tithes are used to advance the activities of the churches e.g., church infrastructure development, besides supporting the communities e.g. through education bursaries and scholarships, the building of health facilities, donations to homes for orphans, and the elderly. Various Islamic institutions also promote and practice philanthropy. Muslim NGOs/FBOs such as the Iranian Agriculture and Rural Development (ARD), Islamic Council for Development and Humanitarian, Services, Muslim Family Council Services, Islamic Aid & Relief Foundation of Nigeria, Federation of Muslim Women's Associations in Nigeria (FOMWAN) advocate for various social causes including economic empowerment, health, and education.

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

During the 2020 Sankalp Africa Summit, key stakeholders from various religious affiliations were brought together to discuss the role that the church was playing 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 is, for example, advocating for an impact investment strategy for the Catholic Church; Jewish Law instructs followers to provide loans to those in need rather than to give gifts; and the Zakat Fund, an Islamic form of philanthropy, obligates eligible Muslims to donate at least 2.5 percent of their accumulated wealth to charitable causes). Faith-based institutions were showcased to be playing a role in the achievement of the 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, who run agricultural centers, would give 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.

More structured faith-based giving has been witnessed mainly in the health and education sectors.

Churches in the region have been at the forefront of providing access to quality and affordable healthcare through their network of faith-based health facilities. The Christian Health Association in Nigeria is the umbrella body of 4,400 church-based health centers and hospitals, which account for close to 40% of primary and secondary health facilities[54]. 290 health facilities are registered under the Christian Health Association of Ghana (CHAG). Churches have also sought to establish operational foundations/NGOs as implementation arms of their philanthropic activities. The International Central Gospel Church (ICGC) in Ghana, for example, established Central Aid, aimed at implementing key social projects like relief services, career guidance, and counselling, scholarships, etc. on behalf of the church. The church has been awarding close to 200 scholarships annually since 2011.

The Aga Khan Development Network (AKDN) is also one of the large religious-backed organisations working in the impact investing and social entrepreneurship space. In West Africa, AKDN works in Cote d'Ivoire, Senegal, Mali, and Burkina Faso. In Cote d'Ivoire, AKDN is active in microfinance and social development activities where it enhances access to education, medical support, and clean water.

Close to 40% of primary and secondary health facilities in Nigeria are registered under the Christian Health Association

3.2 SOCIAL INVESTOR ROLES IN THE CONTINUUM OF SOCIAL IMPACT CAPITAL

Different social investors play distinct roles across the continuum of capital and present significant potential to scale impact. Donors, international foundations, and governments have 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. However, innovative finance has currently not been fully leveraged amongst the investor categories, particularly the locally based social investors.

[53] Central Intelligence Agency: The World Fact Book
[54] Christian Health Association Nigeria Website

Table 9: 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	Yes	Low	**Moderately Concentrated** (Nigeria, Ghana, Ivory Coast, Senegal)	Financial Services, Energy, Agriculture and Food	Large capital base can be used to catalyse more innovative finance structures. Longer term financing to cover short term financing by private investors
Sustainability Aligned Fund Managers (SFMs)	Hundreds of Millions	Equity Debt	Limited	Limited	Low	**Moderately Concentrat-ed** (Nigeria, Ghana, Ivory Coast)	Financial Services, Energy, 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	Limited	Medium - High	Across all countries	Health, Agriculture and Food, Education, Water and Sanitation (WASH), Energy	Large capital base, flexible, can drive innovative finance e.g. payment of outcomes for DIB
Family Foundations (West Africa HQ)	Tens of Millions	Grant Debt	Yes	Limited	Medium - High	**Concentrated** (Nigeria)	Health, Education, Economic Empowerment/Entrepreneurship/SMEs	Limited capital but there is an opportunity to lead local venture philanthropy practice
Corporate Social Investors (North America and Europe HQ)	Hundreds of Millions	Grants Debt	Yes	Limited	Medium - High	**Moderately concentrated** (Nigeria, Ghana, Senegal, Ivory Coast)	Economic Empowerment/Entrepreneurship/SMEs, Health, Governance, Innovation	Potential to mainstream impact through corporate sustainability and shared value approaches
Corporate Social Investors (West Africa HQ)	Tens of Millions	Grants Debt Equity	Yes	Limited	Medium - High	**Moderately concentrated** (Nigeria, Ghana)	Economic Empowerment/Entrepreneurship/SMEs, Health, Education	Potential to mainstream impact through corporate sustainability and shared value approaches
Faith-Based Giving	Hundreds of Millions - Billions	Grants	Yes	No	Medium - High	Deep into rural areas across most of the countries	Health, Education	Large capital base and geographic reach, enormous catalytic capital potential
Angel Investors	Millions	Equity Debt	No	Limited	High	**Moderately Concentrated** (Nigeria, Ghana)	E-commerce, ICT	Supporting early stage commercial social enterprises
Government Schemes	Hundreds of Millions	Debt Guarantees	Limited	Yes	Medium	**Moderately Concentrated** (Nigeria, Ghana, Senegal)	Economic Empowerment/Entrepreneurship/SMEs, Agriculture and Food	Large capital base, can be leveraged for innovative finance like SIBs
Donors	Billions	Grant Debt	Yes	Yes	Medium - High	Across all countries	Health, Agriculture and Food, Education, Water and Sanitation (WASH)	Large capital base can be used to catalyse more innovative finance structures in more sectors e.g. in the form of DIB
Diaspora Remittances	Billions	Bonds	Limited	Limited	Low - Medium	Across all countries	Infrastructure, Energy, Livelihoods	Large capital base, already looking at innovative structured finance especially in high intensive sectors

Billions | Hundreds of Millions - Billions | Hundreds of Millions | Tens of Millions | Millions

Limited | Yes | No | High | Medium - High | Medium | Low - Medium | Low

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

Logistics | Real Estate | Infrastructure | E-commerce | Water and Sanitation (WASH) | Governance | ICT | Livelihoods

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

04

04

DEMAND FOR SOCIAL CAPITAL IN WEST AFRICA

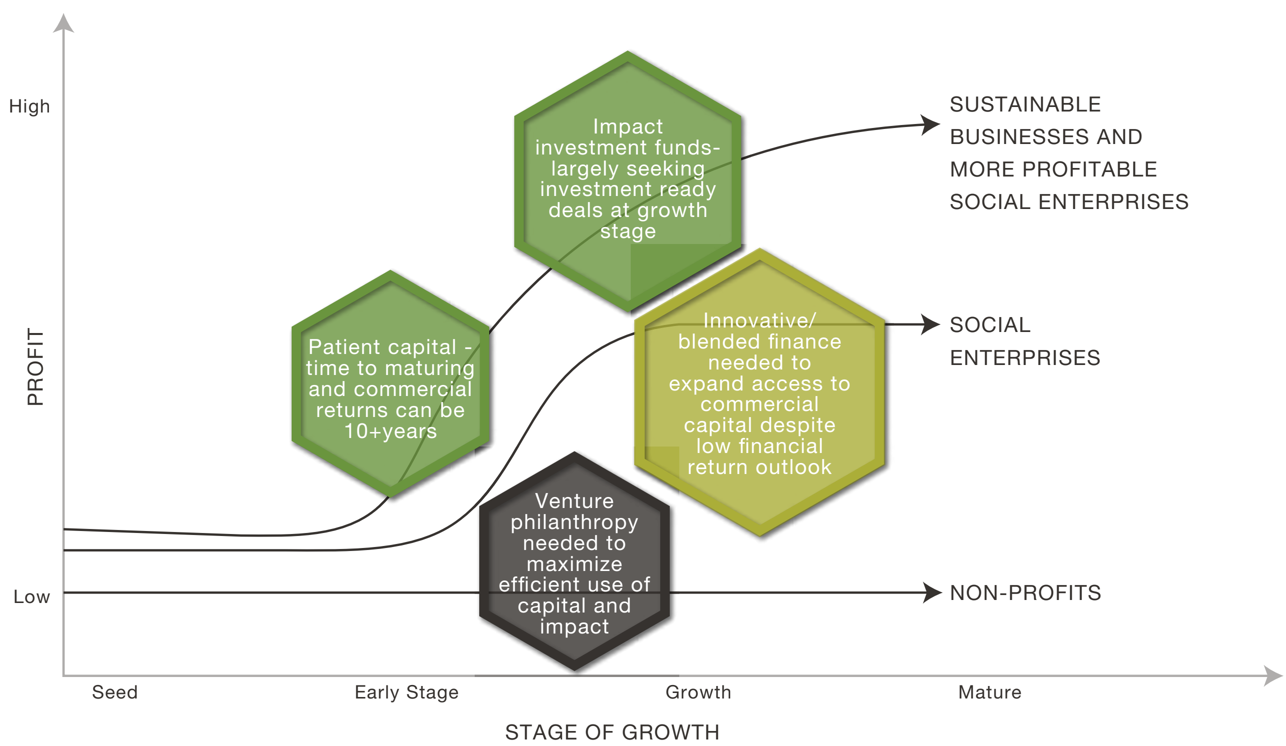
4.1 OVERVIEW OF THE DEMAND FOR SOCIAL CAPITAL

There is a need for more catalytic and innovative capital to support social organisations such as non-governmental organisations (NGOs), social enterprises (SEs), and sustainable businesses that are developing innovative solutions to solve development challenges in the region.

As highlighted in previous chapters, the supply of capital at the pre-seed and seed stages is inadequate as investors primarily focus on financing organisations with already proven models and with established revenue structures. Furthermore, a significant financing gap exists for SMEs, which are considered too big for microfinance institutions (MFIs) and too small or risky for commercial investors—popularly referred to as the "missing middle". There also exists a large opportunity to supply patient growth capital to businesses that demonstrate moderate growth and do not qualify for pure-play equity. Innovative instruments leveraging catalytic funds to de-risk and attract private investments are increasingly becoming crucial and needed to close these gaps. Such structures include loan guarantees, social impact bonds, TA funds as well as crowdfunding, and pooled funds.

On the other hand, non-profit/NGOs rely almost exclusively on international sources for their funding. Funding has mostly been going to programmatic interventions with significant funding gaps identified for capacity building and general administration of the NGOs. These challenges hinder the effective implementation of social programs by the NGOs. Thus, there is a need for a more sustainable approach, such as venture philanthropy, to be leveraged for deploying both local and international capital to non-profits. Such approaches can create significant social impact by leveraging the core strengths of the non-profits i.e. reach into rural areas, broad community networks, and understanding of local context. However, the success of these approaches will also require addressing their capacity challenges, particularly in financial management, strategic planning, impact measurement, etc. to scale impact.

Figure 39: Type of Financing Requirements for Various Types of Organisations at Various Stages of Growth

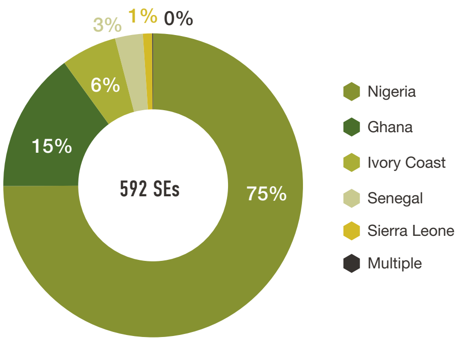


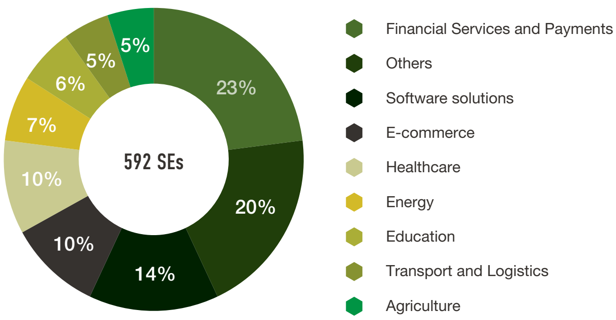
4.2 TRENDS AND DEVELOPMENTS IN THE SOCIAL ENTERPRISE LANDSCAPE IN THE REGION

The number of social enterprises (SEs) in the region is increasing, but the quality of SEs in terms of being investment-ready has a long way to go; only 592[56] SEs operating in the region were able to access funding (debt/equity) between 2015 and 2019.

Limited data exist on the exact number of social enterprises operating across the focus countries because of the newness of the concept in the region as well as limited understanding of social enterprises among the stakeholders. Almost half of the self-recognized social enterprises operating in Ghana, for example, were established post-2013[57]. This research identified 592 unique social enterprises in the region, which managed to receive social investments between 2015 and 2019. Most of these enterprises are in the financial services sector followed by healthcare, energy, and agriculture and seek to address the development challenges prevalent in their countries of operation.

Figure 40: Overview of Social Enterprises That Received Funding, by Country and by Sector (2015-2019)





Source: Intellecap Analysis based on the transaction/deal data collected[58]

The primary focus for venture capital has been on technology-based enterprises.

Nigeria, in recent years, has demonstrated immense growth in its tech-based entrepreneurship sector and is increasingly being referred to as Africa's Silicon Valley (along with Kenya). Key initiatives established include the Silicon Valley – Nigerian Economic Development (SV-NED) – that seeks to bridge the skill gap between Nigeria's technology companies and professionals through on-the-job training in Silicon Valley. In 2019, Nigeria attracted 37%[59] of total venture capital funding in Africa deployed to tech-based start-ups. Venture capital funding, however, needs to focus more on indigenous business models and move beyond its pursuit of outsized returns through tech-enabled businesses and explore other social enterprise models with the potential to achieve 'impact at scale' for mass low-income population residing in the focus countries.

Unlike in East Africa, the West African entrepreneurship space consists of more local entrepreneurs compared to expatriates; the region, however, lags behind East Africa in gender diversity.

In 2019, nearly 37% of enterprise founders/co-founders in Kenya were expatriates compared to 10% in Ghana and 5% in Nigeria[60]. Consequently, more funding in the West African region has gone to locally founded enterprises. In Nigeria, for example, 55% of the total funding in 2019 went to enterprises with local founders compared to only 6% in Kenya[61]. The dominance of locally founded enterprises is further supported by this research data, which showed that nine out of the top 10 deals (in terms of value) made by SFMs were into locally founded businesses. On the other hand, Nigeria and Ghana respectively have only 15% and 13% of enterprises with women co-founders compared to 25% in Kenya[62]. The top 10 investments, as per our research on SFM deals, were made in enterprises founded by men, with two of these enterprises having women co-founders[63]. It is an indication of a higher need for investors to focus on GLI strategies.

Nigeria, which has one of the most advanced start-up ecosystems in the region, lost 12 spots in the start-up ecosystem ranking in 2020 compared to 2019[64]

Nigeria has seen a sprout of technology-based innovations seeking to address financial inclusion, health, and agriculture challenges in the last decade. However, challenges such as unreliable power and poor internet connection, as well as a large concentration of businesses majorly in Lagos and Abuja, hinder the growth of the start-ups and the impact achieved. The country was ranked 3rd in Africa after South Africa and Kenya in the 2019 start-up ecosystem ranking[65]. However, in 2020, Nigeria slipped 12 spots in the global ranking

[56] SEs where deals (debt, equity) were mapped by the researchers as covered in previous sections of this report
[57] British Council: The state of social enterprises in Ghana, 2016
[58] Data collection – the methodology section in Chapter 1
[59] Partech: 2019 Africa Tech Venture Capital Report
[60] Timon and Briter Bridges: Compensation Study, 2019 – 778 start-ups across four African countries were analysed as part of this study
[61] Victoria Ventures, 2019
[62] Timon and Briter Bridges: Compensation Study, 2019
[63] Intellecap Analysis
[64] Startup Blink: Startup Ecosystem Ranking, 2020
[65] Startup Blink: Startup Ecosystem Ranking, 2019

and was also overtaken by Rwanda in the Africa ranking. Conversely, Lagos was the 2nd best start-up ecosystem in Africa. It highlights the fact that if the real impact of SEs is to be realised at scale, countries like Nigeria and others in the region will need to expand their start-up ecosystem beyond few cities and cover the rural areas. Ghana's ecosystem is also slowly growing and is ranked 2nd in the West Africa region. Senegal is the most mature market in Francophone West Africa with critical factors like an increasing number of incubators, entrepreneurs and angel networks, and the recently launched start-up Act[66], driving growth in the country.

Figure 41: 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

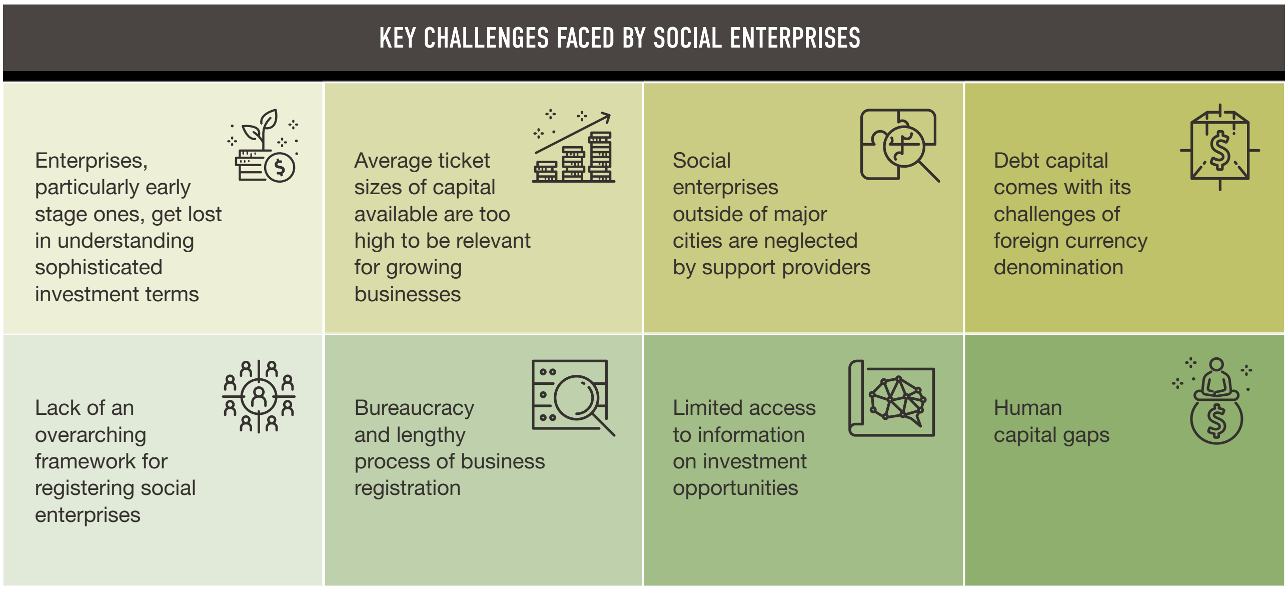
Startup Blink: Startup Ecosystem Ranking, 2019 and 2020

[66]Discussed in detail in Chapter 5

4.2.1 KEY CHALLENGES FACED BY SOCIAL ENTERPRISES IN THE REGION

The research identified common challenges facing most social enterprises across the countries ranging from limited availability and customization of capital, lack of linkages with ecosystem support organisations and networks, lack of infrastructure to test and prototype business models, among others. These challenges are more pronounced amongst youth enterprises due to lack of work experience, business, and technical capacity, and knowledge of formal business practices. The key challenges facing enterprises in the region are discussed below:

Figure 42: Key challenges faced by social enterprises



a) **Enterprises, particularly early-stage ones, often find it challenging to comprehend complex investment terms:** The average financial literacy in the focus countries in West Africa is 31%[67], indicating a lack of knowledge in financial services generally and investment terms specifically. Many enterprises across the focus countries are mainly aware of debt (loan) and grants as funding instruments. It is the lack of understanding of other instruments such as equity, convertible notes and mezzanine that disadvantages the entrepreneur during negotiations with the investors. A number of young entrepreneurs who are just testing their business ideas, in several cases, are ignorant of the financial aspects, including fundraising and financial modelling.

b) **Average ticket sizes are too high for growing businesses:** As per the findings of this report, the average transaction size of the investment provided by SFMs is above US$ 4.05 million, which is much higher than required by most enterprises. Despite growing, access to seed level financing remains inadequate to support the growing social enterprise ecosystem. Most of the social enterprises, especially those started by young entrepreneurs, thus rely on personal saving, friends, and family for the initial capital. Furthermore, angel investors and venture capitalists are only willing to invest in revenue-generating enterprises. Traditional capital providers such as SACCOs and MFIs also impose high collateral and interest requirements on the early-stage businesses – domestic credit to the private sector (% of GDP) was very low at 10.5 % for Nigeria, 12.4% for Ghana, and 19.6% for Ivory Coast.[68]

c) **The concentration of support providers is in urban areas:** Most of the ecosystem support organisations are located in main cities with minimal reach to enterprises operating in rural areas. Thus, these rural-based enterprises face multiple challenges around business model development, financial management, and fundraising due to the limited access to capacity-building support. Young entrepreneurs, who usually lack the capacity, knowledge, and experience to work in a formal business environment, in the absence of support providers, go down the failure route.

> *"We identified a high financing gap for SMEs – those that are too large for MFIs and too small for commercial banks. As such we will, starting from 2020, explore direct investments into these SMEs in addition to the lines of credit and guarantees that we give financial institutions"*
>
> *A DFI in Ghana*

d) **Debt capital comes with its challenges of foreign currency denomination:** Most of the social investments in the region are from international sources and thus deployed in foreign currencies (dollar, pound, and euro). This makes capital deployed particularly in the form of debt, expensive for the businesses that earn in local currency but have to repay in foreign currency. This is mainly due to frequent currency depreciation experienced in the region. The currency has depreciated by 18%, 15%, and 15% in Liberia, Nigeria, and Ghana over the past 5 years[69].

[67] Global Financial Literacy Excellence Centre
[68] World Bank Development Indicators, 2019
[69] World Bank Development Indicators

e) **Lack of an overarching framework for registering social enterprises:** While there are a few developments in the regulatory frameworks, only Senegal currently has a framework for registration of SEs (specifically start-ups). SEs can, thus, either be registered as for-profit (sole proprietorship, partnership, or limited liability) or non-profit organisations. This presents some challenges; while registering as a for-profit is crucial in building sustainable models and attracting commercial capital, businesses registered as such do not enjoy tax benefits. On the other hand, registering as a non-profit limits flow of commercial capital as any surplus generated can only be re-invested in the business.

f) **Bureaucratic and lengthy process of business registration:** Most of the countries in the region rank unfavourably in the corruption perception and ease of doing business rank, indicating bureaucracies and challenges in the business and investment environment. Significant challenges in this regard include regulatory complexities such as lack of information on business registration, high cost of doing businesses, and inadequate tax incentives.

g) **Limited access to information on investment opportunities:** Most social investors and ecosystem support organisations operate from the main cities – Lagos, Abuja, Accra, and Dakar. Social enterprises operating outside these cities, thus, face significant challenges in accessing the information on potential investment opportunities, and, when they do, they are not well equipped to close the investment deals. Young entrepreneurs with limited access to networks and relevant events are further restricted to the information related to investment opportunities.

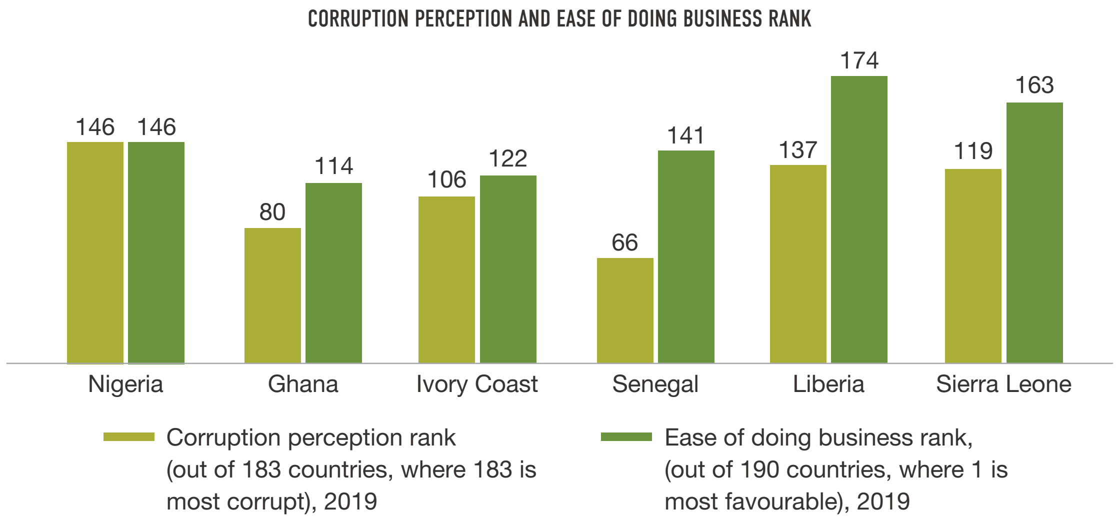
h) **Lack of adequate local skills:** Key skills required to run tech start-ups e.g. software development skills, are lacking in the region. Thus, most enterprises resorted to hiring expensive foreign talent or outsourcing these skills to other parts of the world e.g. India and Portugal.

4.3 TRENDS AND DEVELOPMENT IN THE NON-PROFITS LANDSCAPE IN THE REGION

Given their grassroots presence, Non-profits (NGOs/Civil Society Organisations) play an essential role in solving critical development and social issues.

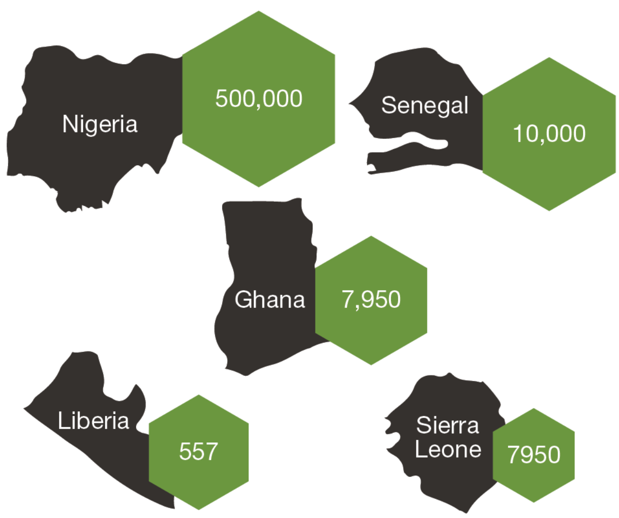
NGOs/CSOs are particularly active in advocacy and implementation of projects in areas such as human rights, democracy, disaster relief, governance, justice, peace and security, health, women, disabled people, and children's rights, environment, and education. Impact investors, social enterprises, and companies with a sustainability focus may shy away from many of these causes, as they are not able to solve the issues in a profit-making way. NGOs remain crucial in the region given the intensity of these issues there. For instance, NGOs in Nigeria have been at the forefront of solving the humanitarian crisis arising from insecurity and tension, particularly in the Northern region of the country.

Figure 43: Corruption Perception and Ease of Doing Business Rank



Source: Transparency International, World Bank

Figure 44: Number of CSOs Registered across the Focus Countries



Source: USAID/FHI CSO sustainability Index Report, 2018

Overall, the region has been recording improvement in the CSO sustainability index, albeit not substantially over the past years.

The CSO sustainability index measures the performance of CSOs in seven key dimensions, including the legal environment, organization capacity, financial viability, advocacy, service provision, sectoral infrastructure, and public image. Across the focus countries, financial viability ranks the lowest as CSOs struggle to raise funding for their activities. Additionally, CSOs, especially those in the areas of governance, democracy, and human rights, face constant harassment from government officials.

- ***Internal revenue-generating models:*** Some NGOs are incorporating a membership fee and annual subscription model to complement their external funding. An example is Enablis Senegal that requires the entrepreneurs it supports paying a specific membership fee to access certain services.

- ***Hybrid models:*** In order to diversify their income and drive sustainability, some NGOs operate a for-profit (commercial model) and utilize the profits to fund a non-profit subsidiary, which delivers services to those unable to afford. Examples of this include Soronko Solutions (for-profit) and Soronko Foundation (not for profit), Sangy Nursing Services (for-profit), and the Sangy Foundation (not for profit) and Smart Information Systems Company Limited (for profit) and IT4Teens (not for profit) all operating in Ghana.

- ***Leveraging crowdfunding models:*** Technology-based crowdfunding models are becoming a common platform for NGOs to mobilise funds from both local and international sources. Platforms such as donate.ng, Kickstarter, NaijaFund in Nigeria, Payputt, Gofundme, and Mightycause are increasingly being leveraged by NGOs to raise funds for various causes.

Figure 45: CSO Sustainability Score, 2018

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

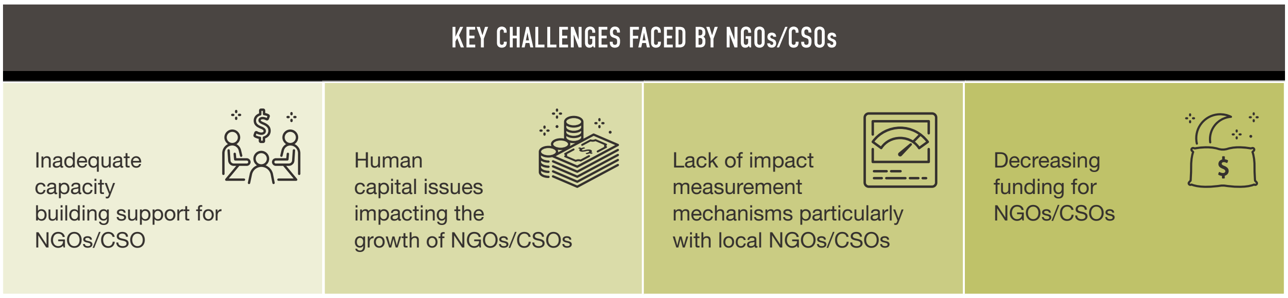
Funding from donors and international foundations for NGOs has been declining, highlighting an emerging need for NGOs to identify alternative and more sustainable funding models.

NGOs across the focus countries remain largely dependent on foreign donors and foundations for funding of both the programmatic interventions and general administrative activities. International funding has, however, been fluctuating in recent years as indicated in earlier chapters. This shift is urging NGOs to both identify and explore alternative funding sources; three key trends were observed in this regard as described below:

4.3.1 KEY CHALLENGES FACING NON-PROFITS IN THE REGION

The NGOs/CSOs in the region continue to face various institutional capacity challenges largely due to limited funding to this sector.

Figure 46: Key challenges faced by Non-profits



a) **Inadequate capacity building support:** Across the West African focus countries, most NGOs/CSOs have limited technical and organisational capacity, particularly in the areas of strategy development and implementation, fundraising, financial management, governance, project management, leadership, and human resource management. While there are several support providers for social enterprises, there are very few support providers that are focusing on building the capacity of NGOs/CSOs as inadequate funding has been directed towards capacity building of NGOs/CSOs. However, some philanthropic institutions such as the Ford Foundation, TrustAfrica, and the African Women's Development Fund (AWDF) have been supporting the growth and development of NGOs in the areas of capacity building and governance.

b) **Human capital challenges:** Most of the funding received by NGOs/CSOs is for programmatic interventions with limited funding for operational expenses. As such, most of the NGOs are not able to hire experienced staff. Most of the staff members work on contractual terms renewed based on projects, and thus it is difficult to strengthen the human resource capacity. Further, funding limitations prevent many non-profits from hiring staff members with adequate experience or offering training opportunities to core employees.

c) **Lack of impact measurement mechanisms, particularly with local NGOs:** While most local NGOs continue to have a positive impact on their communities, they rarely develop mechanisms to measure the impact generated. Only a few large local NGOs review their programs regularly and engage independent evaluators to assess their impact or do so at donors' directive. The absence of impact measurement also hinders the capacity of local NGOs to raise subsequent funding as they are unable to showcase the impact that they have been able to create.

d) **Decreasing funding for NGOs/CSOs:** Donors and foundations have started to view NGOs as unsustainable, particularly in sectors where alternative models exist and are looking for such models through which they can get better value and returns for their investments. Social enterprises are considered to be better alternatives, and, therefore, many social investors are shifting their funds from NGOs towards social enterprises. Some interviewees also remarked that there is a large push to NGOs by global donors and foundations to more aggressively engage with the private sector and develop alternative sources of funding.

05

05

ENABLING ENVIRONMENT FOR SOCIAL INVESTMENTS IN THE REGION

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

The overarching legal and regulatory frameworks for social investment in the region are still in the infant stages of development.

None of the focus countries has the policy and regulatory frameworks that explicitly define impact investing or support impact investing several years after the concept was introduced in the region. Similarly, the countries lack policies for philanthropy and charitable giving, which is currently governed under multiple laws and regulations. Venture philanthropy is also not recognised in any government frameworks, and most regulators are not familiar with the term. Besides, other than Ghana, which launched its National Corporate Social Responsibility (CSR) Policy in 2016, none of the other countries have policies in place to encourage sustainable corporate giving.

While certain policies exist under which philanthropic activities can get tax rebates or incentives, these are not clearly understood or are challenging to apply because of the associated bureaucratic conditions. The absence of a guiding framework for the sector limits deliberate incentivisation of impact/social capital particularly from philanthropists and corporate foundations based in the region. More incentivisation is required to attract philanthropic and concessional capital that accepts below-market returns.

Lack of policy and regulatory frameworks that recognise social enterprises remains a crucial challenge for the growth of the sector. Some of the countries, however, have made vital advancements.

In most of the countries, SEs can register either as a for-profit or as a not-for-profit company. While they can apply for tax exemptions if they register as a not-for-profit, this disadvantages them in raising debt and equity, as commercial investors (SFMs and DFIs) prefer for-profit. Limited access to such funding, thus, makes it difficult for enterprises to scale up. Nevertheless, a few advancements have been made in some of the countries in recognition of the social entrepreneurship industry. *Ghana has recently launched a Social Enterprise Policy* to promote and grow social enterprises as a means of improving livelihoods and driving social impact in the country while the *Senegal Startup Act launched in 2019*[70] seeks to drive the growth of the ecosystem. To support the early-stage start-ups, the Nigerian government has recently signed the *Finance Act* that exempts start-ups with annual revenues of ~US$ 65,000 (₦25 million) from paying taxes.

"One of the challenges that we have in Nigeria is that businesses can only register either as an NGO or a limited company – there is no provision to register as a social enterprise. While the law clearly outlines that NGOs should not pay taxes, there is a lack of understanding of how revenue-generating activities by non-profit social enterprises should be treated in terms of taxation. Establishment of a favourable framework for registering and operating a social enterprise would help boost the sector".

SFM in Nigeria

SPOTLIGHT: SENEGAL'S START UP ACT TO PROMOTE INNOVATION & ENTREPRENEUR

Senegal is the second country in Africa, after Tunisia to launch a Start-up Act. Launched in 2019, the act makes recommendations that aim to promote innovation and entrepreneurship, covering areas such tax policies, start-up financing, promotion of data collection and sharing amongst start-ups. It also outlines legal conditions for registering start-ups in the country. Alongside the act, provisions amending the general tax code were introduced in the 2020 Finance Law in parallel with the adoption of the Startup Act. These provisions exempt start-ups from certain taxes for the first three years and also give them reduction in registration fees for the creation of companies. Government is also in the process of creating a platform to register start-ups. The launch of the act creates confidence amongst both the enterprises and investors with the start-ups being able to test and refine their business models in the first three years of operations without worrying about taxes.

[70] Discussed in the text box below

Although some financial incentives for philanthropists exist in some of the countries, awareness of the same is low, and the process of applying for exemption is lengthy.

The stakeholders interviewed acknowledged that there are few tax incentives to encourage philanthropy for both the organisations making donations and the non-profits. However, awareness of these incentives and the complicated and tedious process of applying for these tax exemptions remain as crucial challenges.

> *"While tax incentives for philanthropy exist in Nigeria, most of the players are not fully aware of them while others find the process of applying for exemptions very tedious and lengthy".*
>
> *Ecosystem Support Organisation (ESO) in Nigeria*

While well-defined policy and regulations have supported social investments in certain sectors, in other sectors, they have proved to be prohibitive.

Extractive and oil and gas sectors are key GDP contributors in most countries in the region. These sectors have seen governments working with the corporates to promote sustainable business practices, which has also enhanced corporate social investments to support the communities along the value chains of the corporate's operations. In the agriculture sector, the government in Nigeria has established schemes offering low-cost finance for agribusinesses, which, according to some stakeholders interviewed, crowds out private investors. Furthermore, the Central Bank of Nigeria's conservative regulation of mobile money and banking licenses limits the growth of capital to financial technology (Fintech) companies.

Table 10: Overview of Existing 'Tax Incentives for Philanthropy/Charitable Giving' across the Focus Countries

NIGERIA	GHANA
Companies donating to organisations with charitable status enjoy tax deductions of up to 10% of their total annual profits.	Corporate entities and individuals engaging in corporate social activities to charitable organisations are tax-exempt.
Profits of any company engaged in charitable activities are exempted from income tax provided such profits are not derived from a trade or business conducted by the organisation.	The income accruing to or derived by a charitable organisation is exempted from tax. However, the exemption does not apply to income accrued or derived by the organisation e.g. sale of goods, operation of the commercial bookshop, commercial transport etc.
Any goods purchased for use in donor-funded humanitarian projects are zero-rated for VAT.	
Tax exemption for start-ups with annual revenues of ~US$ 65,000 (₦25 million) from paying taxes	
SENEGAL	**LIBERIA**
Charitable activities related to health and education sectors are tax-exempt.	Charitable organisations are exempted from tax for property income and income from a business that is not related to the function constituting the basis for the organisation's exemption
Companies investing at least US$ 31,479 (XOF 15 million) in the social sector (including activities related to health, education and training) are exempted from customs on imported equipment for 3 years; receive a 3-year deferral on payment of VAT; receive a reduction of 50 percent of taxable income for 5 years for up to 40 percent of the investment; and are exempted from payroll tax for up to 8 years.	
IVORY COAST	**SIERRA LEONE**
The law provides for 100% duty and tax exemption for the import and export of food and non-food items by UN agencies and NGOs	Registered non-profits are exempted from tax. Incomes are tax-exempt for private foundations, corporations, community chests, funds and foundations organised and operated for religious or charitable purposes.
Specific incentives on charitable giving were not identified.	Deductions of up to 15% of the taxpayer's taxable income are made for philanthropic contributions

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

> *"The Government of Nigeria has put in place some policies that promote access to low cost financing for certain sectors e.g. the Commercial Agriculture Credit Scheme (CACS) enables agribusinesses to access low cost loans - 9% from financial institutions. This crowd outs private investors as well as investors in the sector mainly offering equity since they are not able to competitively price the debt".*
>
> *Ecosystem Support Organisation (ESO) in Nigeria*

The use of a regulatory innovation, known as a "regulatory sandbox", is growing in the region, particularly in the financial services sector.

A regulatory sandbox enables innovators to incubate and test their products within a relaxed and regulated environment. In West Africa, Sierra Leone and Nigeria are the pioneers in the development and implementation of regulatory sandbox frameworks. The Central Bank of Nigeria and Bank of Sierra Leone (BSL) have both set up policies defining regulatory sandboxes to facilitate the growth of innovations without suffering from over-regulation. The use of regulatory sandboxes is increasingly becoming crucial in the evolution of social enterprises, especially in heavily regulated sectors like financial services.

5.2 ECOSYSTEM SUPPORT FOR SOCIAL ENTERPRISES

This section outlines key business ecosystem support trends for social enterprise and start-ups. It also outlines the impact measurement tools and standards adopted by social investors.

5.2.1 KEY ECOSYSTEM SUPPORT TRENDS

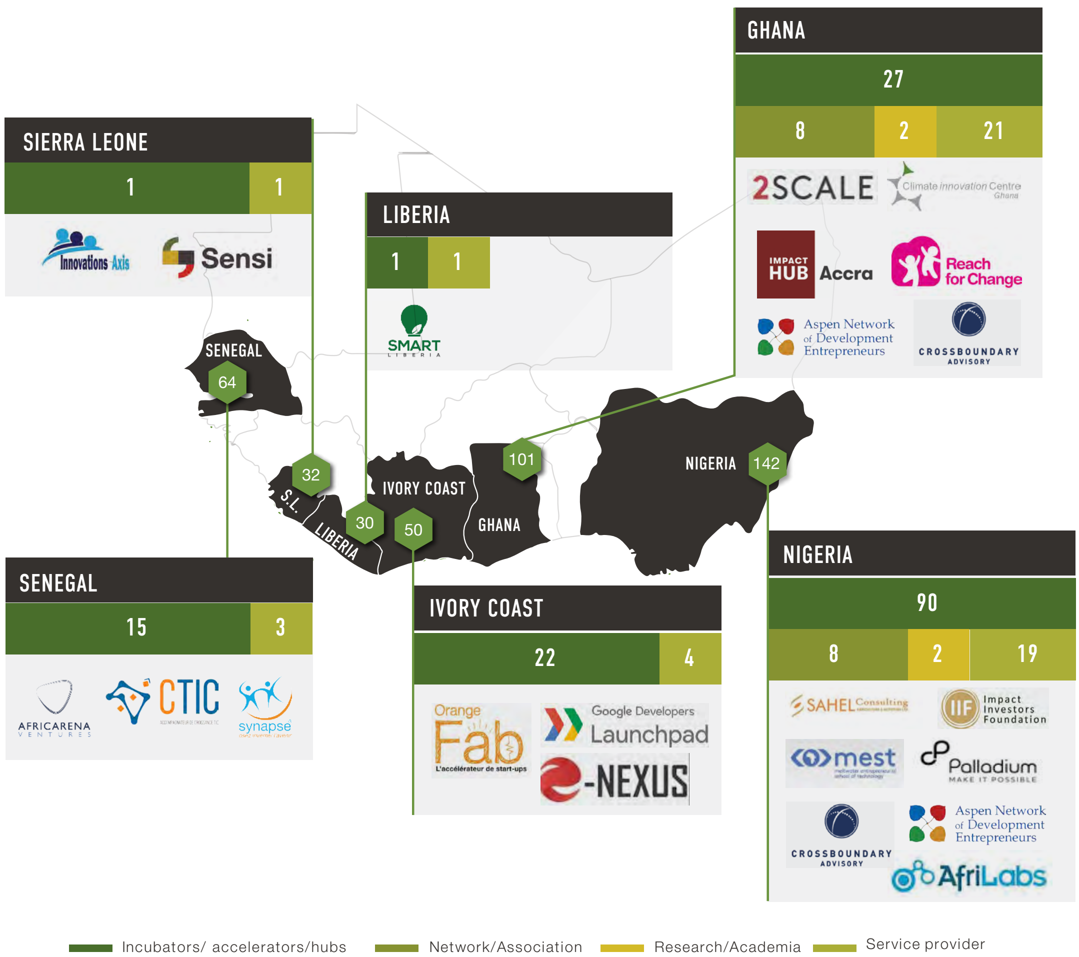
Ecosystem support providers in the region are located mainly in Nigeria and Ghana, given the thriving start-up ecosystem in these countries.

There are several ecosystem players in the region supporting social investing and social entrepreneurship - more than 50%[71] of these are located in Nigeria. The concentration of the ecosystem players in the major urban areas such as Accra, Lagos, and Abuja limits the support available to the start-ups in the Tier 2 cities and rural areas.

Ecosystem support is geared mainly towards the incubation of tech-based early-stage enterprises

Innovation hubs—Incubators, accelerators, and co-working spaces—dominate the ecosystem support environment with incubators accounting for 52%[72] of allthe innovation hubs in the region. Incubators are

Figure 47: Map of Ecosystem Players



Source: Intellecap Database, incubators/accelerators/hubs data derived from AfriLabs and Brighter Bridges report on Africa innovation labs

[71] Intellecap analysis
[72] GSMA: Tech Hubs Landscape 2019

preferred and manage to get more funding in the region. This is particularly so because donors, mostly funding Ecosystem Support Organisations (ESOs) in the region, have a high focus on solving youth unemployment challenges; they prefer to support incubators, which, in turn, support early-stage businesses, usually founded by youth. Over emphasis on the incubators over accelerators limits the ability to catalyse the enterprises' growth process to an investor-ready stage. While research and advisory service providers such as Dalberg, Center for International Private Enterprise (CIPE), PwC, KPMG, and Venture Garden Group (VGG) offer technical assistance services to these later-stage businesses, the services are mostly not affordable for SMEs. As highlighted in subsequent sections, most of the investors in the region have been raising TA funds[73] to support their investees.

An ***accelerator*** is a structure that supports relatively established/growth stage ventures to achieve scalability and self-sufficiency through 6-9-months programs that deliver bespoke advisory services, mentorship, networks, and funding (in cash or in-kind).

An ***incubator*** is a structure that supports early-stage start-ups to refine their business models and value proposition through workshops and hands-on training, networking, and investment readiness support.

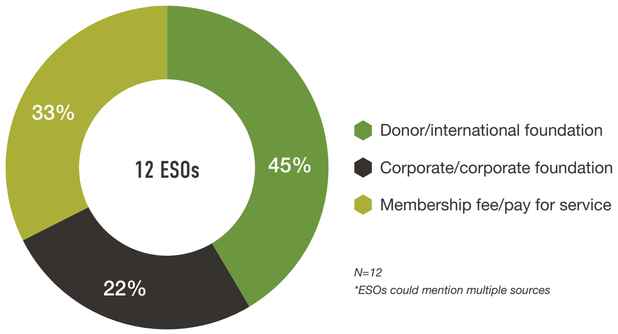
Most of the support provided to early-stage businesses is usually generic i.e., non-sector specifc.

Most of the ESOs operating in the region are sector-agnostic and thus provide generic support. There is a need for more organisations customizing support to sectors, thus being able to address key business challenges. Some sector-focused ESOs like 2SCALE (focused on agribusinesses) have emerged in recent years.

Most of the funding for the ESOs comes from donors and foundations; some ESOs are also engaging in alternative funding models to ensure financial sustainability.

Donors and international foundations have been at the forefront of funding incubators and accelerators, financing both their operations as well the programs they run. Examples include MEST funded by the Meltwater Foundation, 2SCALE funded by the Directorate General of International Cooperation of the Dutch Ministry of Foreign Affairs (DGIS/IGG) and Reach for Change in Ghana funded by GIZ. The high dependency of ESOs on donors raises questions on long-term sustainability of these support programs, as these are unable to survive once the donor withdraws their support. Furthermore, anecdotal information suggests that donors prefer to fund new incubators/accelerators rather than refunding existing ones; this has resulted in the mushrooming of many of these players in the region whose quality cannot be always guaranteed. ESOs, however, are adopting a pay-for-service and membership fee model to boost their funding. With the exceptions of few such as ANDE, most have not been successful in developing a fee-model that is affordable for enterprises. It can be attributed to the inability of enterprises to pay for such services, as well as the failure to see value in services provided by ESOs.

Figure 47: Sources of Funds for ESOs



Source: Intellecap Analysis

A higher number of early-stage investment bankers or financial intermediaries, focusing on early-stage impact are needed in the region – a need common across Africa

Early-stage businesses lack knowledge about the type of capital that is right for them as well as information on where to look for such capital i.e. appropriate funding sources. Additionally, these enterprises have limited understanding of the due diligence process and lack proper documentation (financial statements, and business plans) required for the process. On the other hand, fund managers often express finding an investable pipeline of early-stage businesses as a key challenge in deploying the capital. The transaction costs of finding such early-stage businesses are usually very high, and fund managers do not want to allocate high upfront due-diligence costs in potential future portfolios. This, in turn, leads to a larger number of co-investments into businesses already funded by other social investors, rather than surfacing of the new pipeline. Investment bankers or financial intermediaries play a crucial role in building the pipeline, making the enterprises investor-ready. 17Africa, based in South Africa, is currently putting together a toolkit for investment bankers on efficiently supporting the impact space.

Lack of such ecosystem support organisations limits the flow of capital to early-stage businesses. While incubators and accelerators can offer such services, most of the incubators and accelerators are donor-funded and lack the flexibility to deliver outside the agreed scope. Furthermore, incubators and accelerators lack connection to early-stage investors as they focus primarily on capacity building of the enterprises. Therefore, there is a need for more transaction advisors to bridge the gap that currently exists.

Several TA models are emerging based on the funding structure and the models of delivery

Significant gaps in TA for key areas like impact measurement, the theory of change, fundraising, and revenue strategies remain in the region, with an inadequate number of experienced service providers available. Most businesses require assistance in fundraising and revenue strategy. Thus, more support providers focusing on these needs are needed. Furthermore, 'measuring and managing impact' is critical for venture philanthropy and impact investing. This has seen increased efforts from investors in building the capacity of enterprises in these areas.

While BDS providers are mostly leveraged to provide TA services, some investors also leverage their staff to build the capacity of their investees. Additionally, some of the investors take a board seat, which helps them to monitor the strategic and operational direction of the business. In the agriculture sector, TA providers extended their services to include farmer-training programs. Investors mostly provide funds for TA services, although some investors have also adopted co-investment models where enterprises provide some part of the TA costs.

Figure 49: TA Funding Models in West Africa

Source: Intellecap analysis based on primary interviews

Table 11: Summary of Social Enterprise Trends across the Focus Countries

ECOSYSTEM CATEGORY	NIGERIA	GHANA	IVORY COAST	DESCRIPTION
Incubators and early stage support	High activities with increasing number of players	Moderate activities and number of players witnessed	Moderate activities and number of players witnessed	• High concentration of ESOs in Nigeria and Ghana given the thriving start-up ecosystem. However, capacity and sustainability challenges limit their effectiveness. Furthermore, the ESOs mainly operate in the main cities. • Most incubators also offer generic support/not sector-specific majorly to tech based early stage enterprises.
Accelerators and TA providers	Moderate activities and number of players witnessed	Moderate activities and number of players witnessed	Minimal to no activities witnessed	• Limited support exists for growing ventures/SMEs with few number of affordable accelerators and TA providers operating across the countries. • A high gap has particularly been witnessed for early stage investment bankers/ financial intermediaries
Networks and platforms	Moderate activities and number of players witnessed	Moderate activities and number of players witnessed	Minimal to no activities witnessed	There are a number of growing and well-established networking platforms in the region e.g. ANDE, Impact Investors Foundation, AfriLabs promoting impact investments and social entrepreneurship.
Knowledge and research	Moderate activities and number of players witnessed	Moderate activities and number of players witnessed	Minimal to no activities witnessed	There is a big challenge in data access especially on philanthropy and venture philanthropy. Academic centers for teaching and researching on philanthropic activities are also almost non-existent.

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

5.2.2 IMPACT MEASUREMENT AND MANAGEMENT FOR SOCIAL INVESTMENTS IN THE REGION

While the importance of impact is acknowledged, the definition, measurement, and management of impact remain varied across the social investor categories.

Various standards, frameworks, and tools are used to collect and measure impact in the region. Key frameworks and tools used include IFC and World Bank environmental safety guidelines, Gender Assessment Methodology tool, Impact Reporting and Investment Standards (IRIS). A substantial number of investors also use internally developed tools and frameworks—most investors in the region leverage the SDG and IRIS metrics. Impact measurement methodologies vary across sectors e.g., for the microfinance sector, social performance indicators are used; for the agriculture sector, standards set by international bodies such as Fair Trade, Rainforest Alliance are used. The focus of impact measurement is also shifting from output measurement to outcome measurement.

SFMs, DFIs, and international foundations use globally standardized impact measurement tools while many regional foundations measure on-ground impact using their own metrics and tools.

DFIs leverage standard global tools and metrics such as IRIS and GIIRS, and customise to suit specific sector requirements. Similar to DFIs, SFMs also refer to internationally recognized metrics and incorporate those into their in-house impact management systems. Most of the SFMs assess the progress of the investees on a fixed frequency (quarterly, annually). For example, Grofin works on different impact indicators that are aligned with GIIN metrics; it encapsulates these into its in-house impact management system and collects impact data from its portfolio companies. Wangara Green Ventures refers to UN-SDG and IFC environmental, health, and safety (EHS) guidelines to develop its in-house impact assessment tool, and collects data from investee reports annually. A few SFMs, such as Women World Banking Asset Management and Gray Matters Capital, also include gender-lens in their impact measurement metrics. Many international foundations develop their customized metrics and procedures to measure impact. For instance, Mac Arthur Foundation does quarterly meeting with the grantees, engage impact measurement professionals, and evaluates as per the pre-defined parameters. Angel investors do not focus much on the measurement of the impact.

The usage of impact data for decision-making remains limited.

Most of the investors and businesses in the region are generally focused on impact measurement with little focus on impact management i.e. leveraging the impact data collected to make decisions for the growth of the company and the scaling of impact.

SPOTLIGHT: IFC'S ANTICIPATED IMPACT MEASUREMENT AND MONITORING (AIMM) SYSTEM

IFC's Anticipated Impact Measurement and Monitoring (AIMM) system developed in 2017 enables the funder to estimate the expected development impact of their investments, so as to set ambitious yet achievable targets, and select projects with the greatest potential for financial sustainability and development impact. In addition, the system also allows IFC to examine the systemic effects on the overall market. It looks at how a project affects stakeholders and examines the broader effects on both the economy and society.

5.3 ECOSYSTEM SUPPORT FOR NON-PROFITS AND PHILANTHROPY

The region boasts of several forums, networks, and membership organisations for social enterprises and investors, there however, exists minimal support for philanthropy.

Member organisations and networks help foster collaboration and knowledge sharing between the demand, supply, and ecosystem players in the social investing space. On the philanthropy front, however, only a few such organisations such as Ghana Philanthropy Network, Africa Grant Makers, Africa Philanthropy Forum, Africa Philanthropy Network, and African Venture Philanthropy Alliance, were identified.

Non-profits require customized support to improve their business efficiency and transition into more sustainable business models.

Unlike social enterprises that have access to more structured capacity-building support, capacity building support for non-profits remains less bespoke. It is mainly provided through classroom-based training partly - due to lack of funds. With the increasing push for the sustainability of non-profits and the need to establish innovative and sustainable models, NGOs require customized capacity building support on topics such as potential new models, prototyping of models, strategy development and implementation, and investment readiness support.

The region lacks adequate advisory service providers supporting grant makers in their transition towards venture philanthropy and impact investing.

The region lacks enough ESOs offering advisory support for strategic mobilisation and deployment of philanthropic funds. Such ESOs are needed to provide strategic support to these philanthropists, guiding them on how to leverage innovative finance structures for maximizing the impact of their grant capital. Advisory services will assist grant providers transition to venture philanthropy and impact investing approaches.

Table 12: Summary of Philanthropy Ecosystem Trends across the Focus Countries

ECOSYSTEM CATEGORY	NIGERIA	GHANA	IVORY COAST	DESCRIPTION
Philanthropy forums, networks and membership organisations				• Only a few philanthropy networks were identified across the region. These include; Ghana Philanthropy Network, Africa Grant Makers, Africa Philanthropy Forum, Africa Philanthropy, and African Venture Philanthropy Alliance
Strategic philanthropy advisors				• The region lacks philanthropy advisors/managers focused on strategically mobilizing and deploying philanthropic funds on behalf of individuals and corporates. Such ESOs are also needed to support philanthropists to leverage innovative finance structures and transition to more sustainable 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

SPOTLIGHT: IMPACT INVESTORS FOUNDATION (IIF) – SUPPORT FOR THE IMPACT INVESTMENT INDUSTRY

Established in 2018, IIF is a multi-sector collaboration comprising the Ford Foundation, Africa Capital Alliance, Bank of Industry and Dalberg Advisors based in Nigeria. It works and collaborates with key stakeholders, active in the impact investing space, to unlock private capital for social investments in Nigeria. In order to achieve this, the organisation focuses on three key areas: providing knowledge sharing and networking platform, capacity building of ecosystem players and policy advocacy. The organisation holds annual convening (currently planning for the 3rd one) to discuss various issues on social and impact investing.

SPOTLIGHT: GHANA PHILANTHROPY FORUM – SUPPORT FOR THE PHILANTHROPY INDUSTRY

Established in 2015, Ghana Philanthropy Forum seeks to strengthen the capacity of CSOs, NGOs, community foundations and other third sector networks in the philanthropy sector. The forum currently has 7,000 members and organises networking sessions, where participants share ideas and learn from one another. Furthermore, the network has a WhatsApp group where 4,000 members actively engaged on issues affecting their organisation and work on finding solution within the group. The key services offered by the network include advocacy for conducive legislation to support members' activities, capacity building specifically training on impact investing and philanthropy. It also runs National Philanthropy Summit annually and Philanthropy National Award.

SPOTLIGHT: AFRICA PHILANTHROPY FORUM – SUPPORT FOR THE PHILANTHROPY INDUSTRY

Incubated by the Global Philanthropy Forum, the Africa Philanthropy Forum was established in 2014 to support the development of the philanthropy industry in Africa. The forum has been working towards building a knowledge base on the philanthropy industry and has developed a toolkit to provide practical knowledge and tools to guide philanthropists in building strong giving frameworks and institutions. It also holds annual regional gatherings bringing together various philanthropists. Furthermore, the networks seek to provide seminars on various areas such as governance, measurement and evaluation. APF has established footprint across 11 countries including Ghana and Nigeria

06

06

RECOMMENDATIONS FOR FOSTERING THE SOCIAL INVESTMENT INDUSTRY

6.1 KEY RECOMMENDATION 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 elements; 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 12: Summary of Key Recommendations

	Recommendations For SI Stakeholders	Priority Level
Recommendations to catalyze diverse and innovative pool of social capital	Enhancing the supply and use of catalytic capital in the region	High
	Enhancing collaboration with the government	High
	Promoting education and awareness of social investment practices	High
	Developing social impact bonds to solve key development challenges	Medium
	Driving shared value collaboration	High
Recommendations to empower organizations delivering social change (demand side players)	Leveraging alternative funding models for NGOs/CSOs	Medium
	Establishment of a technical assistance toolkit and on-site training for NGOs	Medium
	Developing interventions to support human resources (HR) needs of enterprises	Medium
Recommendations to develop enabling environment and infrastructure	Data building and development of knowledge tools	High
	Focused mobilization and deployment of philanthropy funds	High
	Enhancing support for the sustainability of ecosystem support organizations (ESOs)	Medium
	Improving the legal and regulatory frameworks	Medium
	Enhancing impact measurement and management	Medium

6.1.1 RECOMMENDATIONS TO CATALYZE DIVERSE AND INNOVATIVE POOL OF SOCIAL CAPITAL

- **Enhancing the supply and use of catalytic capital in the region:** Catalytic capital in the form of grants, debt, equity, and hybrid models plays a crucial role in seeding, scaling, and sustaining social enterprises. While currently, the demand and supply of catalytic capital in the region has not been fully quantified, several indicators suggest that supply falls short of demand.
    - *First,* over 90% of the investors interviewed indicated that they target market-rate returns, signaling a limited supply of below market-rate capital;
    - *Secondly,* the type and number of investors willing and able to provide such capital are limited;
    - *Thirdly,* a significant proportion of funding continues to be deployed to the same enterprises, an indication of low levels of funds dedicated to growing and scaling of new business models; and
    - *Fourthly,* this research identified significant gaps in the supply of funding at the pre-seed, seed and series C stages.

Several catalytic capital interventions such as AECF, and Catalyst Fund exist in the region. Such initiatives have demonstrated early success with Catalyst Fund 1 unlocking close to US$77Mn in follow on capital while AECF's Connect program has helped facilitate more than US$ 45Mn in follow on capital. Mobilization of catalytic capital from various social investors, particularly locally-based, remains critical to enable impact at scale and enhance financing for local entrepreneurs. 'Local' corporate and family foundations and other local grant makers in the region are particularly better positioned to catalyse more impact investment, especially for the missing middle segment. Greater impact can be realised with targeted support from donors and international foundations through innovative use of their capital. Donors and foundations can 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 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 1: *Catalytic Capital Consortium, launched in 2019 by MacArthur Foundation, in partnership with the Omidyar Network and the Rockefeller Foundation, is an investment, learning, and market development initiative seeking to mobilize catalytic capital. As part of its commitment, MacArthur will deploy up to US$ 150Mn 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 foundation, which 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.*

Example 2: *RSF Social Finance, based in the United States, offers a platform for individuals and institutions (including foundations and family offices) to invest and/or donate funds to social enterprises. RSF uses an "integrated capital" approach to lending, where they bring together different forms of financial capital and non-financial resources to reach and support impact enterprises that might not otherwise qualify for funding.*

- **Enhancing collaboration with the government:** The governments' role in the social investment space in the region has been evolving with the governments, particularly in Ghana and Nigeria, playing a pivotal role in funding the SME and agriculture sectors through guarantees and low-cost debt. Social investors working in these sectors, thus, can collaborate with the government to scale up interventions. Government funds can also be leveraged to de-risk investments in other sectors outlined in countries' national development plans.

- **Promoting education and awareness of social investment practices:** The past decade has witnessed a revolution in ecosystem development and education on impact investing with frequent gatherings held to discuss advancement in the sector. On the other hand, awareness of the innovative methodologies and practice of venture philanthropy, particularly amongst the philanthropy community and corporates, remains significantly low. More engagement, thus, is 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 philanthropists. Structured events on social investments should also be organized in the region, bringing together different players, including social enterprises, investors, and philanthropists. Additionally, there is also a need to introduce innovative finance and social investment training programs in regional universities training institutions.

  Example: *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 center in Africa dedicated to research, teaching, dialogue, and support of social innovations that positively change and challenge rules, policies, technologies, structures, beliefs, and institutions. At present, the center engages in the private sector and public-private partnerships (PPP) in education, health, innovative financing mechanisms, poverty and inequality in Africa. The center 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.*

- **Developing social impact bonds to solve key development challenges:** Social Impact Bonds and Development Impact Bonds (SIBs/DIBS) are considered to be significant investment models that can drive funding into social sectors such as education, health, and youth employment. Evidence of such models in the region is, however, limited, with only a few SIBs in the design and early implementation phases identified. The region can learn from countries such as South Africa, Cameroon, and India, where such models have been implemented in recent years. Foundations based in the region, governments, and donors can be leveraged to pay for the outcomes of the SIB, attracting more funding for development challenges from commercial investors.

  Example: *Bonds for Job South Africa SIB, launched in 2018, seeks to accelerate the transitions of excluded South African youth into growth sectors of the economy through alternative methods of skilling and training. The bond targets to support 6,000 youths over 2 years. It is implemented by Harambee Youth Employment Accelerator, which is tasked with training and placing youths in the workplace. The Hollard Insurance Company Limited, Standard Bank Tutuwa Community Foundation, Brimstone Legacy Fund in partnership with Nedbank & Old Mutual, Clientele Limited, Oppenheimer*

Generations Foundation Limited are the investors to the bond while the outcome payers include Allan Gray Orbis Foundation Endowment, First Rand Empowerment Foundation, Gauteng Provincial Government (Local government), The National Treasury Jobs Fund, Yellowwoods.

- **Driving shared value collaboration:** Investors are often unable to align their objectives, making it hard to collaborate. Thus, there is a need for shared value collaboration amongst investors to deliver more investments for the sector. Such collaborations can be created by leveraging third-party entities that can articulate the objectives of each investor and develop synergies. Sector-specific coalitions that incorporate investors across the continuum of capital, for example, could help bring together multiple investors fromacross the philanthropic and impact investment fields, leveraging different strengths to mobilize funding for the SDGs

  Example: *Africa Grantmakers Affinity Group (AGAG) convenes and connects various funders focused on promoting social development in Africa to build a network of grantmakers engaged in sustainable development. The group aims to drive collaboration and partnerships between the different funders through frequent gatherings and engagements.*

> *"We need to be able to develop a win-win situation for better collaboration; being more strategic, defining what each partner wants and what they can receive from the other partner".*
>
> *Corporate Foundation in Nigeria*

- **Developing a blueprint to harness local sources of capital and diaspora funds:** In addition to faith-based institutions and individual philanthropists, SACCOs, MFIs, and informal investor clubs also play a huge role in supplying social investment. These categories, however, remain overlooked with their potential not fully exploited. Furthermore, despite a large number of diaspora funds into the region, the potential for structured deployment of diaspora funds has not been fully used, with only a few diaspora bonds issued mainly for infrastructure projects. Thus, develop a blueprint for harnessing these sources of capital is needed.

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

- **Leveraging alternative funding models for NGOs/CSOs:** With the declining donor funding to NGOs/CSOs, new and innovative models need to be leveraged to raise and attract more funding to support NGO/CSO activities. Several funding models can be explored leveraging internal sources (models such as consultancy fees, asset building, event organization, 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), founded in 2012, is a non-profit organization to support entrepreneurial and innovative solutions to social challenges in Morocco. Through their Dare Inc. Programme, MCISE select innovative projects and support them with seed funding. In return, they generate revenue in two ways – they can either get back 2% of the profits generated by the social enterprise over a 5 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), seeks to enhance the accessibility of technical assistance support to civil society organizations by developing and deploying easily accessible toolkits and manuals.*

- **Developing interventions to support human resources (HR) needs of enterprises:** Since many social enterprises face challenges in human resources, key players, e.g., corporates, and sector experts, can be leveraged to provide handholding and mentorship support to the enterprises. Corporates, for example, can volunteer to provide their staff for a few months for a secondment in the enterprises. Furthermore, commercial enterprises and corporations can be leveraged for cross-learning and building of skills.

  Example: *Social Starters, based in the UK, focuses on providing linkage between corporates and professionals to social enterprises for provision of support in specific areas, including strategy design and implementation, program management, among others. The company seeks for funding support from various players, including corporates.*

Example: Africa Management Institute (AMI), founded in 2014, AMI offers training programs to equip the leadership and management teams of SMEs. AMI adopts a blended learning approach that leverages interactive virtual workshops, online learning platforms, team-based activities, on-the-job practice, and real-time feedback to equip the leaders and managers with various skills.

6.1.3 RECOMMENDATIONS TO DEVELOP ENABLING ENVIRONMENT AND INFRASTRUCTURE

- **Data building and development of knowledge tools:** One of the critical limitations for the social investment space across all the focus countries is inadequate latest data and knowledge availability. Notably, the disparate sources of data on philanthropy, corporate social investments, venture philanthropy, and impact investments make it difficult to drive collaboration. Furthermore, key challenges have been identified in building pipeline and identifying co-investment opportunities for different social investors. Continuous research on the sector can provide data-backed evidence on success models, identifying additional opportunities for strategic interventions amongst key social investors. Information gathered can further be leveraged to set up performance benchmarks related to outcomes that can contextualize different investment strategies. A data portal that brings together different types of investors would enable more collaboration along the continuum of capital and can be leveraged to collect data on the different investors.

  Example: Asia Venture Philanthropy Network (AVPN) deal share platform seeks to bridge the gap between supply and demand for social investments in Asia. The platform displays funding and collaboration opportunities for its members (providers of financial and non-financial capital). AVPA is also in the process of launching the deal share platform for Africa.

  Example: European Venture Philanthropy Association (EVPA) knowledge center conducts regular research, data, and insights gathering and documentation of impactful stories

- **Focused mobilization and deployment of philanthropy funds:** Currently, most philanthropic organizations deploy funds individually and in an ad-hoc manner. There is a need for support organizations in the form of "philanthropy advisors/managers" that can mobilize and deploy such funds in line with the objectives of the philanthropists. Such players can also be leveraged to raise awareness on venture philanthropy practice and ensuring a balanced portfolio between philanthropy and venture philanthropy for the philanthropists. Besides, they can advise on co-investment opportunities for philanthropists and promote engagement between them and impact investors to drive the development of blended finance funds.

  Example: FNB Philanthropy Centre in South Africa was set up to provide support and guidance to individual and institutional philanthropists on the execution of their philanthropy agenda. To date, FNB Philanthropy Rand 11Bn (approximately US$ 583Mn) as assets under management (AUM), about 70% of this directed towards education and youth development programmes. Currently, the centre supports over 200 clients, including corporate, SMEs, individuals etc.

- **Enhancing support for the sustainability of ecosystem support organizations (ESOs):** ESOs capacity to deliver various services, including incubation and capacity building, remain limited in the region due to barriers such as talent attraction and retention, impact measurement, the efficiency of internal operations, and time/budget to develop, test and enhance products and services. Furthermore, support to businesses outside the main cities in Nigeria (Lagos) and Ghana (Accra) is almost non-existent. Ecosystem support in other countries like Senegal, Liberia, Sierra Leone, and Ivory Coast is growing, albeit at a slow rate. Current funding sources for the ESOs are also limited and unsustainable. Regional foundations, donors, as well as international foundations, could allocate additional funding to ensure the sustainability of the ESOs, e.g., through subsidizing ESOs services. ESOs could also be used to deploy seed/grants to enterprises on behalf of philanthropists. Funds can also be used to build the capacity of the ESOs e.g. through training of their staff.

  Example: NextGen Ecosystem Builders Program is a management-training program launched by Village Capital and Africa Management Institute (AMI) and funded by the Dutch Good Growth Fund (DGGF). The program aims to build the capacities of mid-level managers who lead programs or departments and are responsible for the successful implementation of services/programs for entrepreneurs.

> *"A good number of entrepreneur support organisations (incubators/accelerators) are available; however, they lack financial resources to invest in early stage companies to drive growth of the enterprises".*
>
> *SFM in Ivory Coast*

- **Improving the legal and regulatory frameworks:** Governments in the region need to put in place critical supply, demand, and ecosystem level regulations that boost the performance of a sector. Proposed rules and policies include:
  - *Start-up Act:* A start-up act such as the one developed by Senegal has the potential to further innovation and entrepreneurship, outlining legal conditions for registering social enterprises as well as tax policies and incentives to promote the growth of the industry.

- *CSI policies and laws:* Governments should put in favorable policies to motivate corporate giving, leveraging on best practices, and learnings from countries such as India and South Africa that have successfully implemented such policies.

- *Tax incentives for philanthropy:* There is a need to enhance the accessibility of information on tax incentives applicable to philanthropy. Furthermore, the process of applying for tax exemption needs to be streamlined and simplified, e.g., through an online application.

- *Regulatory sandboxes:* The West Africa governments can further enhance the frameworks for the adoption of regulatory sandboxes aimed at providing an environment to incubate innovations and test the products within a relaxed and regulated environment.

- **Enhancing impact measurement and management:** Impact measurement and management remain varied across social investor categories in West Africa. While DFIs and SFMs leveraged internationally recognized and accepted tools and approaches, many regional investors rely on in-house tools and techniques for impact data collection and measurement. Moreover, social investors often focus more on outputs than outcomes. Further engagement in defining, measuring, and managing impact is crucial to determine the actual impact created. There need to be a clearly defined process and approach to measuring impact amongst social investors in the region.

  Example: *European Venture Philanthropy Alliance (EVPA)'s impact measurement and management framework has developed a five-step process to measure and manage the impact that can be applied by both investors and investees.*

6.2 SCOPE FOR FUTURE RESEARCH

The limitation of data on social investments, particularly on philanthropy, venture philanthropy, and corporate sustainability programs across the region, is substantial. This inaugural report seeks to begin, in broad strokes, to develop a picture of the sector. The comprehensiveness of information across countries and investor categories also varies widely. While the information on some countries – e.g., Nigeria and Ghana – is relatively comprehensive, information gathered on the other geographies remains inadequate. Furthermore, while comprehensive information exists on private fund managers, DFIs, and international foundations, limited data are publicly available for locally headquartered social investors. This study featured insights and data collected from regional social investors through primary interviews and surveys. However, more comprehensive in-depth data collection is needed for each of the regional investor categories: foundations, family offices, corporates, faith-based organizations, and others. While the reported data were useful in identifying broad trends and regional and national differences, they also leave much scope for further research. Key areas recommended for future research include:

- Blended finance and catalytic financing mechanisms have demonstrated ways in which various players can collaborate to mobilize capital for different social causes. In-depth analysis is required to understand which structures work best in which sectors and how those can be structured to maximize impact. Blended finance has also primarily been leveraged for larger deal sizes; therefore, there is a need for research on blended and innovative finance for smaller transactions at the early stage enterprise stage.

- More analysis is required to understand the role of policies aimed at promoting corporate sustainability, benchmarking against countries that have launched such policies, e.g., South Africa and India, and providing recommendations on critical considerations for such policies in the region.

- Governments in the region were identified as key players in the social investment space. Additional analysis is required to understand priority setting by government and identify potential collaboration mechanisms with other social investors.

- Data and information on faith-based giving in the region remain inadequate and could not be comprehensively covered during this research. While the general understanding is that religious institutions are highly involved in philanthropy, the extent of these activities and impact generated is not documented. Furthermore, religious-based NGOs and CSOs also exist in the region. Thus, it will be important to understand how they operate, including their fundraising strategies, operational structures, and their inherent strengths for engaging with other social investors to solve development challenges such as healthcare in remote rural areas.

- While this research attempted to present some of the activities of West Africa based foundations, it does not in any way depict the full picture as most of the philanthropic giving in the region is kept highly private. The research faced challenges in gathering relevant information in Ghana and Ivory Coast, where philanthropic activities are not as pronounced as in Nigeria. Continuous engagement with foundations based in the region through dialogues and the development of collaboration platforms for shared value can create more collaboration amongst investors. Frequent data gathering e.g. through annual surveys, will thus be essential.

- Technical Assistance for NGOs and social enterprises has been identified as a critical requirement for enhancing their impact and sustainability, and investors are increasingly adopting various TA models. It will be important to study various TA models to understand which ones are more effective and for which sector.

- Detailed research on the different models adopted by foundations and grantmakers transitioning into impact investing is needed as well as documentation of best practices that can be leveraged in the adoption of the innovative models.
- Demand-side research was mainly desktop-based; thus, it will be important to engage with social enterprises and NGOs to understand their changing needs further.
- Key learnings from the Coalition Against COVID-19 (CACOVID)[74] approach need to be documented to draw in relevant insights on how such collaborative arrangements can be leveraged to not only respond to national disaster but also to address social challenges facing the region at scale.

[74] Coalition Against COVID – case study outlined in Annexure 3

Annexure 1:

CASE STUDY: YOUTH EMPLOYMENT

THE CHALLENGE:

With increasing outbursts of terrorist activities and conflicts in the region, youth unemployment poses a significant challenge and creates a political-security issue in most West African countries.

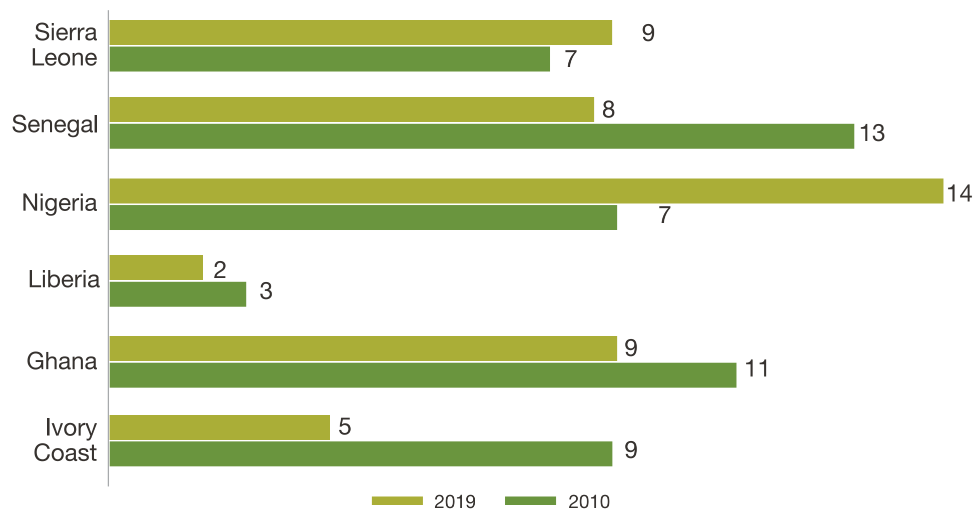
Youths aged 15-24 years across the focus countries form a significant proportion (averaging **40%**) of the population[75]. Yet, a considerable number of youths in the region are currently not engaged in any productive activity with the 'Youth Not in Education, Employment or Training (NEET)' averaging **24%** for the focus countries. This situation is worse for female youths, which could be attributed to aspects such as early marriages and childbirth that are common in the region. Furthermore, youth unemployment levels are almost double the adult rates in some countries like Nigeria, where it increased between 2010 and 2019. Youth unemployment, compounded by a fragile political environment, has resulted in young people engaging in armed conflict for survival. For instance, young people are increasingly joining the Boko Haram group in Nigeria. Many of these youths coming out from conflict situations remain unemployed as they have inadequate skills and are not well prepared for the job market. However, incidences of civil wars and large-scale conflicts have decreased in recent years, with countries such as Ghana, Senegal enjoying relative political stability over the past decade.

Critical challenges to creating employment for youth in the region can be seen across three levels: Demand – lack of enough jobs for the working-age population; linkages – difficulties in connecting skilled youths with employers; and supply – many youths lack the skills required by employers.

Access to quality education is one of the major contributing factors resulting in the unequal participation of youth in the labor market. Youth literacy levels in the focus countries are higher than the national adult literacy levels but lower than the SSA, with the lowest rates witnessed in Ivory Coast. Besides, there exists a vast mismatch between the education system and the skills required for the labor market. Furthermore, annual jobs created across the focus countries are not enough to absorb all the youths joining the labor market. In Nigeria, for example, jobs created on an annual basis are mainly in the informal (61%), formal (33%), and public (5%) sectors[76]. Hence, youth are mostly absorbed into agriculture and the informal job economy – both of which are characterized by less structure and organization, increasing the chances of underemployment and unfavorable working conditions. Sixty-five percent of workers employed in agriculture in the region are young people; 70%[77] of those who live in rural areas.

Figure 50: Youth Unemployment Rates

Nigeria & Sierra Leone has seen increase in youth unemployment rates in last 10 years



Indicator: Youth unemployment (% of total labor force 15-24 years)
Source: World Bank Development Indicators

[75] World Bank Development Indicators
[76] Youth Employment Needs in Nigeria, 2019
[77] IOM UN Migration: Youth, Employment and Migration Strategy in West and Central Africa, 2018

Figure 51: Youth Unemployment and Literacy Rates

Source: World Bank Development Indicators

KEY PLAYERS AND INTERVENTIONS FOCUSED ON YOUTH EMPLOYMENT

Given the dire situation of unemployment; jobs, and livelihoods creation for young people are consistently at the top of the development agenda in virtually all the focus countries.

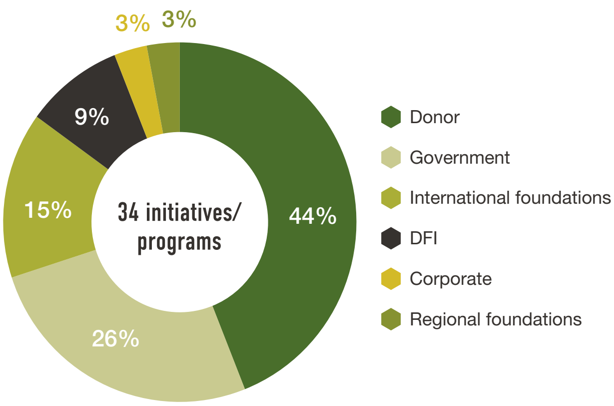
Donors and governments have mainly driven Youth-focused interventions in the region. Estimated ***US$ 1.9Bn*** youth-focused projects are currently being implemented in the focus countries by various investors. The prominent donors such as GIZ, World Bank, and DANIDA are currently implementing 14 projects accounting for more than ***70%*** of the value of all projects.

Since youth employment is a critical political issue for most of the countries in the region, donors and foundations prefer to implement the support programs through government agencies to bring enhanced accountability and responsibility from the government. Furthermore, many governments have established state-run and financed agencies and programs to support youth development through ***capacity building and low-cost financing.*** These include Lagos State EmploymentTrust Fund (LSETF), N-Power program Nigeria, Government Enterprise and Empowerment Program (GEEP) Senegal, National Youth Employment Program (NYEP) Ghana, and Youth Ignite Program Nigeria.

44%

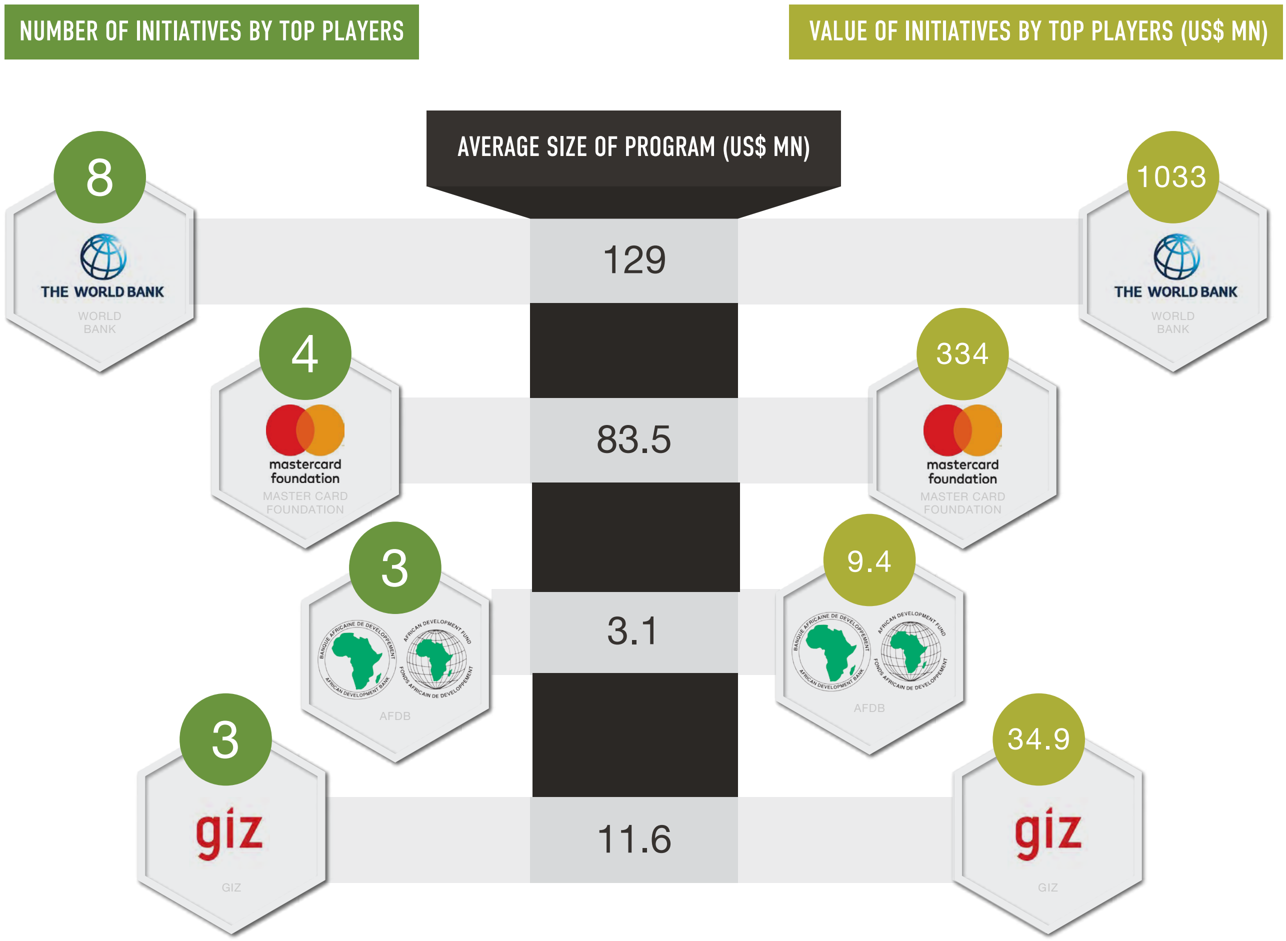
of youth empowerment programs in the region are supported by DONORS.

Figure 52: Youth Empowerment Programs by Type of Funder



Source: Intellecap Analysis

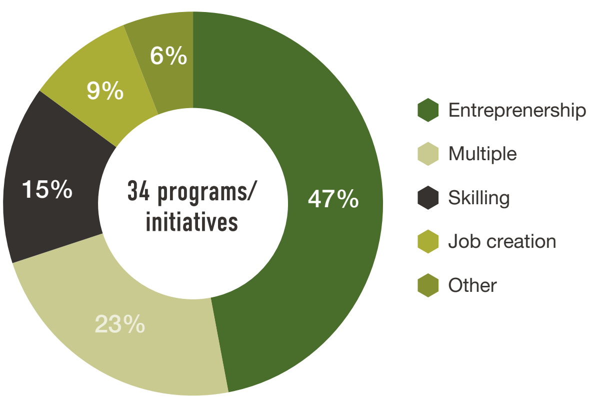
Figure 53: Overview of Key Players/Funders in the Youth Employment Space



Most youth employment interventions in the region focus on the supply side – through skilling and entrepreneurship development.

Youth employment interventions in the region have focused mainly on supply-side and have taken four forms – skilling, upskilling and apprenticeship, entrepreneurship development, employability programs and job creation. Investors working on these interventions primarily focus on skilling and entrepreneurship development because of the shortage of jobs in the region and the need for enhancing entrepreneurship. The programs mostly adopt a medium-term approach with a 5-10-year implementation timeframe for most of them.

Figure 54: Youth Empowerment Programs by Type of Initiative



1. Skilling, upskilling and apprenticeship programs: Supporting vocational training and skills development

The education system in the focus countries is mainly focused on providing education for the formal sector and, thus, skill development is almost non-existent for the informal sector. While technical and vocational training institutes providing practical training in areas such as carpentry, masonry, tailoring, among others exist, they face financial, human, and infrastructure constraints, which compromises the quality of training as well as the number of trainees. Such include Ghana Jobs and Skills project, improving youth employability through an informal apprenticeship in Senegal, and Innovation Development and Effectiveness in the Acquisition of Skills (IDEAS) in Nigeria.

2. Entrepreneurship development: Supporting young entrepreneurs

With limited opportunities for formal employment, entrepreneurship and business creation remain critical in enhancing the livelihoods of young people in the region. The region has experienced rapid growth of the start-up economy, which is mainly driven by tech-savvy young people, and consequently, more programs to support youth entrepreneurship have been launched. These include the Tony Elumelu Foundation (TEF) Entrepreneurship Program, MasterCard Foundation Young Africa Works initiative, and the Pro-Poor Growth and Promotion of Employment in Nigeria.

3. Employability programs: Facilitating the transition from school to work

Despite the large number of youths entering the job market in the West African countries every year, the countries still face a significant shortage of skilled, market-ready labor. The skillset, education levels, and experience offered by many young jobseekers in the region are not sufficient even for the limited number of jobs available in the formal economy. Consequently, most corporates in the region have reported difficulty finding employees with the required skills. Additionally, the education system in most of these countries is theory-based, leaving students with hardly any practical experience. Organisations such as KPMG, Shell, GT Bank, Huawei, DHL, among others offer graduate trainee programs where fresh graduates are trained in various fields.

4. Job creation: Incentivising the public and private sector to generate more jobs

Social investors have supported initiatives tackling the issues of the inadequate supply of jobs for the youth, although this has been done on a small scale – the governments mainly lead it. The Nigeria, N-Power volunteer corps – a two-year youth volunteer programme is an example where young people undertake their tasks in identified public services across four areas: agriculture, healthcare, education, and taxation. Additionally, the Youth Employment Agency in Ghana set up a large aquaculture project in the country intending to employ youths.

Figure 55: Overview of Key Youth Employment Initiatives across the Countries

Several social investors have collaborated to scale up youth empowerment projects.

The government funds and other social investors have developed structured collaboration strategies for the sector. For example, Lagos State Employment Trust Fund (LSETF) in Nigeria partnered with donor institutions i.e. UNDP and GIZ, to implement youth training programs and with corporates like VISA to run hackathons for micro start-ups. It has also partnered with Access Bank for pipeline development. UNDP also partnered with Tony Elumelu Foundation (TEF) to scale up the TEF entrepreneurship program (initially focused on reaching 10,000 entrepreneurs) to reach an additional 100,000 African entrepreneurs.

SPOTLIGHT: INNOVATIVE COLLABORATIVE FINANCING STRUCTURES IN THE YOUTH EMPLOYMENT SPACE

Tony Elumelu Foundation (TEF) Entrepreneurship Program (Nigeria – but targets entrepreneurs across Africa)

In 2015, TEF launched the US$ 100Mn entrepreneurship program seeking to support 10,000 African entrepreneurs by 2025 through the provision of seed capital (grants and low-cost debt), business support, and access to mentors Further in 2019, the foundation partnered with UNDP to scale the program aiming to empower an additional 100,000 young African entrepreneurs. The partnership aims to support enterprises by leveraging UNDP's YouthConnekt program, which connects youth to mentors. To date, the program has supported 7,520 entrepreneurs across Africa with ~US$ 37Mn disbursed. Additionally, 2,100 entrepreneurs have been supported under TEF-UNDP partnership with a total of US$ 10.5Mn disbursed in grants.

General Delegation for Rapid Entrepreneurship (DER) – Senegal

Launched in 2018, DER is an initiative of the Government of Senegal that aims to provide TA support and finance Senegalese entrepreneurs. The Government of Senegal has committed a budget of US$ 5Mn every year until 2023 to the fund. In 2019, DER partnered with GreenTech Capital Partners – a German-based investor. Under the partnership, the two entities will provide capacity building support and will also co-invest into digital start-ups in the country. Through its innovation fund, the DER has already invested in more than 44 start-ups.

CHALLENGES FACING ORGANISATIONS WORKING IN THE YOUTH EMPLOYMENT SPACE

Social organizations, such as NGOs and social enterprises, as well as investors and funders focusing on the youth employment space, face several challenges that hinder the operations and effectiveness of the programs.

Challenges faced by social organizations and enterprises focused on enhancing youth employment

- ***Lack of tailored financing support for youth businesses:*** While support organisations provide capacity building and mentorship support services to drive entrepreneurship amongst youths, they often don't have access to finance with limited to no tailored financial support provided by financial institutions. Furthermore, financial institutions such as microfinance institutions, SACCOs, and banks have credit underwriting and collateral requirements that also limit their access to finance. Consequently, this derails entrepreneurship-building efforts among the youths.

- ***Lack of an enabling regulatory environment for youth businesses:*** Across the countries, there is a lack of incentives to start and operate youth businesses. For example, early-stage youth businesses are still expected to pay taxes with minimal support from governments for the growing and scaling of the companies. The introduction of incentives such as free business registration, tax holidays, etc. would drive the growth of youth-owned businesses.

- ***Geographical reach:*** Youth employment and entrepreneurship promotion organizations and youth programs are mostly based in urban areas, yet close to 70%[78] of the youthful population reside in rural areas. Support to youths in rural areas is limited by factors such as inadequate infrastructure and connectivity like mobile and Internet connection and lower literacy levels and entrepreneurial spirit. Most of the programs also tend to focus on the formal sector when most of the opportunities exist in the informal sector.

- ***Funding sources: Most of the programs identified*** across the focus countries rely primarily on external financing from donors and international foundations, which can jeopardize sustainability, given the decreasing levels of international funding. Raising funds locally is often challenging, with the contributing philanthropic institutions spread thin across multiple competing social causes e.g., health and women empowerment.

- ***Mentor fatigue:*** Most programs rely on business professionals to participate as judges, consultants, and trainers to offer mentorship support to the youth entrepreneurs. These professionals often do not receive any financial compensation and are thus unable to provide pro bono services year after year even though they believe in the concept and importance of the initiative.

[78] IOM UN Migration: Youth, Employment and Migration Strategy in West and Central Africa, 2018

Challenges faced by investors and funders supporting youth employment

- ***High transaction costs:*** Most of the youth businesses are categorized as micro or small and thus have lower financing requirements. The proportion of transaction costs to loan value is, therefore, significantly higher for these loans discouraging financial institutions from financing these businesses.
- ***Lack of alternative underwriting frameworks:*** Traditional financial institutions (FIs) underwriting frameworks leverage information such as credit and banking history, which is almost non-existent among youths. Furthermore, FIs require collateral such as buildings, logbooks, and title deeds to minimize losses from non-repayment. Most youth, however, rarely have a possession that they can leverage as collateral. It presents significant challenges for FIs to assess and price the risk in lending to youths.
- ***Measurement of overall impact achieved:*** Youth unemployment is driven by challenges that cut across the demand side (factors that impede job creation), supply-side (factors that limit the development of appropriately skilled youth workforce), and linkages (factors hindering linkage between potential employers and youths). Most youth employment interventions, however, do not take an ecosystem approach and only address the supply side, thus limiting their overall impact.
- ***Scalability of interventions:*** Most of the programs/interventions identified have not been able to scale post the initial funding support, as funders usually do not have scale-up plans that include collaboration with local capital providers and governments successfully.

OPPORTUNITIES FOR INCREASED COLLABORATION AND INVESTMENT IN YOUTH EMPLOYMENT

While several initiatives have been launched and implemented across the focus countries, there still exist significant opportunities for increased collaboration amongst social investors to scale up youth employment initiatives

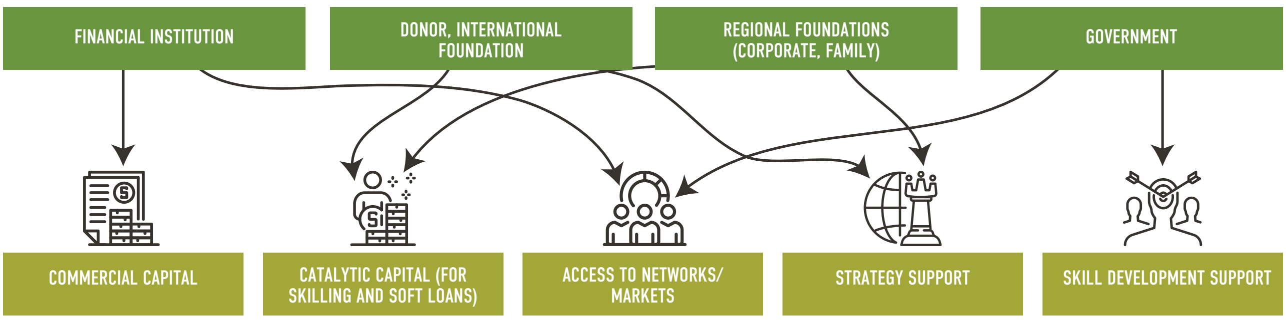
a) Collaboration for increased access to finance

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

Opportunity: *Donors, governments, corporate foundations, and FIs can collaborate to provide more generous support for youths by building technical and business skills, and 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: *Kenya Commercial Bank (KCB) launched KCB Tujiajiri in 2016 to address the problem of youth unemployment by creating jobs through skill development and vocational scholarships. Recruits of the program 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 program has skilled over 23,000 youth beneficiaries on technical skills and financial literacy across the country[79]. The bank has recently partnered with MasterCard Foundation to scale up the program with a target of impacting 1.5 million small businesses.*

Figure 56: Roles of Social Investors under Opportunity 1



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

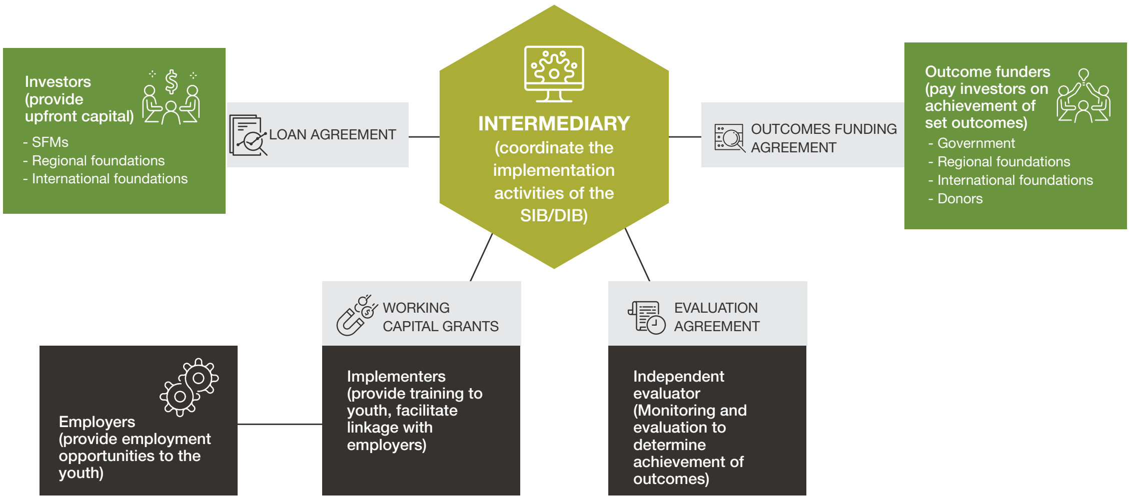
b) Development/social impact bond (DIB/SIB) for youth employment

As highlighted earlier, funding for youth employment initiatives has mainly relied on international sources. With the declining financing from these sources, more sustainable approaches are needed to leverage local sources of capital in such programs and attract more private sector investments into the sector.

Opportunity: *Youth employment is one of the most popular sectors that has leveraged the SIB structure to mobilise social capital, representing approximately 50% of the deals contacted globally[79]. A SIB for youth employment can help mobilise funding in addition to enhancing impact measures as private investors are only paid on achievement of set targets. Governments and donors can be leveraged to finance outcomes.*

Example: Bonds for Job South Africa SIB, *launched in 2018, seeks to accelerate the transitions of excluded South African youth into growth sectors of the economy through alternative methods of skilling and training. It targets supporting 6,000 youths over a period of two years.*

Figure 57: Roles of Social Investors under Opportunity 2



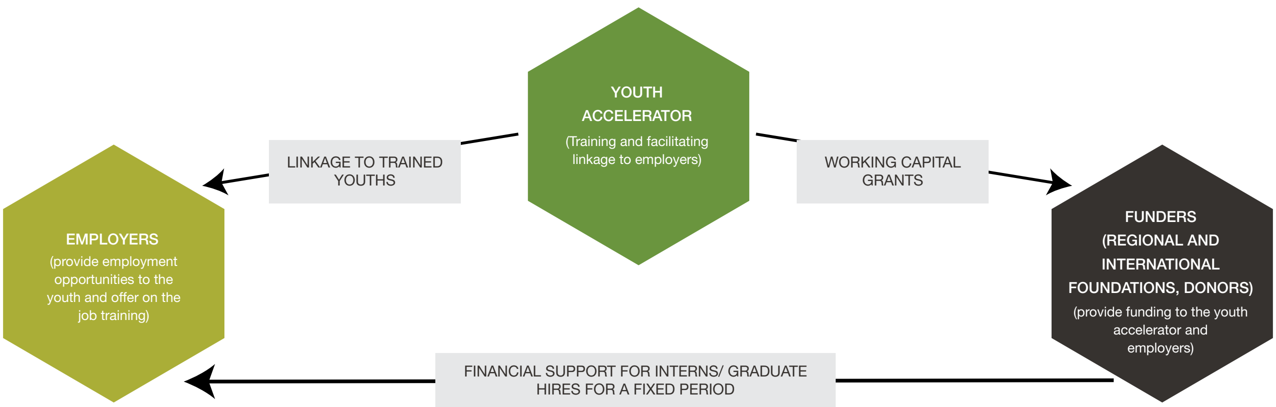
c) Collaboration for market linkage

Most of the programs offering training to youths have often not resulted in the absorption of the youth into the employment space. It is because some of the programs are not necessarily practical based and/or not private sector driven and, thus, they do not fully address the skill needs for the employers.

Opportunity: *Private sector-led training and internship programs where the private sector sets out the requirements and support process for the program. Donors, governments, and international foundations can provide financial and non-financial support to private companies, which will allow them to offer more internships and graduate trainee programs to youth for a fixed period before they are fully absorbed into the company.*

Example: *Harambee Youth Accelerator in South Africa seeks to accelerate youth inclusion in the country. Harambee's model identifies specific sectors in the economy where there are existing and potential labor absorption opportunities and understands the recruitment needs of employers in these sectors. It then prepares youths to exploit these opportunities by providing fit-for-purpose work readiness and behavioral skills intervention addressing the needs of employers. The model then facilitates placement by inviting employers to interview beneficiaries that have gone through their program.*

Figure 58: Roles of Social Investors under Opportunity 3



[79] Brookings Institution: Impact Bonds Snapshot, 2019

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.[80]

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 13: 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

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

Table 14: List of Youth Employment Initiatives in West Africa

NAME OF ORGANISATION	COUNTRY	NAME OF INITIATIVE	TYPE OF INITIATIVE	PROGRAM SIZE (US$ MN)	DESCRIPTION
GIZ	Sierra Leone	Employment Promotion Program (EPP III) (2016 to 2020)	Skilling, Entrepreneurship	N/A	The program provides access to vocational training and decent jobs to youth promoting entrepreneurship and employability. It seeks to achieve conduct demand-oriented training for 10,000 young people, with a focus on developing life skills and business skills; create opportunities for self-employment through strengthening selected agricultural value chains and training 12,500 farmers to increase productivity; provide business development services and access to finance support to 1,000 MSMEs.
Tony Elumelu Foundation	SSA	TEF Entrepreneurship Program	Entrepreneurship	100	Established in 2010, the foundation aims to empower African entrepreneurs to create jobs in the continent. In 2015, the foundation launched the US$ 100Mn TEF Entrepreneurship Program seeking to support 10,000 African entrepreneurs by 2025. The program is organised in 7 pillars which include startup enterprise toolkit (a 12-week program that equips startups with basic business skills), online mentoring, online resource library, meet-ups, TEF entrepreneurship forums, seed capital (non-returnable seed capital of US$ 5,000), and the alumni network. With this program, the foundation estimates that it will create 1 million jobs and generate US$ 10 billion in additional revenue on the continent. In 2019, the foundation partnered with UNDP to scale the program aiming to empower an additional 100,000 young African entrepreneurs with seed capital, business training and mentoring over the next 10 years.
Danida, Government of Ghana	Ghana	Skill Development Fund (SDF)	Other	13.5	SDF, a fund in its second phase (2016-2020) valued at US$ 13.5 million, focuses on promoting the demand side. It is a challenge fund providing grant funding to MSMEs needing to train their employees to improve their skills and productivity. It extends the funding to labour unions and trade organisations; universities, technical schools, and training providers in the agribusiness, agro-processing and sustainable energy sectors. As yet, under the program, US$ 10.5 million has been disbursed to 238 grantees and 8,266 individuals have been trained. Institutions receiving the funding have reported over 118% increase in average annual turnover[81].
World Bank	Senegal	Improving youth employability through informal apprenticeship, 2018 – 2024	Skilling	53	Launched in 2018, the US$ 53 million project is expected to run until 2024. It aims to strengthen the apprenticeship system and improve the employability of selected apprentices. Specifically, the project aims to train 32,000 apprentices with the goal of certifying at least 24,000 and strengthening the technical skills of 8,000 master craftsperson.
World Bank	Nigeria	Innovation Development and Effectiveness in the Acquisition of Skills (IDEAS) 2020-2025	Skilling	200	Launched in February 2020, IDEAS is a 5- year project that seeks to enhance the quality and relevance of skills development in Nigeria

[81] Impact assessment SDF Ghana

NAME OF ORGANISATION	COUNTRY	NAME OF INITIATIVE	TYPE OF INITIATIVE	PROGRAM SIZE (US$ MN)	DESCRIPTION
The Shell Petroleum Development Company of Nigeria Limited (SPDC)	Nigeria	Shell LiveWIRE	Entrepreneurship	-	ShellLiveWIRE is a social investment program that aims to help young Nigerians explore the option of starting their own business. It provides grants, access to training, guidance, and business mentorship to young entrepreneur. The program has so far provided start-up grants to 3,493 young people in the Niger Delta, training over 10,000 young Omanis.
MasterCard Foundation	Senegal	Young Africa Works initiative	Skilling, Entrepreneurship	200	Launched in 2019, the US$ 200 million initiative seeks to enable 3 million young people in Senegal access dignified and fulfilling work by 2030. It's a five-year commitment focuses on growth in small businesses, productivity improvements in the agriculture value chain, and improvements in education and training.
AFDB	SSA	Jobs for Youth in Africa	Entrepreneurship	6	Launched in 2015, the AFDB jobs in Africa strategy seeks to create 25 million jobs and equipping 50 million jobs by 2025 through increasing inclusive employment and entrepreneurship, strengthening human capital, and creating long-lasting labor market linkages by making use of three strategic intervention areas; integration, innovation, and investment. As part of the strategy, AFDB launched the Jobs for Youth in Africa Innovation Lab which was piloted in 6 African countries including Nigeria, Ghana and Ivory Coast with US$ 6 million mobilised to date, more than 1,000 Ecosystem Support Organization (ESOs) mapped and new curriculum for incubators, accelerators, fund managers and startups launched.
German (GIZ)/ European Community/GOPA Consultants	Nigeria	Pro-Poor Growth and Promotion of Employment in Nigeria (SEDIN) (Phase III, 2017-2022)	Entrepreneurship	34.9	The US$ 34.9 million program seeks to supports implementation partners in improving the employment and income situation of MSMEs. SEDIN supports the capacity development of people and organisations by providing training to MSMEs, young people and other target groups to improve their entrepreneurial skills and financial literacy. It also supports implementation partners like microfinance banks (MFBs) and business development service providers. Key achievements by 2019 included[82]; • 69,827 people (42% women) trained in financial literacy • 37 business advocacy groups established and active • 5,366 new jobs were created through support of agricultural value chains • Support to MFBs has resulted 47% income growth
GIZ	Senegal	Successful in Senegal (2017 -2021)	Entrepreneurship	-	The project supports the young population (15-35) with developing attractive professional profiles and sustainable business models. The project established incubation centres – the 'Teranga Hubs' – to support young entrepreneurs with setting up a business and formalising their companies giving them new prospects for the future and for remaining. By 2019, about 12,200 professional opportunities were supported by the program.

[82] GIZ: Pro-Poor Growth and Promotion of Employment in Nigeria Programme – SEDIN, 2019

NAME OF ORGANISATION	COUNTRY	NAME OF INITIATIVE	TYPE OF INITIATIVE	PROGRAM SIZE (US$ MN)	DESCRIPTION
International Fund for Agriculture Development (IFAD)	Nigeria	Livelihood Improvement Family Enterprises Project in the Niger Delta of Nigeria LIFE_ND (2017-2025)	Job creation	60	The US$ 60 million project seeks to addresses the growing number of unemployed youth in rural areas in the Niger Delta. The support provided includes access to affordable inputs, agro-processing & packaging, marketing transportation and financing. It envisions engaging 25,500 youth and women, as well as 600 established and potential enterprise incubators. The beneficiaries are youth aged 18 to 35 years and women-headed households with children under the age of 15. Overall, the project aims to have a 50 per cent female participation rate.
Mastercard Foundation, Solidaridad	Ghana	Youth Forward Initiative	Skilling, Entrepreneurs hip	74	The program looks for young people who are interested in a career in the cocoa sector, either as a farmer or entrepreneur, and looks at all of the services required to ensure that these young people succeed. It also supports training for youths in the construction industry
Government, BoI	Nigeria	N-Power program	Job creation, Skilling	-	N-Power is a youth empowerment scheme sponsored by the Federal Government of Nigeria. N-Power aspires to provide a platform where most Nigerians can access skills acquisition and development. N-Power is designed for Nigerian citizens between the ages of 18 and 35
Government	Nigeria	Lagos State Employment Trust Fund (LSETF)	Entrepreneurs hip	65	LSETF was established by The Lagos State Employment Trust Fund Law in 2016 to provide financial support to residents of Lagos State, for job, wealth creation and to tackle unemployment. The Fund operates with an initial capital of US$ 65 million (N25Billion) contributed over four years by the Lagos State Government, but will also raise additional funding from various sources including donor partners, development agencies, corporate organizations and individuals.
Government	Nigeria	Government Enterprise and Empowerment Program (GEEP)	Entrepreneurs hip	-	GEEP is an initiative by the Federal Government of Nigeria to provide financial inclusion and access to micro-credit for Nigerians at the bottom of the economic pyramid. GEEP aims to provide capital to beneficiaries in an easily accessible way to grow their business and on-board these beneficiaries into the formal financial system through bank accounts, mobile wallets, and formal identities
Government	Ghana	National Youth Employment Program (NYEP)	Job creation, Skilling	-	The Youth Employment Agency began as National Youth Employment Program (NYEP) to address the ever increasing problem of unemployment among the youth, perceived to be potential threat to National Security in 2005. It was launched in October 2006 and functioned under the Office of the President without legal backing. Government decided to rebrand and reposition the Agency as a Public Service Organisation to better serve the teeming unemployed youth. Ghana Youth Employment and Entrepreneurial Agency (GYEEDA) was born and out doored to replace NYEP in October 2012.

NAME OF ORGANISATION	COUNTRY	NAME OF INITIATIVE	TYPE OF INITIATIVE	PROGRAM SIZE (US$ MN)	DESCRIPTION
Government	Ghana	National Entrepreneurship and Innovation Program (NEIP)	Entrepreneurship	-	NEIP is a flagship policy initiative of the government of Ghana with the primary objective of providing an integrated national support for start-ups and small businesses. NEIP primarily focuses on providing business development services; startup incubators and funding for young businesses to enable them grow and become successful.
Government	Nigeria	Youth Entrepreneurship Support (YES) program	Entrepreneurship	-	The YES program is aimed at equipping young people (18-35 years) with a minimum educational qualification of an Ordinary National Diploma (OND). It comprises of 8-week extensive online Entrepreneurship and Business Management training; 5-days in-class Entrepreneurship and Business Management training including business modelling, financial planning, and technical assistance.
Government	Senegal	General Delegation for Rapid Entrepreneurship (DER)	Entrepreneurship	50	DER, a US$ 50 million fund was launched in 2018 by the President of Senegal to catalyse entrepreneurship all around Senegal, targeting youth up to 40 years and women from 18 years upwards. The fund offers four main types of entrepreneur financing: small financing, incubation funding, equity financing, and low-interest loans.
Government	Nigeria	Youth Ignite Program	Entrepreneurship	-	Launched in 2017, the program gives light touch business training and low cost funding (8% p.a) of up to US$ 500 to Nigerian youth. Successful businesses which can demonstrate scale can further access scale up loans of upto US$ 1,300. The program seeks to support 1 million entrepreneurs over a 5-year period. BoI has partnered with First Bank of Nigeria and After school Graduate Development Centre (AGDC) to implement the program.
World Bank	Liberia	Youth Opportunities Project for Liberia (2015-2021)	Other	10	The objective of the Youth Opportunities Project for Liberia is to improve access to income generation opportunities for targeted youth and strengthen the government's capacity to implement its cash transfer program. There are four components to the project: pre-employment social support and household enterprises for urban youth; productive public works and life skills support; capacity building for cash transfer program; and project implementation and coordination.
AFDB	Liberia	Youth entrepreneurship and employment project (YEEP), 2016-2021	Entrepreneurship	1.7	Skills Development for Employment aims to support a TVET Institute to re-design course content and training modalities of selected disciplines to impart new skills to the youth as required by the market. The second focuses on Job Readiness Program. The objective is to support graduating students in tertiary education institutions by making them work-ready in terms of awareness and experience in the corporate world as well as information on job market requirements. The third component will promote entrepreneurship development programs by setting up an entrepreneurship centre at a Community college in the rural area and developing support programs including entrepreneurship courses, graduate enterprise program and business incubation and growth program.

NAME OF ORGANISATION	COUNTRY	NAME OF INITIATIVE	TYPE OF INITIATIVE	PROGRAM SIZE (US$ MN)	DESCRIPTION
AFD, Mercy Corp, Ministry of Youth	Liberia	Liberia Employment and Entrepreneurship Program (LEEP), 2019-2023	Entrepreneurship	-	The program provides enhanced training and employment opportunities for youth in the country.
AFDB	Liberia Sierra Leone	Sierra Leone - Youth Entrepreneurship Program, 2016-2021	Entrepreneurship	1.7	The program aims at improving youth business skills and their employability for the job market. This pilot project would provide career guidance and counselling to 2,400 youths; train 20 TVET instructors; enhance supervisory skills of at least 100 graduates in collaboration with private sector partners; train 150 youths in three selected priority trades needed by the private sector, these will in addition go through a graduate internship program and will either be linked to employers or capacitated to become entrepreneurs; support 60 youths to start and manage businesses through mentoring; and enhance the image and attractiveness of TVET Image Campaign. The project will also procure light goods and consultancy services, including (i) skills development for employment; (ii) career guidance and job readiness; (iii) graduate entrepreneurship program; and (iv) project management, coordination and institutional support.
Rockefeller Foundation; Kaduna State Government; Upwork; Wacom; Andela; IBM	Nigeria	Digital Jobs in Nigeria Trust Fund (2016-2020)	Skilling, Entrepreneurship	1	The SDTF financed a bank-executed technical assistance of US$1 million in Nigeria to help increase employment for Nigerian youth (between the ages of 18 and 35), including the disadvantaged and those in conflict-affected states, by catalysing digital jobs and the use of ICT for economic opportunity creation in Nigeria, and by informing relevant policies and operations to support scaling up of employment-yielding opportunities that leverage ICT. The important components include job matching and facilitation, digital skills development, and digital entrepreneurship support.
Mastercard Foundation, Solidaridad West Africa	Ghana	Next Generation Cocoa Youth Program, 2016-2020	Skilling, Entrepreneurship	-	Next Generation Cocoa Youth Program is an incubation project that enables youth in cocoa industry and its supporting businesses through 10CocoAcademies, Cocoa Entrepreneur Development Incubators (CEDI), and a supportive enabling environment that increases youth's access to land, finance and to markets. The program commenced with 3,000 youths in 2015, which has increased to 7,200 by December 2018. The plan is to cover a total of 10,800 youths by December 2020. Other objectives include: • 30% decrease in the youth below poverty line • 30% decrease in proportion of income from cocoa related activities • 29,000 jobs created • 50% increased Average Yield (MT) per hectare • 40% increase in annual income • 80% of youth farmers applying at least 70% of GAP • 80% of youth entrepreneurs applying best business practices • 70% of youth trained with Access to at least one formal financial services(Bank, Mobile Money, Micro Finance)

NAME OF ORGANISATION	COUNTRY	NAME OF INITIATIVE	TYPE OF INITIATIVE	PROGRAM SIZE (US$ MN)	DESCRIPTION
World Bank	Nigeria	Nigeria Youth Employment & Social Support Operation (2013-2020)	Skilling	400	The objective of the program is to increase access of the poor to youth employment opportunities, social services, and strengthened safety net systems in participating states. There are four components to the project: strengthening social safety net system, public workfare program, skills for jobs program, and Conditional Cash Transfer (CCT) program.
World Bank	Sierra Leone	Sierra Leone Skills Development Project (2018-2023)	Skilling	20	The objective of the project is to increase access to demand-led skills training and build the foundations for a demand-led skills development system in Sierra Leone. The project has two components: Skills Development Fund (SDF) which aims to increase access to demand-led skills upgrading in Sierra Leone and Capacity Building and System Strengthening.
Ventures Platform, The Longe Practice, Arkounting, Ventoven, Amazon AWS, Aerario Consulting	Nigeria	Ventures Platform Incubation-Acceleration Program, 2016-2020	Entrepreneurship	-	The Ventures Platform Incubator/Accelerator is a business incubation/acceleration project designed to create economic prosperity for Africans by strengthening the capacity of African entrepreneurs,equipping them to build innovative scalable solutions to problems, leading to job creation, and increased economic productivity.
Mastercard Foundation	Ghana	Youth-Inclusive Entrepreneurial Development Initiative for Employment (YIEDIE) 2015-2020	Skilling, Entrepreneurship	-	YIEDIE is a 5-year project designed to create economic opportunities in Ghana's construction sector for economically disadvantaged youth. This project has five components: developing employability and entrepreneurship skills; facilitating the development and use of youth-friendly financial services; offering an apprenticeship-based skills training model; providing start-up funding, access to business development services, job matching and mentoring to youth, and supporting job creation in small and medium construction enterprises; supporting increased coordination and a better enabling environment for youth employment in construction.
World Bank	Ivory Coast	Cote d'Ivoire Higher Education Development Support Project, 2019-2024	Skilling	100	The project will support the Government of Cote d'Ivoire in the implementation of reforms in tertiary education to enhance efficiency of public resources and develop accountability
World Bank	Ivory Coast	Cote d'Ivoire - Emergency Youth Employment and Skills Development Project, 2011-2020	Skilling, Entrepreneurship	50	The objective of the project is to improve access to temporary employment and skills development opportunities for young men and women in Cote d'Ivoire's territory. The AF will finance the scaling up of successful activities supported under the original project, and a limited number of new activities to support the achievement of the original operation's development objective (PDO).
Government	Nigeria	Graduate Entrepreneurship Fund	Entrepreneurship	-	GEF scheme is the bank's first youth program which was launched in October 2015 and is implemented by the bank in partnership with the National Youth Service Corps (NYSC) Directorate. The aim of the project is to change the job-seeking mindset of Nigerian youths to entrepreneurship and self-reliance by encouraging them to develop skills for self-employment and to contribute to the accelerated growth of the national economy.

Annexure 2:

KEY SOCIAL INVESTMENT SECTORS IN WEST AFRICA

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

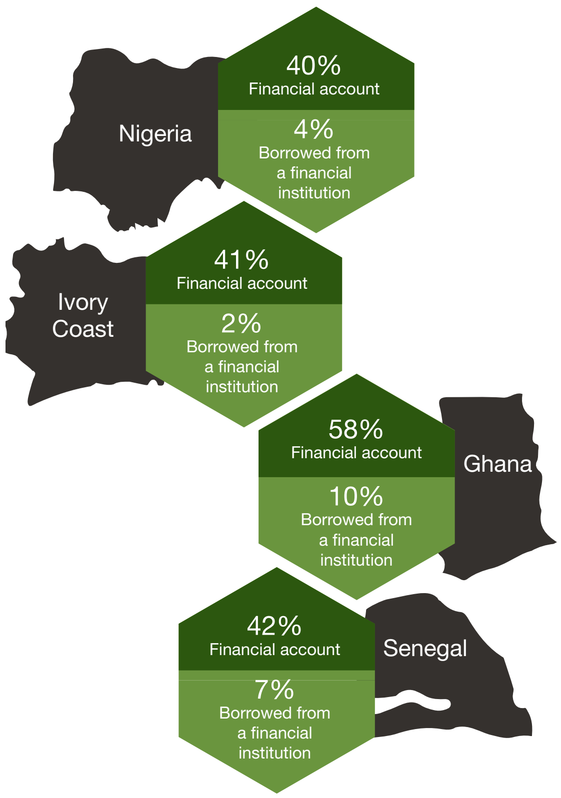
FINANCIAL INCLUSION

THE CHALLENGE:

West African countries have some of the 'shallowest credit markets' in the continent; domestic credit to the private sector in Nigeria (10.4%) and Ghana (11.5%) is very low compared to Kenya (27.5%) and South Africa (66.7%).[82]

The majority of the countries in the region recorded a double-digit increase in the percentage of the adult population with a bank account[83] between 2011 and 2017[84]. Accessibility of financial products, as indicated by the population borrowing from a financial institution is, however, still significantly low, as shown in the adjacent figure. ***Only 22% of businesses in West Africa have an outstanding bank loan and/or line of credit.***[85] Banks perceive SMEs as riskier due to their high level of informality, lack of collateral, and low ability to present bankable projects. By the end of 2018, there were 133.6 million registered mobile money accounts in the region. While the number of registered mobile money accounts has been increasing in the region, mobile money is mainly used for basic services, with nearly 75% of the total value and volume of transactions in 2016 made up of airtime top-ups and domestic P2P transfers[86].

Figure 59: Overview of Financial Inclusion Rates, 2017



Source: Global Findex Database (2017

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

DFIs and SFMs are at the forefront of supporting initiatives in the financial inclusion sector, with 29% and 61% of their portfolios respectively deployed into the sector.[87]

Most of the DFIs investing in the sector have focused on enhancing the supply of credit through the provision of ***lines of credit*** and ***guarantees*** to financial service providers (FSPs). Additionally, DFIs have provided grants for ***capacity building and technical assistance*** to intermediaries and FSPs. DFIs such as EIB, IFC, AfDB, FinnFund, and West Africa Development Bank and multilateral donor- IFAD-, have been the largest capital providers in the sector. In addition to direct investment to FSPs, DFIs also invested in ***financial inclusion focused impact funds***, which, in turn, have majorly invested into financial technology companies (fintechs) such as Flutterwave, CredPal, KiaKia, and Riby Finance. While microfinance institutions (MFIs) play a significant role in enhancing financial inclusion given their grass root presence, vast branch network, and relaxed lending requirements (compared to banks), minimal social investments have been made in MFIs in the region. International foundations such as MasterCard Foundation and Bill and Melinda Gates Foundation (BMGF) have also supported financial inclusion in theregion through programmatic interventions. Such

---

[82]World Bank Development Indicators, 2019
[83]Refers to both financial institution and mobile money account
[84]The Mobile Economy in West Africa 2019
[85]Banking in Africa: Delivering on Financial Inclusion, Supporting Financial Stability, 2018
[86]The Mobile Economy in West Africa 2019

institutions work with FSPs and/or intermediaries for capacity building of potential borrowers and provision of grants and soft loans to these borrowers.

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

> *Besides market infrastructure building, the governments continue to contribute to the sector through the provision of credit guarantee schemes and direct lending through its financial institutions.*

Across the region, governments continue to invest in the strengthening of the financial services infrastructure. For instance, the government of Ivory Coast recently established ***credit information bureaus*** and developed leasing agreement frameworks for enhancing financing to SMEs. The government of Senegal has been collaborating with social investors such as United Capital Development Fund (UNCDF) and MasterCard Foundation to develop the ***digital financial services infrastructure***. Aside from the market building activities, the governments have also been directly and indirectly enabling financing for SMEs through ***credit guarantee schemes*** and lending by government-supported financial institutions.

AGRICULTURE & FOOD SECURITY

THE CHALLENGE:

> *Agriculture remains one of the essential sectors representing ~35% of West Africa's GDP and 60% of its active workforce; however, access to 'affordable finance' is a major roadblock slowing the growth of the sector.*

West Africa has recorded some of the lowest crop yields[88] when compared to other regions. Smallholder farmers, contributing to approximately 70% of the food production[89], face several challenges that limit the optimisation of sustainable agriculture in the region. Farming in the region is characterised by rain-fed production, low fertiliser, and quality seeds usage, inadequate water management, and low soil fertility. Climate change has also become a major challenge particularly since agriculture is mostly rain-fed, making farmers vulnerable to climate change. Similarly, ***lack of access to affordable finance is a major roadblock, with only 35% of private-sector stakeholders being able to access an appropriate form of finance for the investment in the sector[90].*** Furthermore, the ***market systems*** in the sector across the region are weak, resulting in limited or negligible value chain collaboration, which, in turn, prohibits the businesses in the sector from growing and scaling. Disputes over land ownership also create challenges for agribusinesses in attracting capital from social investors, particularly fund managers.

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

> *Investment in the agriculture sector can enhance food security and employment to the region; therefore, it is gaining interest from social investors and is currently 2nd most focused area by DFIs and North American and European foundations.*

Social investors prefer agri-business models such as agro-processing, large scale commercial farming, and agriculture technology companies. With the increasing push for value addition in the region, agro-processors present good investment opportunities for the investors. Between 2015 and 2019, DFIs made 33 investments in the sector[91], 67% of which were direct investments into agribusinesses, including a fertiliser manufacturing company, a large commercial rice farm, an edible oil processor, and an agriculture export company. SFMs, on the other hand, made 55 investments into the sector over the same period, mainly into ag-techs such as FarmCrowdy, Thrive Agric, Cowtribe, Esoko, and Farmerline. Ag-techs have revolutionized the agriculture sector by solving the input, market, and financial access challenges hindering productivity in the sector, thus remaining a key investment target for investors. International foundations and

Figure 60: Areas Where Investments Are Required for Developing Sustainable Agriculture Sector

INPUTS		INFRASTRUCTURE		MARKET	
HYBRID SEEDS	**FERTILIZERS**	**IRRIGATION**	**WAREHOUSING & STORAGE**	**VALUE ADDITION**	**REGIONAL TRADE**
Investments for production and distribution of high quality hybrid seeds	Region has one of the lowest fertilizer usage in the world. Most of the fertilizer produced is imported resulting in high cost of fertilizers	Agriculture is mostly rain-fed. For production to be more sustainable, large scale irrigation projects are needed	Post Harvest losses result in ~30% loss in produce mainly because of adequate storage facilities	WA countries mostly export their produce in raw form and import lot of value added products. Agro-processing is the need of the day	West Africa has a population of over 400 Mn. Increased regional trade can provide different off-take markets across various value chains

[88]Agriculture and Food Security, West Africa USAID
[89]Africa Agriculture Status Report 2017, AGRA
[90]African farmers need investment – but these 6 factors stand in the way, WEF, 2016
[91]Intellecap analysis

donors have been funding programmatic interventions, academic institutions andNGOs working in the area of land rights, natural resource, and environmental management issues, youth agriculture entrepreneurship programs, and extension and policy advocacy initiatives. Farmer cooperatives have received a limited amount of financing, which, to some extent, can be attributed to the governance and management challenges facing the cooperatives. This is, however, slowly shifting, e.g., Agri-Business Capital Fund (a recently established fund by IFAD) made its first investment into a Cote d'Ivoire based cocoa cooperative in 2020.

> *"Our fund is exclusively agriculture-focused. The sector is a big contributor to GDP and remains the main livelihood source for a majority of the population. Yet, it faces immense challenges and needs financing which translates to opportunities for investors".*
>
> *SFM in Ivory Coast*

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

Governments have been promoting the growth of the sector by supporting programs aimed at boosting productivity, enhancing market access, and facilitating financing for the sector.

The main focus for most governments has been to enhance financing for agriculture players (farmers and agribusinesses). Governments in the region have launched several ***'credit guarantee schemes'*** such as the Nigeria Incentive-based Risk-sharing System for Agricultural Lending (NIRSAL), Nigeria Agricultural Credit Guarantee Scheme Fund (ACGSF), Ghana Incentive-based Risk Sharing System for Agricultural Lending (GIRSAL), and National Agricultural Credit Fund of Senegal (CNCAS) to ***de-risk agricultural financing provided by financial institutions.*** Nigeria also provides ***'low-cost funding'*** (up to 9%) to the sector through the Commercial Agricultural Credit Scheme (CACS). The Governments are also ***providing subsidies on inputs, extension services, and produce marketing*** through the Growth Enhancement Support (GES) program in Nigeria and the Planting for Food and Jobs program (PFJ) in Ghana.

ENERGY, ENVIRONMENT AND CLIMATE CHANGE

THE CHALLENGE:

Electricity in the region is among the costliest in the world, estimated at US$ 0.25 per kilowatt-hour, more than twice the global average[92].

The lack of affordable electricity hampers productivity both at the individual as well as organizational level, reduces income generation opportunities, results in concentrated workload (during periods when electricity is accessible), and increased health risks due to the use of non-green energy sources. The high cost of electricity also results in low demand. The domestic market for electricity in West African countries is often too low (energy use per capita in West Africa is 1/3rd of the world's average) and is unable to attract investments in large scale energy projects that can provide affordable electricity. Moreover, there exist large disparities in energy usage in rural vs. urban areas. The Clean Energy Corridor in West Africa – West African Power Pool takes a regional approach; it focuses on the utility-scale development of renewables-based power with cross border trade dimension to benefit from resource efficiency and economies of scale. Although national grids continue to play a critical role in energy access solutions, there is a need to invest and scale in new off-grid renewable energy solutions such as solar power to increase access to those not served or under-served by grids.

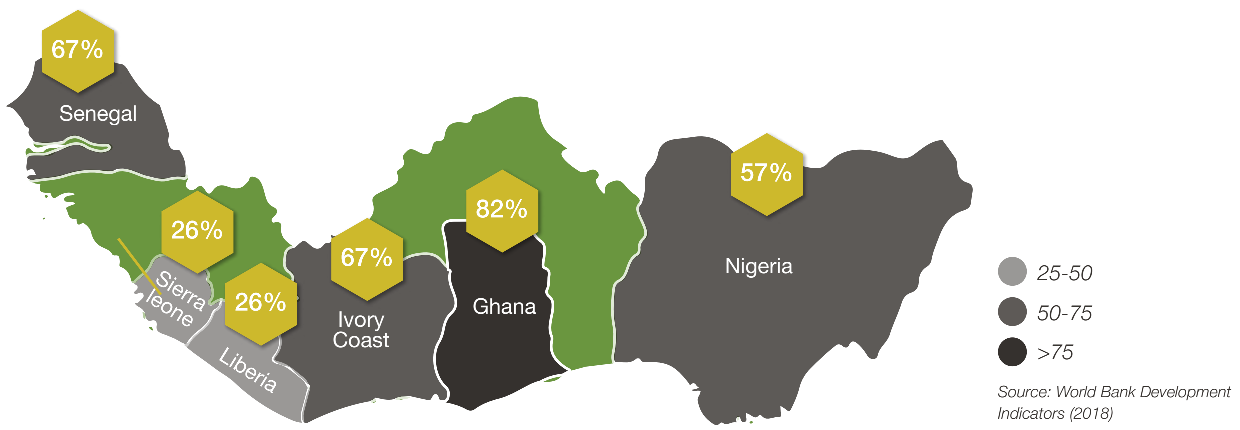
HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

Large scale renewable energy projects have attracted the majority of capital, particularly by DFIs and donors, in the region

The sector accounts for the third-largest portfolio for DFIs and the second-largest for SFMs. DFIs reported a total of 55 transactions in the sector, with 55% of the transactions being direct investments into ***renewable power generating and distributing companies***. Donors and foundations have also deployed a significant proportion of the funding to the sector through ***programmatic interventions*** aimed at enhancing access to electricity, e.g., Liberia's Energy Efficiency and Access Project (LEEAP) and Senegal's

Access to electricity has been improving in the region but still remains far lower than global average of 90% in most countries in West Africa

Figure 60: Share of Population with Access to Electricity (%), 2018



[92]Regional Power Trade in West Africa, World Bank

Project to Improve Access to Electricity in Peri-Urban and Rural Areas. Twenty-five SFM transactions were reported in the period. SFM investments have particularly focused on financing ***Pay-as-you-go energy*** solutions that have been driving access to energy for consumers in the region.

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

> *Governments across the focus countries have been collaborating with other social investors to enhance financing for the sector.*

In Nigeria, the Nigeria Electrification Project (NEP) – a partnership between the government and the World Bank – seeks to promote access to renewable energy power sources for 1 million households. The project aims to provide partial grants for the development of private sector mini-grids in unserved areas and provision on market-based incentives and TA to standalone solar system providers. Plan Senegal Emergent (PSE), adopted in 2014, outlined environmental pillars for sustainable development and promotion of green investment. The government of Senegal has also been reflecting on the possibilities of issuing green bonds in specific priority sectors, while the Ivory Coast government has been investing in the expansion of the electricity grid in various parts of the countries.

HEALTHCARE

THE CHALLENGE:

> *Health financing by governments in West Africa is much lower than the African average - average government health expenditure per capita is US$ 11 in West Africa compared to an average of US$ 60 for Africa[93].*

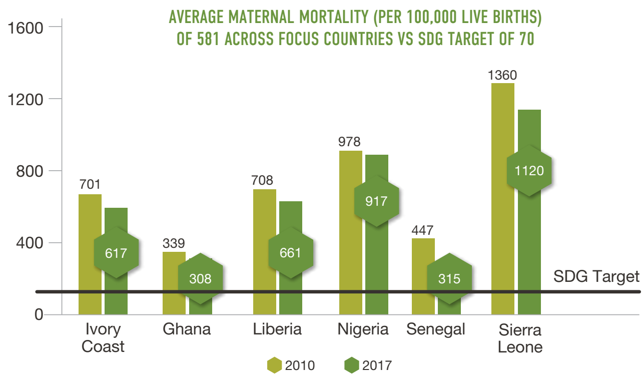
During the 2001 Abuja Declaration, heads of state of African Union set a target of deploying at least 15% of their annual budgets for improving the health sector; however, none of the focus West African countries were able to achieve this target by 2017[94]. Out of pocket expenditure (OOPE) accounts for the largest proportion of health financing, averaging 50% of total health expenditure compared to an average of 36% for the SSA region. The underserved low-income population faces significant hardships due to inadequate access, high cost, and low quality to healthcare. West African countries still contend with health sector challenges, as evidenced by poor health outcomes. Most of the countries report a high prevalence of infectious diseases, HIV, and tuberculosis incidences. Infant and child mortality rates are high in West Africa. While NGOs are focusing more on programmatic interventions around the training of healthcare professionals and improvement in healthcare systems, social enterprises in the region are developing innovative and affordable healthcare solutions (through the use of technology) to address health challenges in the region.

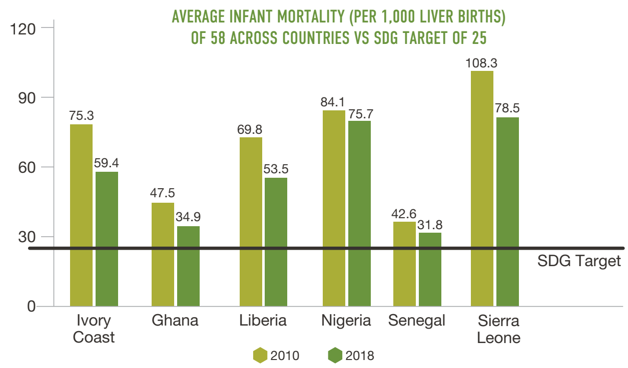
HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

> *Healthcare in the region still needs to be subsidized, and therefore donors and foundations have continued to focus on the sector by providing concessional capital.*

Donors like USAID and DFID have been the largest providers of funding for the health sector in the region through programmatic interventions implemented by government agencies and large international NGOs like Jhpiego, FHI, Pathfinder International, and PACT. Programs have focused on combating diseases like malaria, tuberculosis, HIV/AIDs, reproductive and maternal child care, as well as the strengthening of the health systems and infrastructure. Additionally, the sector has received considerable attention from faith-based institutions that run multiple primary and secondary level health facilities. Five DFI made five transactions in the sector between 2015 and 2019, as direct investments in health facilities, investment into a health-focused fund, and programmatic intervention in the fight against Ebola. With the increasing number of innovative technology-based health start-ups, SFMs are also increasingly focusing on the sector, with 49 transactions reported between 2015 and 2019.

Figure 62: Health Indicators across the Focus Countries





Source: World Bank Development Indicators

[93] WHO: Global Health Expenditure Database
[94] UN: Africa Renewal

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

Apart from Liberia, all the other countries have free health insurance schemes for groups such as pregnant women, children under 18, people with disabilities, and the elderly.

These insurance schemes include the Basic Health Care Provision fund (Nigeria), Free Healthcare Initiative (Sierra Leone), National Health Insurance Scheme (Ghana), and the Couverture Maladie Universelle (Senegal). The introduction of the free insurance cover has resulted in increased insurance uptake and reduction in out of pocket expenditure for the people. Besides, governments have also been exploring innovative ways of ***financing health infrastructure.*** The *Nigerian Sovereign Investment Authority (NSIA),* for example, is seeking to leverage private sector partnerships to finance healthcare infrastructure projects – NSIA was set up by the government of Nigeria to improve funding for infrastructure projects in the country. On the other hand, the *Sovereign Fund for Strategic Investments Senegal (FONSIS),* established by the Senegalese government in 2012, leverages government funds to unlock private capital in various sectors, including healthcare, through public-private partnerships.

WATER AND SANITATION

THE CHALLENGE:

Access to adequate water, sanitation, and hygiene (WASH) services in West African countries remain among the lowest in Africa and globally.

Inadequate WASH services have an enormous impact on the economy of the countries. It is estimated that open defecation costs Nigeria US$1 billion a year, while poor sanitation costs US$3 billion[95]. In addition to these losses, another estimated sum of US$243 million is lost each year in time, as each person practicing open defecation spends about 2.5 days a year looking for a private location to defecate, which leads to large economic losses[96]. Addressing water supply and sanitation challenges in the region would not only create a vast societal impact but will also reduce health costs in the countries enormously; further loss of productive days associated with bad health will also be reduced.

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

The WASH sector has received very minimal focus from social investors.

Only 10 DFI transactions were identified in the sector over the study period. All the transactions were programmatic interventions focused on building the water and sanitation infrastructure and were implemented through government agencies and ministries. There were no SFM transactions reported in the sector, which could, to some extent, be attributed to the low number of start-ups solving water and sanitation challenges in the region. Donors and INGOs like USAID, WaterAid, Globalwaters, World Bank, and UNICEF are also running programs in the sector. The USAID Effective Water, Sanitation, and Hygiene Services in Nigeria (E-WASH), for example, seeks to enhance the supply of reliable clean, piped water to the benefit of three million urban Nigerians by boosting the productivity of State Water Boards.

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

Governments play a vital role in the development and maintenance of water and sanitation infrastructure across the focus countries.

National governments across the focus countries play a crucial role in providing capital investments for infrastructure development in the sector. In Nigeria, forexample, the government has built 79% of all water schemes (including boreholes)[97]. Besides, state-run agencies like the Community Water and Sanitation Agency in Ghana, Small Towns Water and Sanitation Agency in Nigeria are responsible for the maintenance of water supply infrastructure leveraging tariffs collected from beneficiaries.

Figure 63: Water and Sanitation Indicators, 2017

	NIGERIA	GHANA	IVORY COAST	SENEGAL	LIBERIA	SIERRA LEONE	WORLD AVERAGE
	39%	18%	32%	51%	17%	16%	**73%**
	20%	18%	26%	14%	40%	18%	**9%**

Source: World Bank Development Indicators

[95] WSP 2012 (Annual report)
[96] WSP 2012 (Annual report)
[97] World Bank: Nigeria Water Supply, Sanitation and Hygiene Poverty Diagnostic, 2017

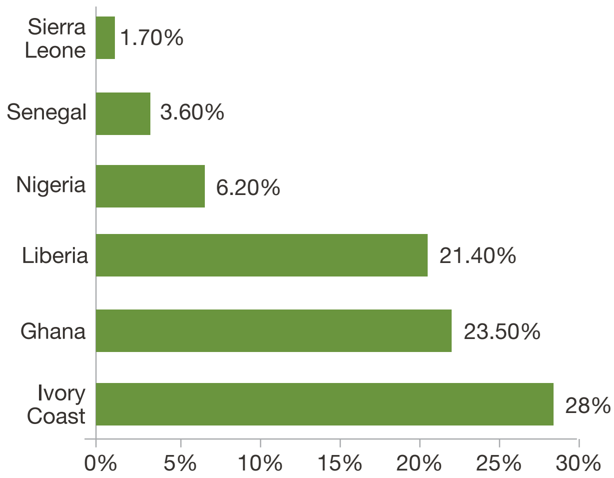
EDUCATION & LEADERSHIP DEVELOPMENT

THE CHALLENGE:

> *The rate of education exclusion is high in West Africa, with about 18% of the primary school-age children in the region out of school, much higher than the global average of 8% .[98]*

One in every five of the world's out-of-school children live in Nigeria even though primary education is free and compulsory in the country. It can be attributed to cultural factors such as early marriages as well as constant conflict and insecurity in some parts of the country. Liberia and Senegal, compared to other countries, have higher out of school rates. Adult literacy rate in the region averaged 45% between 2010 and 2017, lower than Africa's average literacy rate of 65.5%[99]. The fragile learning environment exacerbates the state of education in the region. UNICEF reports that as of June 2019, 1.91 million children could not go to school due to violence and insecurity in and around schools in countries such as Cameroon, Mali, Niger, and Nigeria[100]. Like other African countries, the region also faces financing gaps as the school-age population grows faster than the available financial resources to support education.

Figure 64: Proportion of Primary School going children that are out of school, 2018



Source: UNESCO database

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

> *The increasing innovation in the form of educational technology companies (Edtechs) has seen the sector receive high focus from social investors. The sector also continues to receive attention from the faith-based institutions.*

DFIs made three transactions in the sector between 2015 and 2019 deployed directly in academic institutions. 35 transactions were, however, reported by SFMs, who mainly funded Edtechs and private education institutes. International foundations have also supported educational institutions and NGOs with grants for research, curriculum development, policy advocacy as well as infrastructure development programs such as renovations of schools. Faith-based institutions also support the sector through education scholarships provided to bright and needy students in the communities.

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

> *In addition to free primary education, governments across the focus countries also offer affordable loans mainly for tertiary education.*

All the focus countries in the region are implementing free and compulsory primary education, albeit this has faced multiple challenges—public schools lack adequate learning facilities and teaching staff resulting in unsatisfactory results. To facilitate the transition from secondary to tertiary education, some of the countries have established higher education loan institutions such as Student Loan Trust Fund (SLTF) in Ghana, which offers low-cost financing to students to pay their tuition expenses. Furthermore, the Government of Ghana established the Ghana Education Trust Fund (GET Fund), which provides funding for educational infrastructure, facilities, and equipment within the public sector from the pre-tertiary to the tertiary level and also provides grants for research and funding of SLTF. It has increased tertiary school enrolment rates – a 33% increase between 2011 and 2018. Similarly, the Tertiary Education Trust Fund (TETFUND) in Nigeria seeks to incentivize high-performing tertiary institutions. TETFUND has constructed over 30,000 physical projects in public tertiary institutions across the country and is funded by a 2% tax paid from profits of locally registered companies.

---

[98] World Bank Data 2018
[99] Africa Development Bank: West Africa Economic Outlook, 2019
[100] UNICEF: Reports

Annexure 3:

CASE STUDY – COLLABORATING FOR COVID RESPONSE

The COVID-19 (Coronavirus) pandemic has necessitated effective immediate action by governments, businesses, and philanthropists across the globe.

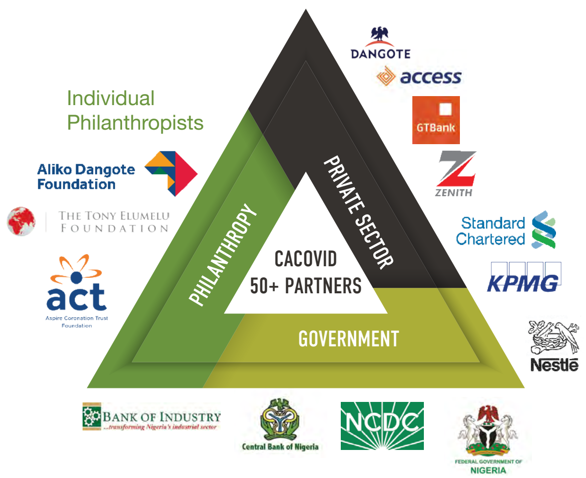
At the time of writing this research, the coronavirus was an imminent threat that disrupted the economic and societal systems across the world. The first COVID 19 case in West Africa was recorded in Nigeria in February 2020, and, within one month, the virus spread to all other countries in the region. By 4th October 2020, more than 144,900 cases had been recorded in the six focus countries with Nigeria and Ghana reporting the highest case-load in the region at 59,465 and 46,829, respectively[102]. More cases are being recorded daily as the countries expand their testing capability. The pandemic has seen increased efforts by donors, the public and private sectors to enhance the response towards the crisis as well as cushioning the economy and the vulnerable population.

THE COALITION AGAINST COVID (CACOVID) NIGERIA – THE POWER OF MANY

In Nigeria, the philanthropy and private sector actors have rallied behind the public sector and the international funding community to eradicate the pandemic in the country.

As is the case with similar national disasters previously witnessed, such as the Ebola outbreak, the philanthropy sector has been at the forefront in making donations towards the response to COVID. The Coalition Against COVID (CACOVID), led by Aliko Dangote, demonstrates how multiple philanthropy, private sector players, and governments can collaborate to reach critical objectives – combating the crisis in this case.

Figure 65: Overview of Members of CACOVID



The coalition focuses on pooling resources across industries to provide technical, operational, and financial support in the fight against COVID-19.

The coalition has targeted to raise ~US$ 310Mn (₦ 120Bn), with about 22% of this amount already raised from more than 50 contributors. Some of the key achievements and ongoing support by the coalition include:

- Setting up testing facilities and treatment centres – The first phase is the completion of isolation centers in six states and the second phase will be the creation and equipping of these centers in the remaining 30 states of the country. The equipment purchased includes beds, ventilators, PPEs, and testing kits. The coalition has so far purchased more than 650,000 molecular testing kits.
- Distribution of food relief packages to over 1.67 million households (10 million vulnerable Nigerians) nationally
- Contact tracing – funding part of the Surveillance Outbreak Response Management and Analysis System (SORMAS) and providing for logistics cost of ambulances and movement of patients.
- COVID-19 screening tool – the group launched a screening tool to assist in the testing process. The tool helps in self-diagnosis and recommends the user.
- Advocacy and public enlightenment on the pandemic

CACOVID has demonstrated how immense network power, bringing together multiple stakeholders, can be leveraged to address social challenges at scale. Yet, like in previous disasters, the collaboration may not be sustained once the pandemic is eradicated as stakeholders usually go back to delivering on their objectives.

[101] Worldometer: Corona Virus Cases by country

Annexure 4:

LIST OF STAKEHOLDERS INTERVIEWED

S.No.	Type of stakeholder	Organization Name	Country
1	Angel Network	Lagos Angel Network	Nigeria
2	Corporate Social Investor	Sterling Bank	Nigeria
3	Corporate Social Investor	Ecobank Foundation	Togo – Pan Africa focus
4	Corporate Social Investor	ACT foundation	Nigeria
5	Corporate Social Investor	Africa Capital Alliance Foundation	Nigeria
6	Corporate Social Investor	The Foundation for Partnership Initiatives in the Niger Delta (PIND)	Nigeria
7	Corporate Social Investor	Proshare Foundation	Nigeria
8	Development Finance Institution	Proparco	Ivory Coast
9	Ecosystem Facilitator	American Business Council (ABC)	Nigeria
10	Ecosystem Facilitator	Aspen Network of Development Entrepreneurs	Nigeria
11	Ecosystem Facilitator	KPMG	Nigeria
12	Ecosystem Facilitator	Impacthub	Ghana
13	Ecosystem Facilitator	Jackson, Etti and Edu	Nigeria
14	Ecosystem Facilitator	Ghana Philanthropy Forum	Ghana
15	Ecosystem Facilitator	2Scale	Ghana
16	Ecosystem Facilitator	Ashoka	Nigeria
17	Ecosystem Facilitator	MBC Africa	Nigeria/Ivory Coast
18	Ecosystem Facilitator	Enexus	Ivory Coast
19	Ecosystem Facilitator	Enterprise Development Centre	Nigeria
20	Ecosystem Facilitator	MEST Africa	Ghana
21	Ecosystem Facilitator	Sahel Consulting	Nigeria
22	Ecosystem Facilitator	Impact Investors Foundation	Nigeria
23	Ecosystem Facilitator	Smart Liberia	Liberia
24	Ecosystem Facilitator	Dalberg	Nigeria
25	Government	Venture capital Trust Fund	Ghana
26	Government	Lagos State Employment Trust Fund	Nigeria
27	Guarantee Fund	RDF Ghana	Ghana
28	HNWI	Adedotun (Dotun) Sulaiman	Nigeria
29	INGO	Pact	Nigeria
30	INGO	Enablis Senegal	Senegal
31	International Family Foundation	MacArthur Foundation	Nigeria
32	International Foundation - Other	Etimos Foundation	Senegal
33	International Family Foundation	Jacob Foundation	Ivory Coast
34	Operating Foundation	FATE Foundation	Nigeria
35	Operating Foundation	Growing Business Foundation	Nigeria
36	Operating Foundation	Social Support Foundation	Ghana

S.No.	Type of stakeholder	Organization Name	Country
37	Operating Foundation	Elea Foundation	Liberia
38	SFM	Acumen	West Africa
39	SFM	Alitheia Capital	Nigeria
40	SFM	Wangara Green Ventures	Ghana
41	SFM	Women's World Banking Asset Management	Ghana
42	SFM	Oikocredit	Ivory Coast
43	SFM	Grofin	Ghana
44	SFM	Rootcapital	Ghana
45	SFM	Incofin	Kenya/Nigeria
46	SFM	Brightmore Capital	Senegal
47	SFM	Zebu Investment	Ghana/South Africa
48	SFM	TBL mirror Fund	Nigeria/East Africa
49	SFM	Sahel Capital Agribusiness Managers Ltd	Nigeria
50	SFM	Accion Venture Lab	Nigeria
51	SFM	Gray Matters Capital	Ghana
52	SFM	Catalyst Fund	Kenya/Nigeria
53	SFM	SME.NG Impact Investor	Nigeria
54	SFM	GreenTec Capital	West/East Africa
55	SFM	Novastar Ventures	Nigeria
56	SFM	All On	Nigeria
57	Social Enterprise	Redbirth Enterprise	Ghana

Annexure 5:

KEY SOCIAL TRANSACTIONS BY TOP WEST AFRICAN CORPORATE SOCIAL INVESTORS (2010-2019)

S.No.	Corporate Social Investor	Country of donation	Amount (US$ Mn)	Recipient organization	Recipient type	Sector/Cause focus	Instr ument	Start year
1	*ACT Foundation*	*Nigeria*	*N/D*	*NGOs, Social enterprises*	*NGOs, Social enterprises*	*Health*	*Grant*	*2016-2019*
2	*ACT Foundation*	*Nigeria*	*N/D*	*NGOs, Social enterprises*	*NGOs, Social enterprises*	*Entrepreneurship*	*Grant*	*2016-2019*
3	*ACT Foundation*	*Nigeria*	*N/D*	*NGOs, Social enterprises*	*NGOs, Social enterprises*	*Leadership development*	*Grant*	*2016-2019*
4	*ACT Foundation*	*Nigeria*	*N/D*	*NGOs, Social enterprises*	*NGOs, Social enterprises*	*Environment*	*Grant*	*2016-2019*
5	*Chevron*	*Nigeria*	*50*	*The Foundation for Partnership Initiatives in the Niger Delta (PIND)*	*NGO*	*Multi sector*	*Grant*	*2015*
6	*Chevron*	*Nigeria*	*50*	*The Foundation for Partnership Initiatives in the Niger Delta (PIND)*	*NGO*	*Multi*	*Grant*	*2010*
7	*Chevron*	*Nigeria*	*25*	*The Foundation for Partnership Initiatives in the Niger Delta (PIND)*	*NGO*	*Multi sector*	*Grant*	*2019*
8	*Dangote Foundation*	*Nigeria*	*5.6*	*Borno State*	*Public sector*	*Humanitarian crisis*	*Grant/ donation*	*2018*
9	*Dangote Foundation*	*Nigeria*	*1.4*	*Fund*	*Other*	*Economic empowerment*	*Grant/ donation*	*2017*
10	*Dangote Foundation*	*Nigeria*	*16.25*	*Adamawa, Borno and Yobe States*	*Public sector*	*Humanitarian crisis*	*Grant/ donation*	*2013*
11	*Dangote Foundation*	*Nigeria*	*4*	*Adamawa and Yobe states*	*Public sector*	*Economic empowerment*	*Grant/ donation*	*2013*

S.No.	Corporate Social Investor	Country of donation	Amount (US$ Mn)	Recipient organization	Recipient type	Sector/Cause focus	Instr ument	Start year
12	Dangote Foundation	Nigeria	16.75	The Nigerian Government Presidential Committee on FloodRelief and Rehabilitation	Public sector	Disaster Relief	Grant/ donation	2012
13	Dangote Foundation	Nigeria	1.3	Fund	Other	Humanitarian crisis	Grant/ donation	2012
14	Dangote Foundation	Nigeria	3.5	Nigerian states	Public sector	Economic empowerment	Grant/ donation	2011
15	Dangote Foundation	Nigeria	2.3	Fund	Other	Humanitarian crisis	Grant/ donation	2011
16	Dangote Foundation	Nigeria	0.75	Niger Republic	Public Sector	Humanitarian crisis	Grant/ donation	2010
17	Dangote Foundation	Nigeria	100	Dangote Foundation	Operating foundation	Health -Malnutrition	Grant/ donation	2016
18	Dangote Foundation	Nigeria	28	AU Ebola Fund	Other	Health	Grant/ donation	2016
19	Dangote Foundation	Nigeria	5	Fund	Other	Health	Grant/ donation	2015
20	Dangote Foundation	Nigeria	3	AU Ebola Fund	Other	Disaster relief	Grant/ donation	2014
21	Dangote Foundation	Nigeria	0.93	Government of Nigeria	Public sector	Health	Grant/ donation	2014
22	Dangote Foundation	Nigeria	3.3	Ahmadu Bello University	Academia	Education	Grant/ donation	2019
23	Dangote Foundation	Nigeria	0.8	University of Ibadan	Academia	Education	Grant/ donation	2018
24	Dangote Foundation	Nigeria	6.3	Nigerian Universities	Academia	Education	Grant/ donation	2012
25	Dangote Foundation	Nigeria	1.3	Katsina University	Academia	Education	Grant/ donation	2011
26	Dangote Foundation	Nigeria	1.5	Fund	Other	Gender	Grant/ donation	2012
27	Dangote Foundation	Nigeria	6	Nigerian states	Public sector	Humanitarian crisis	Grant/ donation	2014
28	Dangote Foundation	Nigeria	4	Kano state	Public sector	Humanitarian crisis	Grant/ donation	2011
29	Dangote Foundation	Nigeria	10	Nigerian states	Public sector	Humanitarian crisis	Grant/ donation	2016
30	Dangote Foundation	SSA	25	Africa Centre	Research	Research	Grant/ donation	2019
31	Eco Bank Foundation	SSA	N/D	Eco Bank Foundation	Operating foundation	Health, Fintech	Grant/ donation	2016
32	MTN Ghana	Ghana	13.5	MTN Ghana Foundation	Operating Foundation	Education, Health, economic empowerment	Grant/ donation	2009-2019

S.No.	Corporate Social Investor	Country of donation	Amount (US$ Mn)	Recipient organization	Recipient type	Sector/Cause focus	Instr ument	Start year
33	*MTN Ghana*	*Ghana*	*0.13*	*Brighten Your Community*	*NGO*	*Education, Health, economic*	*Grant/ donation*	*2019*
34	*MTN*	*Ivory Coast*	*0.008*	*MTN Foundation*	*Operating foundation*	*Fintech*	*Grant*	*2017*
35	*Sterling Bank*	*Nigeria*	*0.34*	*NGO*	*NGO*	*Community development*	*Grant*	*2017*
36	*Sterling Bank*	*Nigeria*	*1.02*	*Recyclart Competition*	*Social enterprises*	*Multi sector*	*Grant*	*2017*
37	*Sterling Bank*	*Nigeria*	*N/D*	*Social enterprises*	*Social enterprises*	*Education, agriculture, energy*	*Equity*	*2016-2019*

Source: Intellecap Analysis from primary interviews andpublically available data sources including websites of CSIs, data from Bridgespan Group
ND: Not to be disclosed publicly

Annexure 6:

KEY SOCIAL TRANSACTIONS BY TOP WEST AFRICAN FAMILY FOUNDATIONS (2010-2019)

S.No.	Family Foundation	Country of donation	Amount (US$ Mn)	Recipient organization	Recipient type	Sector/Cause focus	Instrument	Start year
1	Asamoah Gyan Foundation	Ghana	0.86	Asamoah Gyan Foundation	Operating Foundation	Health, education	Grants/ Donation	2010-2017
2	Dr.Osei Foundation	Ghana	0.3	Dr.Osei Foundation	Operating Foundation	Health, economic empowerment	Grants/ Donation	2010-2017
3	Mike Adenuga Foundation	Nigeria	3.2	The Nigerian Government Presidential Committee on Flood Relief and Rehabilitation	Government	Disaster relief	Grants/ Donation	2012
4	Mike Adenuga Foundation	Nigeria	1.0	University of Nigeria Nsukka	Academic institution	Education	Grants/ Donation	2011
5	TY Danjuma Foundation	Nigeria	7.7	Several (over 280 grantees)	NGOs/ CBOs	Healthcare, education, WASH, humanitarian response (IDPs)	Grants	2010-2019
6	TY Danjuma Foundation	Nigeria	100	TY Danjuma Foundation	Operating foundation	Healthcare, education	Grants	2010
7	TY Danjuma Foundation	South Africa	5	University of Cape Town	Academic Institution	Education	Grants	2014
8	TY Danjuma Foundation	South Africa	13.8	Ahmadu Bello University	Academic Institution	Education	Grants	2013
9	Tony Elumelu Foundation	Multiple	100	Tony Elumelu Foundation	Operating foundation	Entrepreneurship	Grant/ debt	2015
10	Tony Elumelu Foundation	Sierra Leone	1.3	Government agency	Government	Disaster relief	Grant/ donation	2017
11	Tony Elumelu Foundation	Nigeria	6.3	The Nigerian Government Presidential Committee on Flood Relief and Rehabilitation	Government	Disaster relief	Grant/ donation	2012
12	Tony Elumelu Foundation	Multiple	1.0	AU Ebola Fund	Other	Health	Grant/ donation	2014
13	Tony Elumelu Foundation	Multiple	16	Tony Elumelu Foundation	Operating foundation	Entrepreneurship	Grant/ debt	2014
14	Sir Emeka Offor Foundation	Multiple	10.3	Nigeria Ministry of Health	Government	Health	Grant/ donation	2015

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

Annexure 7:

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

COUNTRY	APPLICABLE REGULATIONS AND POLICIES
Nigeria	• Companies and Allied Matters Act (CAMA) – requires that organisations wishing to receive donor funding or enjoy tax exemptions and other similar benefits must register or be incorporated under CAMA and given charitable status. • Companies Income Tax Act (CITA) –outlines that any company making donations to organisations with charitable status shall enjoy tax deductions not exceeding 10 percent of the total annual profits. Charitable organisations/non-profit organisations (NPOs) are tax-exempt. • Personal Income Tax Act (PITA) – the profits of any company engaged in charitable, activities are exempted from income tax provided such profits are not derived from a trade or business conducted by the organisation. • Value-Added Tax (VAT) Act – as per the act, any goods purchased for use in donor-funded humanitarian projects are zero rated for VAT • Finance Act that exempts startups with annual revenues of ~US$ 65,000 (₦25 million) from paying taxes.
Ghana	• Income Tax Act 2015 – corporate entities and individuals engaging in corporate social activities to charitable organisations are tax-exempt. NGOs are also accorded benefits in terms of tax exemption. • Value Added Tax Act 2013 outlines various exempt supplies and relief items which may positively affect operations of NGOs. • Ghana Social Enterprise Policy –developed to promote and grow social enterprises as a means of improving livelihoods, particularly among the youth of the country. • 2016 National Corporate Social Responsibility Policy – seeks to enhance CSR in the country. • The draft Trust Bill – seeks to provide a regulatory framework for public and private Trusts as well as NGOs and CSOs, which will be viewed separately from for-profit companies. • Venture Capital Act (2004) – offers incentives to venture capital investors in the form of taxexempt status for funds and returns to investors.
Ivory coast	• OHADA Uniform Act on Company Law – the country is part of the Organization for Harmonization of Business Laws in Africa (OHADA). The main statute governing companies is thus the OHADA Uniform Act. • Côte D'Ivoire Customs Code – offers 100% duty and tax exemption for the import and export of food and non-food items.
Senegal	• Senegal Startup Act (2019) – aimed at developing growth of the startup ecosystem. • Investment Code (2004) – provides incentives to investors that 'create new enterprises, create jobs, and develop enterprises' in underserved regions of the country. • VAT Act – charitable activities related to health and education are tax-exempt. Companies investing at least US$ 31,479 (XOF 15 million) in setting up activity in the social sector (including activities related to health, education and training) are exempted from customs on imported equipment for 3 years; receive a 3-year deferral on payment of VAT; receive a reduction of 50 percent of taxable income for 5 years for up to 40 percent of the investment; and are exempted from payroll tax for up to 8 years. • OHADA Uniform Act on Company Law – the country is part of the Organization for Harmonization of Business Laws in Africa (OHADA). The main statute governing companies is thus the OHADA Uniform Act.
Sierra Leone	• Sierra Leone's National Revenue Authority Act – NGOs are accorded public benefit status and therefore qualify for tax exemptions. • Income Tax Act of 2000 –charitable organisations are exempted from tax income under the Act except for property income and on income from a business that is not related to the function constituting the basis for the organisation's exemption.
Liberia	• Liberia Revenue Code of 2000 – exempt registered non-profits from paying taxes. Furthermore, income of private foundations, corporations, community chests, funds and foundations organised and operated for religious or charitable purposes is tax- exempt. Additionally, to encourage philanthropy, deductions of up to 15% of the taxpayer's taxable income are made for philanthropic contributions.