



# THE LANDSCAPE FOR SOCIAL INVESTMENTS IN EAST AFRICA

DEEP-DIVE INTO SOCIAL INVESTORS

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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 Intellecip team members contributed to the research:

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



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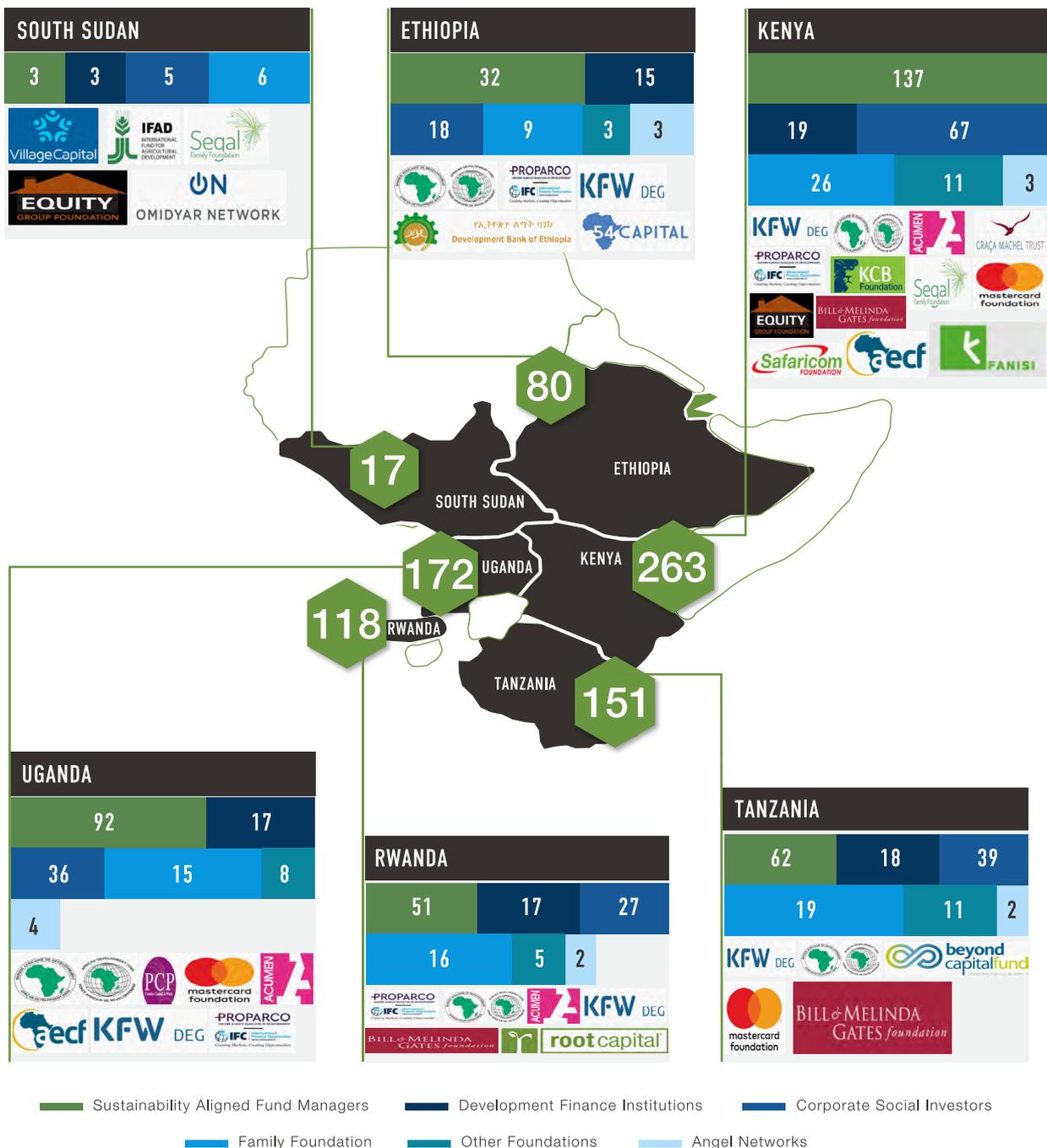
01

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

The research mapped over 317<sup>26</sup> social investors active across the focus countries. Sustainability aligned Private Fund Managers (SFMs) dominates the sector with 155 investors operating in the region. Local corporate social investors are also active with 31 active corporates,

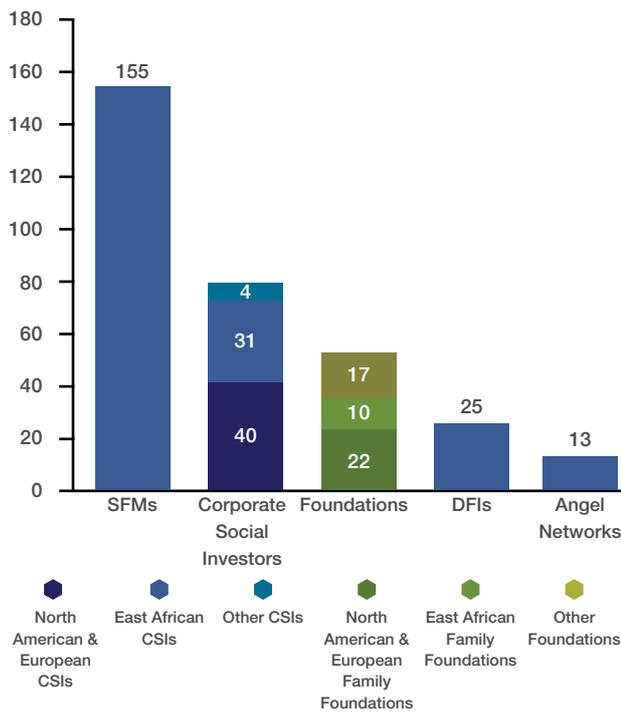
corporate funds and corporate foundations identified. Only 10 active East Africa family foundations were identified indicating the untapped potential for local philanthropic giving in the region.

Figure 1: Overview of Key Social Investors in the Region



<sup>26</sup> List not exhaustive

Figure 2: Number of Social Investors in the Region, By type



Source: Intelicap Database

### 1.1 KEY SOCIAL INVESTOR ARCHETYPES AND THEIR INVESTMENT STRATEGIES

Social investment and venture philanthropy practices are growing in the region with various stakeholders employing innovative strategies in light of the changing social investment landscape.

Change in investment strategies has been witnessed amongst key social investors in the region. Family foundations are for example shifting from pure grant-making to using instruments such as low-cost debt, repayable grants, and equity. Furthermore, corporates are considering long-term and sustainable CSR strategies, with some establishing affiliate corporate foundations as their social investment arms while others establish impact funds and accelerator/incubator programs. The governments in the focus countries are also establishing special funds to invest in the social sector, especially the MSMEs, and empowerment of youths, women and vulnerable groups. On the other hand, high net worth individuals in the region invest through their foundations or angel networks, operating in the region, and focus on sustainable businesses.

The strategies and instruments used for a sample of social investors in the focus countries are shown in the figure below.

Figure 3: Selected Social Investors and How They Are Operating

		DEMAND			
		Non-Profits	Social Enterprises	Sustainable Businesses	
SUSTAINABILITY ALIGNED FUND MANAGERS			Africa Enterprise Challenge Fund (Zero interest debt, Grants)	Energy Access Ventures (Equity, Mezzanine)	
			OPES-LCEF (Equity, Quasi-Equity, Debt)		
			Acumen (Debt)	DOB Equity (Equity)	
				Novastar (Equity, Debt)	
				ResponsAbility (Equity, Debt)	
			Beyond Capital (Equity, Debt)	Fanisi Capital (Equity)	
			Pearl Capital Partners (Equity, Debt)		
	DEVELOPMENT FINANCE INSTITUTIONS			AfDB (Equity, Debt)	
				DEG (Equity, Debt)	
				Proparco (Equity, Debt)	
			IFC (Debt, Equity)		

		DEMAND		
		Non-Profits	Social Enterprises	Sustainable Businesses
SUPPLY	FAMILY FOUNDATIONS	Ford Foundation (Grants)	Segal Foundation (Grants, Debt, equity)	
		Zarina & Naushad Merali Foundation (Grants)	Mulago Foundation (Grants, Debt, Equity)	
		Bill & Melinda Gates Foundation (Grants, Guarantee)	Stone Family Foundation (Grants, Debt)	
		Rockefeller Foundation (Grants)	BlueHaven Initiative (Equity, Quasi Equity, Debt)	
		Rattansi Educational Trust (Grants)		
	CORPORATES SOCIAL INVESTORS	Johnson & Johnson (Grants)		Johnson & Johnson impact fund (Debt)
		Safaricom Foundation (Grants)	Safaricom Spark Ventures (Debt, Equity)	
		Unilever (Grants)		KCB Foundation (Debt)
		Coca-Cola Foundation (Grants)		Equity Group Foundation (Debt)
		East Africa Breweries Foundation (Grants)		Centum Foundation (Debt)
	GOVERNMENT SCHEMES		Youth Enterprise Development Fund – Kenya (Debt)	
			Women Enterprise Fund (Debt)	
		Government agencies and ministries (Grants)	National Enterprises Development Fund – Tanzania (Debt)	
			SELF Microfinance Fund – Tanzania (Debt)	
			Uganda Women Entrepreneurship Programme (Debt)	
HIGH NET WORTH INDIVIDUALS			Rwanda Angel Investment Network (Equity)	
			Victoria Business Angel Network (Equity)	
	Individual philanthropists (Grants)		Tanzania Angel Investment Network (Equity)	
			Kampala Angel Investment Network (Equity)	
			Individual HNWI's (Equity)	

## 1.1.1 Development Finance Institutions (DFIs)

### SUMMARY OF TRENDS AND OBSERVATIONS ON DFI INVESTMENTS

- 12 DFIs have invested US\$ 6.6Bn in 326 deals between 2015 and 2019; US\$ 981.2 Mn of the total capital was indirectly deployed through funds of funds.
- Ethiopia is becoming a preferred destination for DFI investment, ranking 2nd after Kenya and overtaking Uganda and Tanzania in the DFI investment value and leading by the average deal size.
- The financial services sector dominates the DFI portfolio (37%) followed closely by the energy sector (33%).
- Debt is a preferred mode of investment for DFIs accounting for at least 59% of the capital deployed in the region between 2015 and 2019 and 56% of the number of deals.

### OVERVIEW

Development Financial Institutions (DFIs) continue to drive the social investing space in the region through direct investments, programmatic interventions, and fund of funds' approaches.

The research identified 26 DFIs, mostly global, operating

in the East Africa focus countries. The DFIs in the focus countries recorded a mixed performance over the period with an interchanging increase and then a decrease in investments in successive years. The total capital deployed during the period (2015-2019) was US\$ 6.6Bn.

Figure 4: Capital Deployed by DFIs, by Year (2015-2019)



Year	2015	2016	2017	2018	2019
AVERAGE DEAL SIZE (US \$ MN)	15.2	32.4	18.4	20.5	18.7

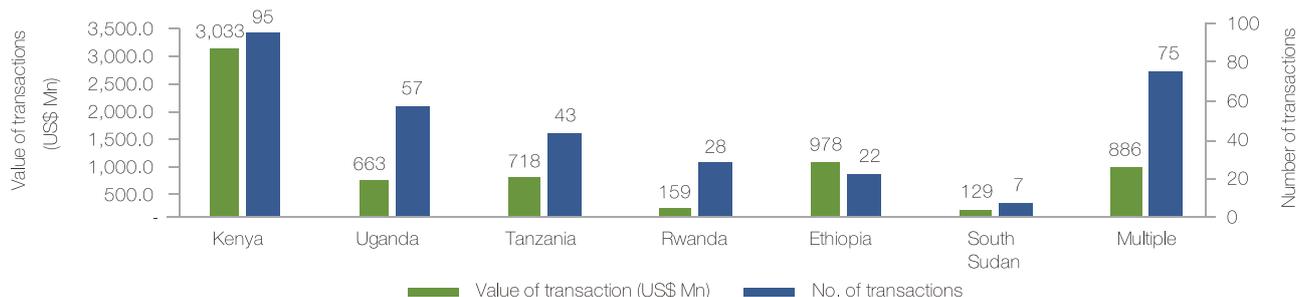
Source: Intelcap Research and Analysis; DFIs Websites and Reports

### COUNTRY FOCUS

Kenya remains the preferred destination of the DFI investments driven by the country's relatively more developed entrepreneurship ecosystem.

Kenya accounted for 46% of the total DFI deal value and 29% of the total number of deals in the focus countries, whereas Ethiopia overtook Uganda and Tanzania in

Figure 5: Capital Deployed by DFIs, by Country (2015-2019)



COUNTRY	KENYA	UGANDA	TANZANIA	RWANDA	ETHIOPIA	SOUTH SUDAN	MULTIPLE
AVERAGE DEAL SIZE (US \$ MN)	31.9	11.6	16.7	5.7	44.5	18.4	11.9

Source: Intelcap Research and Analysis; DFIs Websites and Reports

the value of DFI investments majorly due to the larger ticket size of deals deployed in the country. Uganda and Tanzania, on the other hand, accounted for 17% and 13% of the total deals, and 10% and 11% of the DFI investments, respectively. Very low activity was witnessed in South Sudan over the same period.

### SECTOR FOCUS

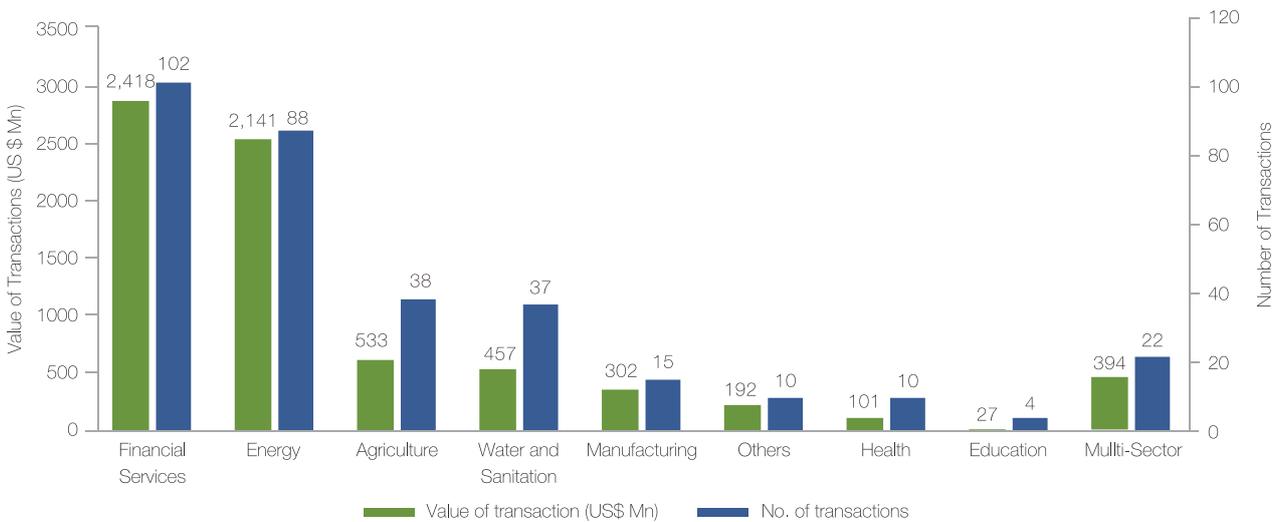
*Financial services and energy sectors are the dominant investment sectors for the DFIs working in the region.*

Financial services dominated the other sectors and accounted for 37% of the total DFI investments with a

large proportion of this funding provided in the form of guarantees to financial institutions. This was followed closely by the energy sector, with 33% given the increasing focus for renewable energy in the region. Agriculture received only 8% of the DFI investments because of the lack of enough agri-businesses that can absorb large sizes of capital. The financial services, energy, and agriculture sectors accounted for 31%, 27%, and 12% of the total number of deals in the period, respectively.

Across the focus countries, financial services has been the main sector with more energy sector investments in Kenya and Uganda.

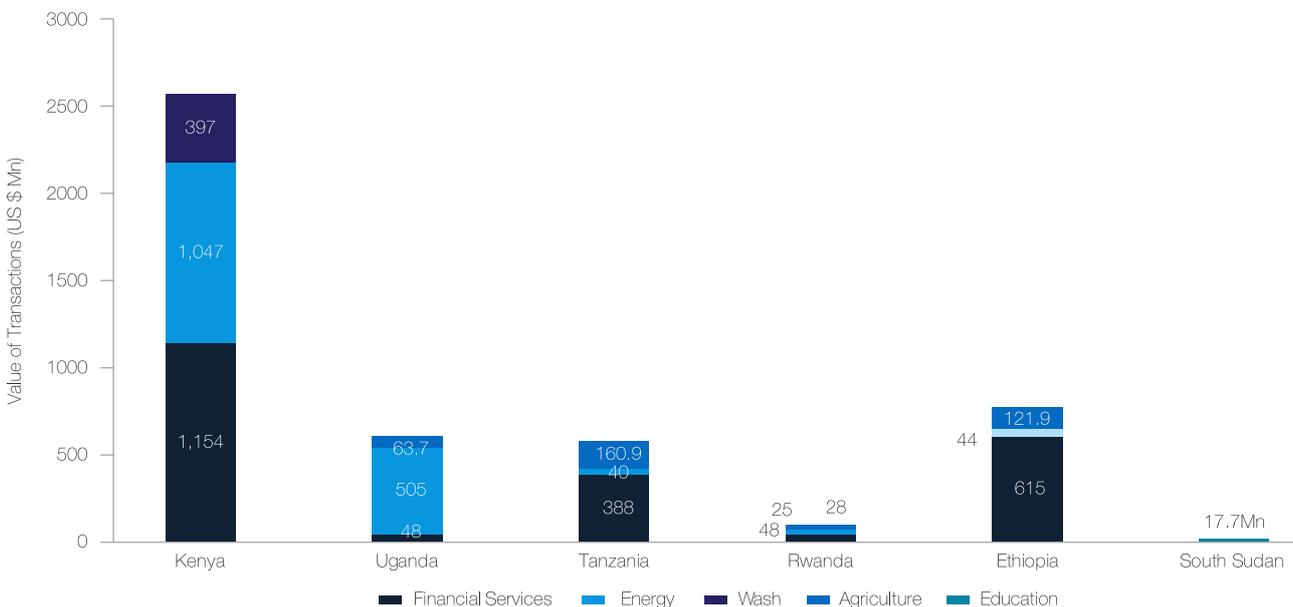
Figure 6: Capital Deployed by DFIs, by Sector (2015-2019)



SECTOR	FINANCIAL SERVICES	ENERGY	AGRICULTURE	WATER & SANITATION	MANUFACTURING	OTHERS	HEALTH	EDUCATION	MULTI-SECTOR
AVERAGE DEAL SIZE (US \$ MN)	45.7	30.2	24.3	23.7	10.9	8.3	6.8	6.7	14.0

Source: Intelcap Research and Analysis; DFIs Websites and Reports

Figure 7: Overview of Key Sectors for DFI Investments, by Country (2015-2019)



Source: Intelcap Research and Analysis; DFIs Websites and Reports

## INVESTMENT STRATEGY

*Direct investments into businesses account for the largest proportion of DFI funding.*

DFIs in the region mainly used debt (majorly for direct investments) which accounted for the highest number of deals between 2015-2019 investments (averaging 56%). The DFIs also invest indirectly through fund managers majorly as equity, accounting for 36% of the deal count, while the DFI programmatic interventions and a blend of the instruments accounted for 9% of the deal count. The average direct, indirect and programmatic interventions over the period accounted for 74%, 15% and 11% of the deal value, respectively. DFI support to their investee companies in form of grants and TA funds accounted for 4% of total DFI deal count. DFIs also provide guarantees to enhance financing for key segments such as SMEs. However, this only accounted for 1% of total DFI deal count.

Figure 9: Sample DFI Deals

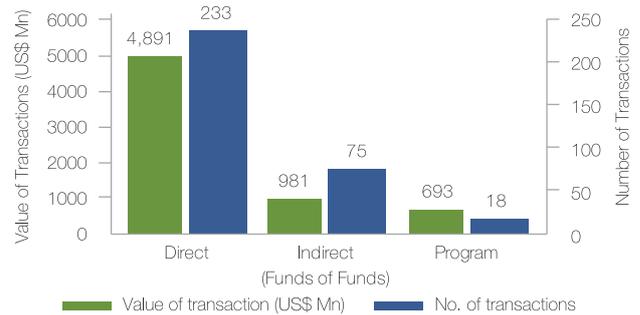



Launched in 2014 in Kenya, the Twiga Foods is a based mobile-based B2B distribution platform that bridges the gaps in food and market security through an organised platform for an efficient, fair, transparent and formal marketplace. The platform aggregates the requirements of the retailers through the m-commerce platform and sources produce directly from farmers and food manufacturers. Key information about the deal.

- **Sector:** Agriculture
- **Country:** Kenya
- **Amount raised:** US\$ 30 Mn
- **Funding year:** 2019
- **Funding type:** Series B
- **Investors:** Funding was made on a co-investment basis by; International Finance Corporation (**DFI**), Goldman Sachs (**SFM**), Tlcom Capital (**SFM**), Creadev (**SFM**), OPIC (**DFI**) and Alpha Mundi (**SFM**).

The fund is intended to support the roll-out of its distribution system and lay the foundations for expansion into other cities on the continent.

Figure 8: Capital Deployed by DFIs, by Investment Mechanism (2015-2019)



Source: Intelicap Research and Analysis; DFIs Websites and Reports




Founded in 2012, Tugende is a for-profit social enterprise that uses asset finance, technology, and a customer-centric model to help informal sector entrepreneurs dramatically increase their economic trajectory. Tugende is a provider of lease-to-own financing to financially excluded individuals to help them own income generating assets. It helps motorbike taxi (“boda-boda”) drivers to purchase their vehicles, allowing customers to save money that they would normally spend renting and instead own an income generating-asset. It has served over 30,000 clients and completed over 7,000 leases.

- **Sector:** Financial services, Transport and logistics
- **Country:** Uganda
- **Amount raised:** US\$ 24.2 Mn
- **Funding year:** 2019
- **Funding type:** Unknown
- **Investors:** Funding was made on a co-investment basis by; OPIC - Overseas Private Investment Corporation (**DFI**), PG Impact Investments (**SFM**)



## 1.1.2 SDG/Sustainability Aligned Private Fund Managers (SFMs)

### SUMMARY OF TRENDS AND OBSERVATIONS ON SFM INVESTMENTS

- Between 2015 and 2019, a total of US\$ 1.5Bn was deployed into over 217 SDG/sustainability-themed deals by private fund managers.
- The research identified 155 SFMs operating in the region - Kenya (88%), Uganda (63%) and Tanzania (41%).
- Rwanda attracted the third largest funding after Kenya and Uganda, overtaking Tanzania as the third preferred investment destination. Kenya remains the preferred investment destination in the region, attracting 73% of the funding.
- Energy, financial services and health are the top three sectors attracting most funding, with the energy sector accounting for 41% of the total SFM portfolio. Furthermore, the financial services attracted the highest number of deals driven by the fintech industry thriving in the region.
- While most of the SFM investment deals focused on early stage, the largest portfolio was deployed at the growth stage with more than 89% of the capital deployed across deals worth more than US\$ 5Mn.
- Co-investment deals by SFMs constitute only 18% of deals made between 2015 and 2019.

### OVERVIEW

Sustainability aligned fund managers' (SFMs) investing activities in the focus East African countries increased substantially in the last five years.

Between 2015 and 2019, a total of US\$ 1.5Bn<sup>27</sup> was

deployed into around 217 sustainability-themed deals in the region. The annual investments grew by 138%<sup>28</sup> between 2015 and 2019, with an average yearly increase of 27%, driven by stable economic growth in the focus countries over the period.

Figure 10: Capital Deployed by SFMs, by Year (2015-2019)



YEAR	2015	2016	2017	2018	2019
AVERAGE DEAL SIZE (US \$ MN)	6.95	6.57	6.82	6.35	6.85

Source: Intellectap Research and Analysis, CrunchBase and Baobab Insights

### COUNTRY FOCUS

While Kenya remains the preferred investment destination in East Africa, activities in Rwanda are also increasing rapidly over the last few years. Moreover, the average deal size in Rwanda and Ethiopia is higher than that of Tanzania.

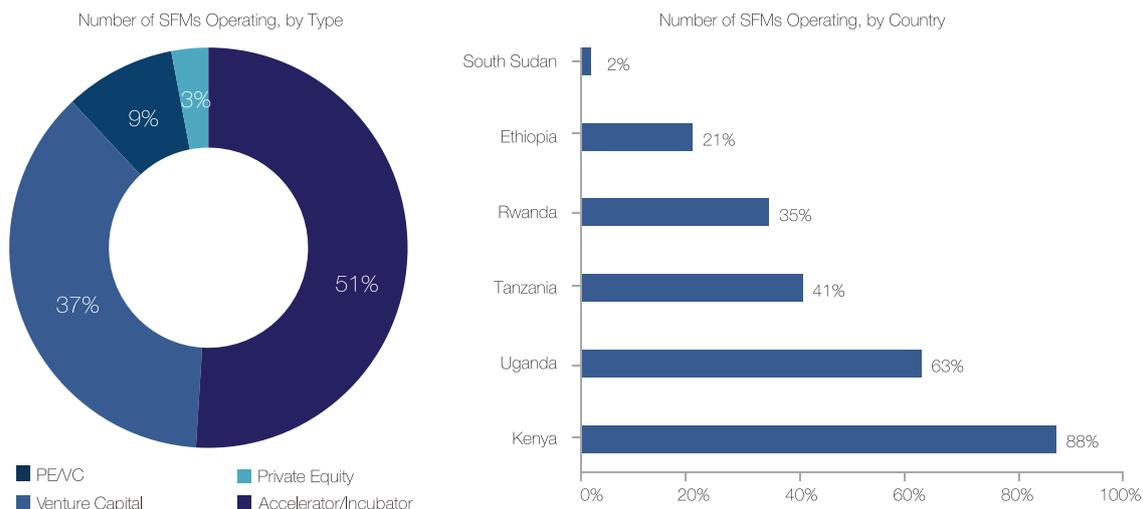
The research mapped 155 SFMs, mostly operating in Kenya, Uganda and Tanzania. Approximately 70% of the SFMs identified focus exclusively on the East Africa region while the rest have either a Pan-Africa and/or a global focus<sup>29</sup>.

<sup>27</sup> Intellectap Analysis, Disclosed SDG aligned deals by PE/VCS, considered as social investments for this study

<sup>28</sup> Intellectap Analysis

<sup>29</sup> Intellectap Analysis

Figure 11: Number of SFMs Operating in the Region, by Type and Country

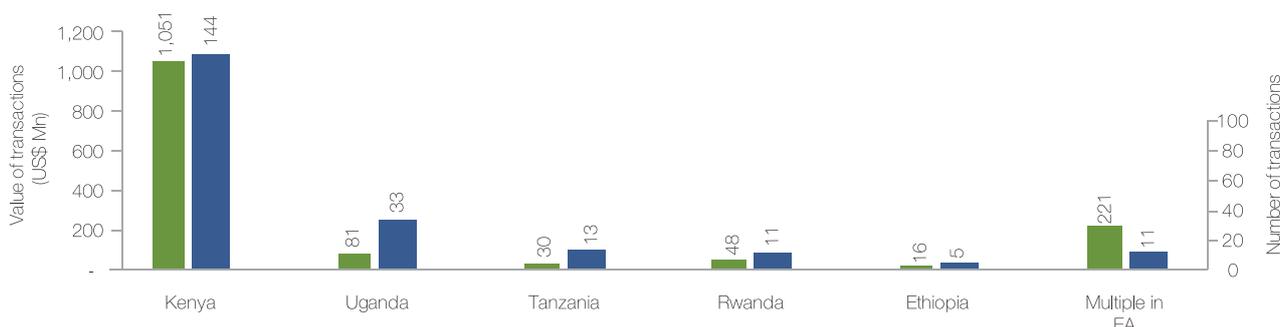


Source: Intelcap Analysis

Despite the low number of SFMs focusing on Rwanda, the country attracted the third largest funding amount after Kenya and Uganda. The growth in investments in Rwanda can be attributed to the favourable business environment and economic growth of the country. The research did not identify any social investment deals by

SFMs in South Sudan, while Ethiopia had only five few deals recorded in the country. Multiple deals involved transactions recorded in more than one country, such as the Katalyst Ventures US\$ 190Mn deal to Zipline covering Uganda and Rwanda.

Figure 12: Capital Deployed by SFMs, by Country (2015-2019)



COUNTRY	KENYA	UGANDA	TANZANIA	RWANDA	ETHIOPIA	MULTIPLE COUNTRIES
AVERAGE DEAL SIZE (US \$ MN)	7.3	2.4	2.3	4.4	3.1	20.1

Source: Intelcap Research and Analysis, CrunchBase and Baobab Insights

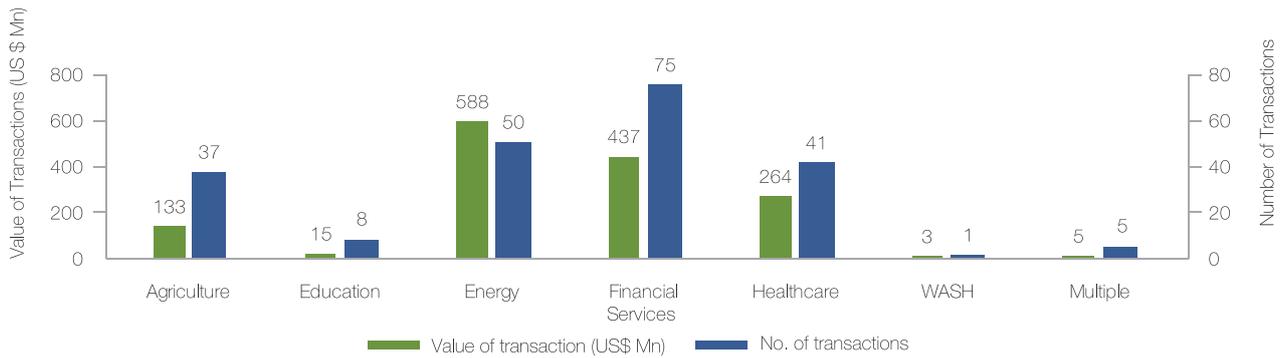
### SECTOR FOCUS

Energy, financial services, and health are the top three sectors attracting most funding, with the energy sector accounting for 41% of the total SFM investments.

Although the financial services sector still dominates in the investor preferences in the region, the energy sector accounted for the largest proportion of the funding which

could be attributed to the larger deal size in the sector compared to other sectors. With the thriving fintech industry in the region, the financial services sector accounted for the most deals (35%, followed by the energy sector (23%). Healthcare and agriculture are the other common sectors of interest accounting for 19% and 17% of the total deals, respectively.

Figure 13: Capital Deployed by SFMs, by Sector (2015-2019)



SECTOR	AGRICULTURE	EDUCATION	ENERGY	FINANCIAL SERVICES	HEALTHCARE	WASH	MULTIPLE
AVERAGE DEAL SIZE (US \$ MN)	3.6	1.9	11.8	5.8	6.4	3.3	1.04

Source: Intelicap Research and Analysis, CrunchBase and Baobab Insights

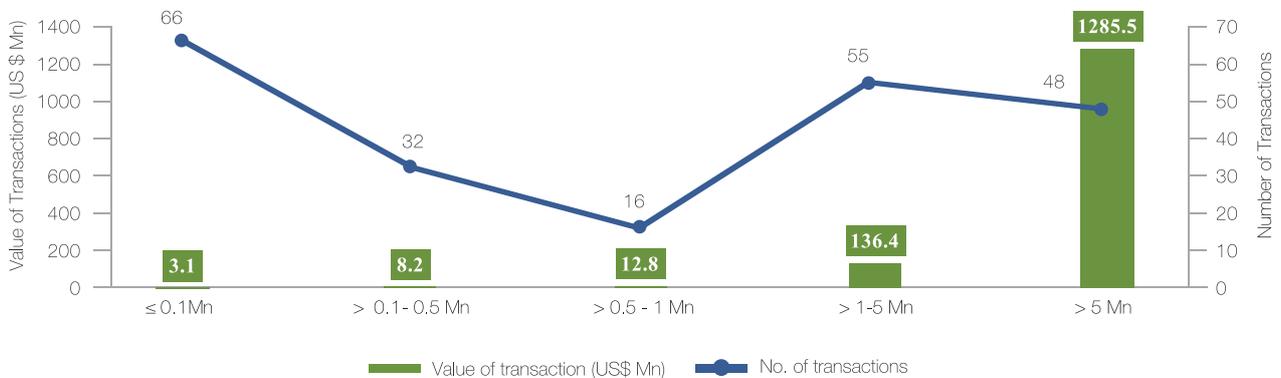
## DEAL SIZE

Most of the deals have been to the early and later stage enterprises, reflecting the 'missing middle' challenge in the region.

The average ticket size of the capital deployed by SFMs in the region is US\$ 6.6 Mn, while the median is US\$ 1 Mn. While most of the investment deals are focusing on the early stage with lower ticket sizes of less than US\$100,000, this accounts for only 0.2% of the total value of the capital

deployed by SFMs. Most of the 'seed capital' deployed (42%) in the region focused on the financial services, followed by the agriculture sector (20%), which can be attributed to the thriving fintech and ag-tech landscapes. More funding (89%) has been deployed to growth stage enterprises with capital requirements of more than US\$ 5Mn.

Figure 14: Capital Deployed, by Deal Size (2015-2019)



DEAL RANGE (US\$ MN)	≤ 0.1 MN	> 0.1 - 0.5 MN	> 0.5 - 1 MN	> 1-5 MN	> 5 MN
AVERAGE DEAL SIZE (US \$ MN)	0.05	0.26	0.80	2.48	26.78

Source: Intelicap Research and Analysis, CrunchBase and Baobab Insights

## SOURCES OF CAPITAL

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

Most of the SFMs provide technical assistance to the investee companies – mostly post-investment. SFMs primarily rely on international funding for investing and technical assistance. Donor funding in the form of grants has been particularly leveraged to provide pre and post-investment support to the investees. Pearl Capital, for

instance, has partnered with the EU to provide TA through its BDS facility implemented by IFAD. Moreover, some SFMs, such as the Energy Access Ventures (EAV), have also adopted a co-financing model with other LPs for investments and TA provided to the investee, with the LPs providing the TA funds managed by the EAV. SFMs, such as AlphaMundi, also offer grants towards technical support, supporting the investee companies' operations, and leveraging its Foundation for such support.

*"We provide technical assistance, mostly post-investment support services where we fund 50% of the costs, while the company meets the other 50%. We have also leveraged funds from IFC and Norfund especially for SME technical assistance".*

SFM in the Region

## SAMPLE SFM DEALS

Figure 15: Sample of Recent SFM Deals



1.1.3 Corporate Social Investors<sup>32</sup>

SUMMARY OF TRENDS AND OBSERVATIONS ON CSI INVESTMENTS

- Between 2014 and 2019, a total of US\$ 382.7 Mn was deployed in 69 transactions by East African CSIs while top 5 North American CSIs deployed US\$ 561Mnin various SDG aligned sectors.
- Most East African CSIs have been implementing education, health and economic empowerment initiatives, accounting for 67%, 17% and 9% of the capital deployed.
- CSIs headquartered out of the region have focused on enhancing youth employment, governance, agriculture and health, with entrepreneurship and economic empowerment accounting for 63%of the deployed capital.
- While most of the East African CSIs have been implementing long-term projects jointly with NGOs and academic institutions, some corporates are also investing in social enterprises.
- The CSIs investments are largely through grants and donations, though fund shave also been deployed through equity and debt to social enterprises.

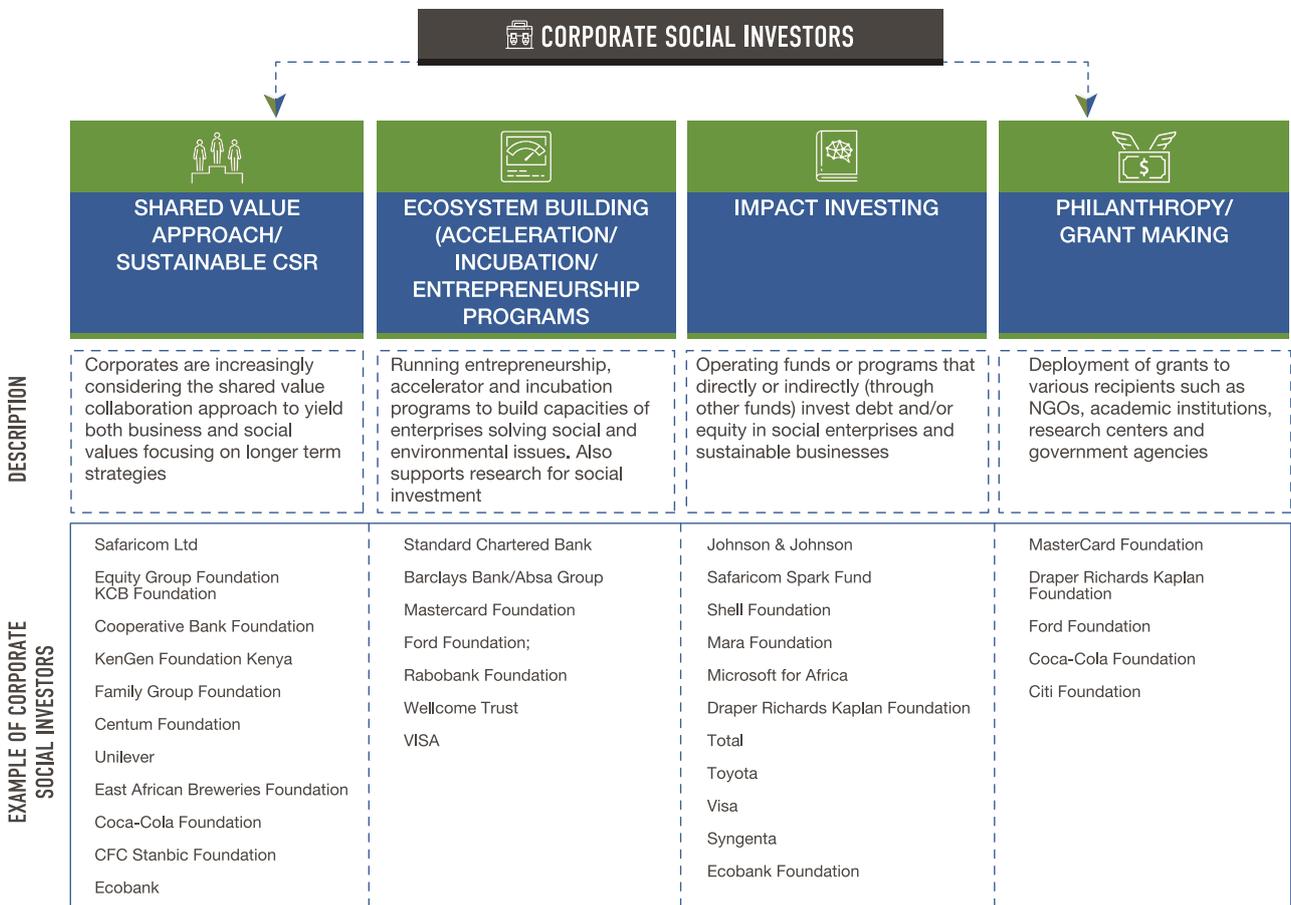
INVESTMENT STRATEGIES

Corporates<sup>33</sup> in the region have adopted various sustainable strategies and approaches towards corporate giving.

North America-based corporations and foundations, such as the Ford Foundation and the MasterCard Foundation, deploy a large portion of the publicly recorded corporate giving in East Africa, alongside widespread activity by European corporations and foundations, such as the Shell Foundation, Johnson & Johnson, Draper Richards

Kaplan (DRK) Foundation, DOEN Foundation, Stichting IKEA Foundation, and Rabobank Foundation. Asian corporates such as Toyota and Huawei are also making impact in the energy and ICT sectors, respectively. Some of the international corporates and foundations work in collaboration with the East Africa headquartered corporates. Active players in the region include the KCB Foundation, Equity Group Foundation, and Safaricom Foundation. Corporates in the region use different strategies to deploy social capital e.g. shared value

Figure 16: Overview of Investment Strategies Adopted by Corporate Social Investors



<sup>32</sup> Refers to corporate foundations, corporate funds, and corporate accelerator/incubator programs

approach, impact investing, philanthropy/grant making, venture philanthropy, and ecosystem building through acceleration/incubation programmes.

*The region also hosts several multinational companies (MNCs) with established local offices that drive impact along their sectors of operations and value chains.*

The Partners in Food Solutions (PFS), an initiative led by the General Mills, was established to share General Mills' technical expertise with local partners in various countries in Africa, including Kenya, Uganda, Tanzania and Ethiopia. The PFS has successfully cooperated with other MNCs, NGOs and investors such as Cargill, DSM, Technoserve, WFP, USAID, Small Foundation and Root Capital. Other MNCs active in social investment in the region include Total (energy), Microsoft (ICT and skills development), Coca-Cola (economic empowerment, WASH etc.), Unilever (FMCG), IBM, Siemens, and Visa, among many others.

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

#### **Shared value approach/Sustainable CSR:**

The shared value approach is one of the most prominent strategies adopted by corporates in the region. Corporate foundations have initiated several social impact initiatives funded through their corporate budgets and leveraging additional funding from other partners. Safaricom is one of the leading corporates in this space, through direct investments into communities and through corporate social investment (CSI) programmes through the Safaricom Foundation and the M-PESA Foundations. Safaricom has effectively created a shared value through its M-PESA services, providing financial services to the under- and un-banked populations and allowing them to access savings and credit benefits while generating substantial revenue and business opportunities for Safaricom. It also launched M-Tiba, a health payment solution in the region with an "e-wallet", that enables the low-income population to save money for their healthcare expenses. The product helps health payers, such as government and donors, to easily direct the funds towards this low-income population. Safaricom also works with the B-Team Africa, an alliance of progressive business leaders launched in 2018, to create a network of people and resources that can catalyse the adoption of the SDGs, and create shared value across the continent.

Commercial banks in the region are more actively involved in the social investment space compared to other corporates. Most banks in the region have established the corporate foundation and corporate social investment divisions to spearhead social investments. The banks in the region have continually leveraged CSR initiatives as an avenue for brand value improvement, promotion, and creating social value, which in return contributes to their sustained growth. Some of the leading commercial bank foundations in the region include Equity Group Foundation, KCB Foundation, Ecobank Foundation,

Cooperative Bank Foundation, and the Family Group Foundation.

#### **Ecosystem Building:**

Corporates have been supporting the development of social entrepreneurship and social investment through ecosystem building initiatives and strategies such as supporting acceleration/incubation/entrepreneurship programs, undertaking research, and setting up their own incubators/accelerators. In 2017, the Standard Chartered Bank partnered with the @iBizAfrica-Strathmore University in Kenya to create the 'Women in Tech' incubator programme. The program supported female-led entrepreneurial teams by providing them with training, mentorship, and US\$ 10,000 seed funding to invest in their business. The bank also launched the Africa eXcellerator lab in 2019, an innovation hub to serve as a platform to collaborate with fintechs in Kenya and the broader African region, to drive innovation and develop new business models or services to meet client needs in the region<sup>34</sup>. The Barclays Bank (Absa Group) has equally run similar accelerator programmes in collaboration with fintechs. The programme was designed to capture, shape and scale, innovative fintech businesses in Africa. The KCB Foundation also implements youth employment programmes such as the KCB 2jajiri which has boosted entrepreneurship and employment among the youth. MasterCard Foundation, has also been promoting youth entrepreneurship through the Young Africa Works initiative launched in various countries, including Kenya and Tanzania. In 2020, VISA partnered with Hand in Hand International, a global NGO in Eastern Africa, with US\$ 2.4Mn to support growth of SMEs<sup>35</sup>.

*"The strategy aims to create shared value as opposed to the CSR approaches. The programmes implemented yield both business and social value. In order to scale the operations, funding is conducted by both the bank and donors. These are international donors and foundations who catalyse the areas the foundation is working on."*

*Corporate foundation in East Africa*

*"The Johnson & Johnson Impact Ventures is a pure debt fund targeting post revenue businesses in the health sector making around \$100,000 dollars a year and focusing on the bottom of the pyramid; looking for debt financing of about US\$ 0.5Mn."*

#### **Impact Investing:**

Corporates also engage in impact investing, with some of them investing through debt and equity and others deploying grants to social enterprises and sustainable businesses. In 2014, Safaricom, for example, started the first Corporate Venture Fund in East Africa – the Spark Venture Fund – to both invest and support late-seed, early-growth stage companies. The fund has supported the development and growth of mobile tech start-ups in

<sup>34</sup> Standard Chartered Bank - Africa eXcellerator

<sup>35</sup> Hand in Hand Website

the region, especially in Kenya, through a combination of investment, business development and technical assistance support. Equity Bank has also created positive impact in the health and energy sector through the health franchising programmes and investment in clean energy products. The Johnson & Johnson also engages in impact investing space and recently launched Johnson & Johnson Impact Ventures, a US\$ 15Mn initiative to support businesses and social enterprises focusing on health. The Shell Foundation has made great contributions in the energy sector through the deployment of both grants and zero-interest debt to the enterprises in the region. Microsoft 4Afrika currently offers both financial and non-financial support to start-ups the region. It has recently launched the Global Social Entrepreneurship programme to help social enterprise start-ups build and scale.

In Rwanda, the Ecobank foundation partnered with GlaxoSmithKline and the Government of Rwanda to implement OneFamilyHealth programme, a sustainable franchised network of clinics that seeks to improve access to basic healthcare and prevention services in isolated rural communities in Rwanda. The Ecobank Foundation supports the initiative by providing loan facilities to the franchisees. Chandaria Ccapital is also a key player in impact investing providing financial and non-financial support to early stage, scalable, high impact businesses creating sustainable long-term growth for Africa. The company has invested in Ilara Health, SoKowatch, Kobo360 and Savannah Brands.

#### Philanthropy/grant making:

Corporates operating in the region also engage in philanthropy through the deployment of grants to both individuals and institutions. For instance, the Standard Chartered Bank has been sponsoring the 'Standard Chartered Nairobi International Marathon', investing about US\$ 900,000 annually towards sponsorship of the event and channelling the proceeds to its "Seeing is Believing (SiB)" initiative, which focuses on addressing avoidable blindness among children below 15 years. Other corporates, such as the Family Group Foundation, Equity Bank, and Cooperative Bank, have also supported other social initiatives such as the "Beyond Zero Campaign". International corporate foundations in the region, such as the Ford Foundation, Citi Foundation, the MasterCard Foundation, and Coca Cola Foundation, also provide grants to address various social and environmental challenges. In 2017, the Citi Foundation committed US\$ 1.3Mn in grants in partnership with TechnoServe to support young entrepreneurs and workers in multiple countries in Africa, including Kenya and Uganda.

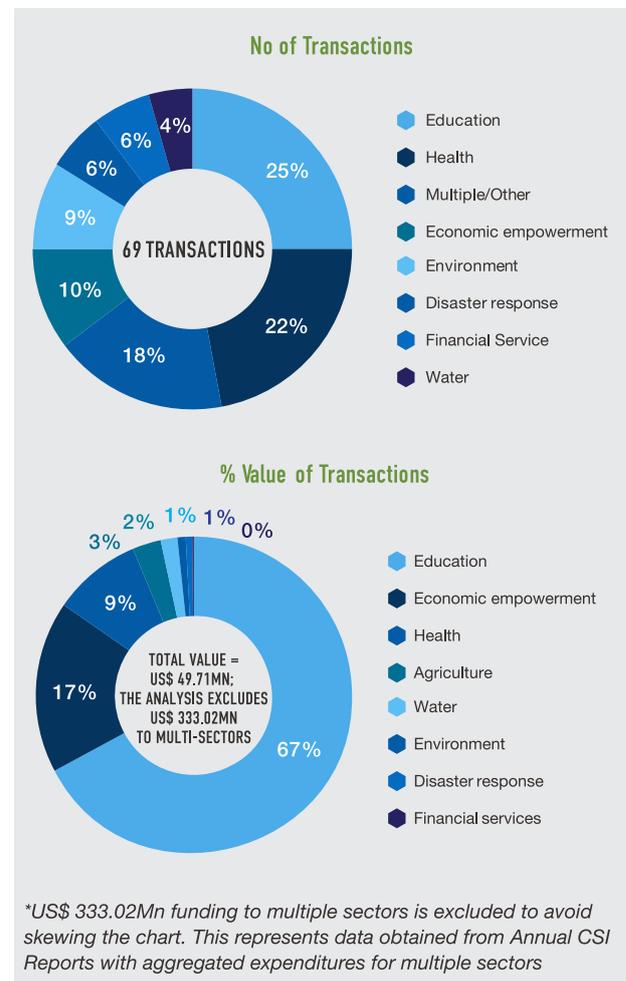
## INVESTMENT ACTIVITIES: TRENDS AND FOCUS AREAS

### East African corporate social investors active in the region

The research mapped 69 transactions (donations/grants/debt) worth US\$ 382.7Mn<sup>36</sup> deployed by the East Africa-based corporate investors between 2014 and 2019. Equity Group Foundation, KCB Group and Safaricom are some of the largest corporate social investors supporting

Figure 17: Social Investments by East African Corporate Social Investors, by Focus Areas (2014-2019)

Corporate Social Investors contribute significantly to the education and economic empowerment sectors



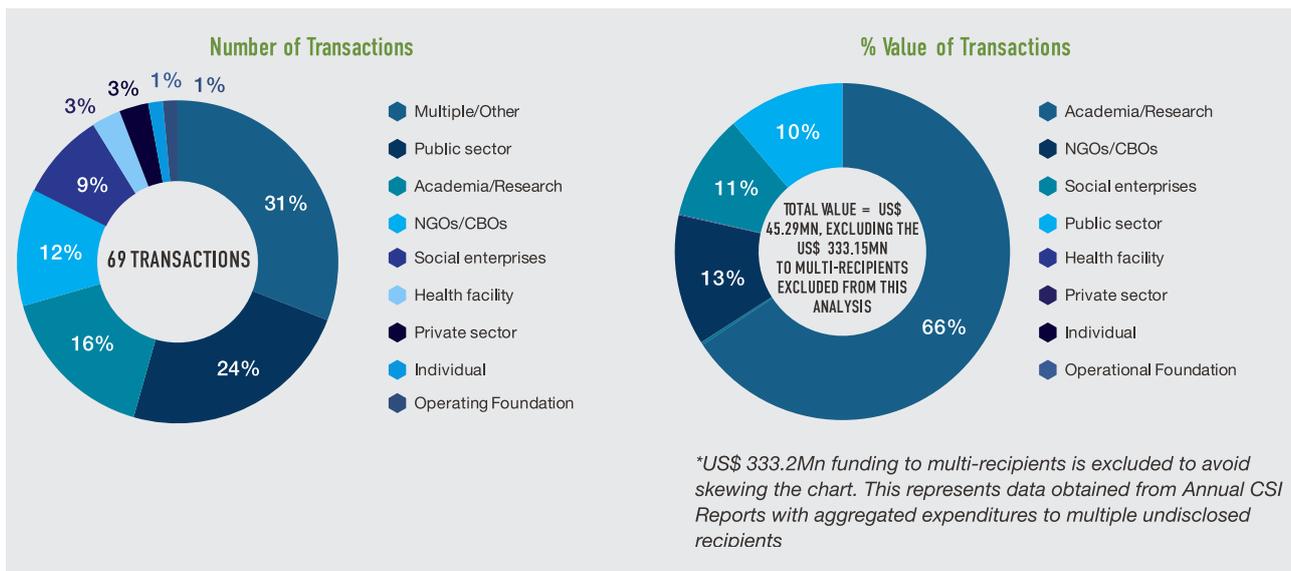
various initiatives. Health, education, and economic empowerment are key social causes of interest for corporate investors, with most of the funds deployed in these sectors.

Corporate social investments in the region are primarily made into the public sector and academic/research organisations. Corporates are also working with NGOs, while others also support social enterprises through grants, debt and equity. In 2015, for instance, Safaricom set up the Technology for Good Innovation Fund - a US\$ 500,000 fund that sought to offer financial and non-financial support to social enterprises in the tech industry with a specific focus on sustainable and scalable mobile-based solutions. Others include the funding and mentorship support offered to micro and small enterprises by foundations such as KCB and EGF.

<sup>36</sup> Intellect analysis

Figure 18: Social Investments by East African Corporate Social Investors, by Recipient Type (2014-2019)

Corporate Social Investors contribute significantly to Academia and Social Enterprises



Source: Intelicap Analysis; CSIs Websites and Reports

## SPOTLIGHT: EQUITY GROUP FOUNDATION

In 2008, the Equity Group Foundation (EGF) was established as the social arm of Equity Group Holdings; seeking to transform the lives and livelihoods of the people of Africa. The Foundation champions the socio-economic prosperity of low-income people via economic opportunities and skill and capacity building tools with a range of financial and technological innovations. EGF rides on a shared value approach to the social investments, working alongside other partners to create shared value as opposed to the traditional CSR approach. To catalyse and achieve more sustainable impact, the foundation established strategic partnerships with development partners, governments, the private sector and local and international organizations. With the major source of income being 2% of the Bank's annual profits, EGF's executes programmes in the following areas;

- **Education & Leadership Development;** This is a majorly a scholarship programme through which the EGF seeks increase access to secondary and tertiary education and develop the next generation of leaders. Since 2010 the EGF has awarded 26,304 comprehensive secondary school scholarships (Wings to Fly) to academically promising, yet financially disadvantaged youth
- **Food & Agriculture;** This programme aims to accelerate economic growth in the region by commercializing agriculture. The foundation has implemented different projects through partnership with farmers and other key players.

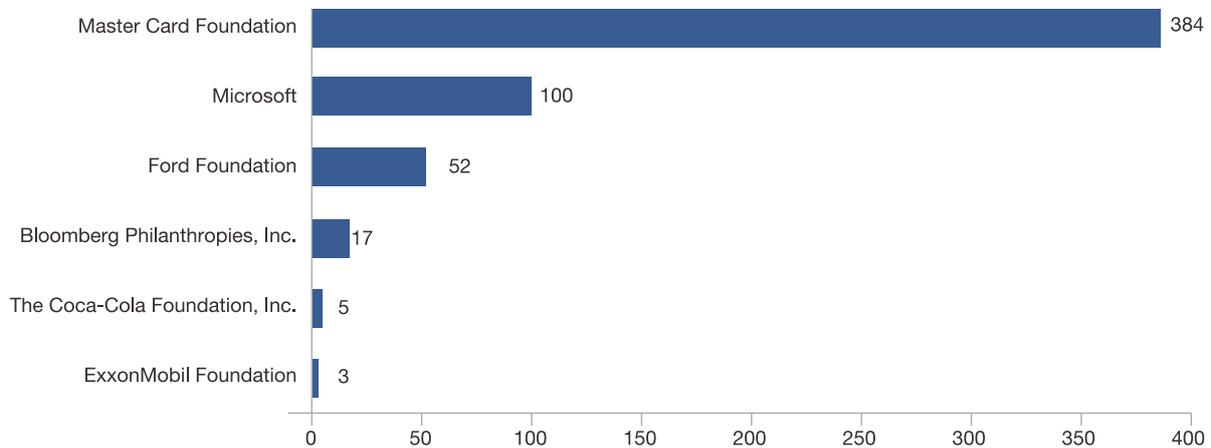
- **Health;** EGF established the health pillar in 2014 to champion access to affordable high quality healthcare services across the country. This programme has so far led to the opening of 22 clinics and seeks to increase this to 1,000 health franchises.
- **Entrepreneurship & Financial Education;** This is an enterprise development programme that aims to ensure that the enterprises receive mentorship, entrepreneurship training and funding to help grow their businesses. Over 4,000 SMEs have been trained. EGF has also provided funding to the enterprises at a favorable lending rate.
- **Energy & Environment;** This intervention has seen the EGF facilitate planting of 1 million trees, investment of US\$30Mn

EGF has leveraged partnerships with different players in supporting the programmes through programmatic grants and guarantee funds among other non-financial support. Some of the partners include; MasterCard Foundation, the U.S Government, EU; the government of Kenya, and International Agencies such as AFD, among others. EGF complements government support and partnership in replicating and scaling up their impact on the education sector through scholarship programmes (wings to fly). Through the EGF-Government partnership, the government committed US\$ 30 million targeting to provide 18,000 scholarships in two years.

### North American corporate social investors active in the region

The research identified at least 20 North American-headquartered corporate social investors operating in the region deploying grants and addressing social causes in various sectors both through direct investments and programmatic interventions. Some of the most active players are highlighted below;

Figure 19: Selected North American Corporate Social Investors, by Value of Deployment (US\$ Mn) 2015-2019



Source: Intelicap Analysis, Foundation Centre

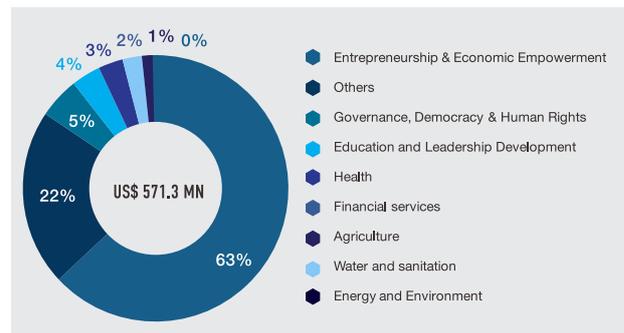
The MasterCard Foundation (MCF) is one of the active international corporate foundations in the region, implementing various programmes with a focus on agriculture development and youth employment. In addition to its partnership on the KCB 2jijiri program, MCF has also partnered with the Equity Group Foundation and Alliance for a Green Revolution in Africa in the education and agriculture sector, respectively. The Ford foundation has supported non-profit organisations with a focus on civic engagements and governance in East Africa. The foundation deployed more than 200 grants worth US\$ 51.3Mn to organisations such as the Centre for Rights, Education and Awareness, Economic and Social Rights Centre, Kenya Human Rights Commission, among others. In 2019, the Coca-Cola Foundation deployed a US\$ 250,000<sup>37</sup> grant to the Shining Hope for Communities (SHOFCO) to support economic growth for 2,500 women living in the urban slums of Kenya through entrepreneurship opportunities to collect PET, generating income and contributing to overall waste reduction. The foundation also deployed US\$ 50,000 to the Nipe Fagio organisation in Tanzania in support of ZERO WASTE Project in Tanzania. The Draper Richards Kaplan Foundation (DRK foundation), has also supported early stage and high impact social enterprises in Kenya, Uganda, Tanzania in various sectors including economic empowerment, education, health, agriculture, environment. Some of the enterprises supported in East Africa include Jacaranda Health, Sanergy, Komaza, One Acre Fund, Tiny Totos and Food for education.

North American corporate social investors are largely focused on entrepreneurship, education, and health sectors, with the entrepreneurship and economic empowerment accounting for more than half the grants made between 2015 and 2019.

### Other corporate social investors active in the region

The research identified at least 16 European-headquartered corporate foundations active in the region, namely Johnson & Johnson, Phillips Foundation, Shell Foundation, Argidius Foundation, Ikea Foundation, Swiss Re Foundation, Rabo Foundation, Stichting DOEN, the Syngenta Foundation for Sustainable Agriculture, Total Corporate Foundation (Fondation d'entreprise TOTAL),

Figure 20: Deployment by Select North American Corporate Social Investors, by Sector (2015-2019)



Source: Intelicap Analysis, Foundation Centre

among many others. Many of the European foundations identified have been using the shared value approach for social capital deployment in the region. For example, the Syngenta Foundation for Sustainable Agriculture (SFSA) has been partnering with the International Maize improvement centre (CIMMYT) in East Africa to improve the crop yields and income for smallholders. On the other hand, the Philips Foundation in collaboration with the Kenya Red Cross launched the third phase of its successful Back to Rhythm campaign—an education drive that has been creating public awareness around cardiac health in Kenya, and increasing the chances of survival of victims of sudden cardiac arrest (SCA) since 2017. Johnson and Johnson Foundation and Shell Foundation are active in the impact investing and venture philanthropy space.

<sup>37</sup> Coca-Cola Company Website

## 1.1.4 Family Foundations/Trusts/Endowments

### SUMMARY OF TRENDS AND OBSERVATIONS ON FAMILY FOUNDATIONS/TRUSTS/ENDOWMENTS

- The research mapped US\$ 22.17Mn deployed by the East African family foundations across 27 transactions; while North American Foundations deployed over US\$ 710.4Mn in 708 grants between 2015-2019.
- Most family foundations work as operating foundations backed by philanthropists and/or working with NGOs and other donors to implement projects
- The family foundations in the region focus on provision of basic services including health, education and economic empowerment in the focus countries
- Family foundations funding remains largely grant based; with some shift towards impact investing and venture philanthropy
- Funding from family foundations headquartered outside of the region remains focused largely on health interventions, accounting for 43% of the total funding between 2015-2019
- The top two sectors, healthcare and agriculture, accounted for 72% of the funding by North American family foundations.

### INVESTMENT STRATEGIES

*Philanthropy/grant making is the most common approach adopted by international and East Africa-based family foundations operating in the region.*

While giving by East African philanthropists remains mostly undocumented, some forms of institutionalised philanthropy do exist in the region with individuals and local family foundations deploying capital through their operating foundations and other channels such as NGOs and academic institutions. Most of these foundations such as the Rattansi Education Trust, Mo Dewji Foundation, Zarina & Naushad Merali Foundation and Chandaria Foundation operate through a grant-funding model. In addition to various donations made to initiatives in the education, health, and environment sectors, Chandaria Foundation has also been supporting the growth of the social enterprises through the Chandaria Business Incubation Centre hosted at Kenyatta University in Kenya.

Many of the larger family-run business conglomerates in East Africa have now reached the third or fourth generation of wealth creation, giving way to some form of institutionalised philanthropy witnessed in recent years. As wealth creation continues amongst East African entrepreneurs, more widespread structured family giving is anticipated in the region. The return of younger generations from studying and working abroad to run family businesses in East Africa is also contributing to an interest in impact investment amongst wealthy families and entrepreneurs, although the large majority of family foundations and trusts continue to deploy more traditional grant capital. However, there exists an opportunity to do more in this space to encourage family foundations to engage with innovative finance by making these structures accessible to diverse, smaller-scale donors.

International philanthropists also largely adopted the grant-making approach in the region to deploy grants through their family foundations. Some of the largest international grant providers in the region include Bill and Melinda Gates Foundation (BMGF), Howard G. Buffett Foundation, Conrad N. Hilton Foundation, Rockefeller Foundation, David and Lucile Packard Foundation,

Segal Family Foundation and John D. and Catherine T. MacArthur Foundation. Most of these foundations deploy grants in the region through other intermediaries and NGOs based there.

*Family foundations in the region, however, are increasingly looking beyond grant making and using impact investment and venture philanthropy strategies to solve social and development challenges.*

Although impact investments and venture philanthropy are still nascent among international foundations operating in East Africa, a few have adopted such initiatives and launched impact investment initiatives, deploying repayable grants, low-cost debts and equity. The Graca Machel Trust, for example, is currently raising a GLI focused fund to invest in women business in East Africa. The LGT Venture Philanthropy Foundation and Mulago Foundation are also actively investing in social enterprises through grants, debt and equity. The LGT Venture Philanthropy Foundation invested in the M-KOPA Solar (Kenya), providing affordable solar home systems that generate clean energy for low-income households in the region.

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

*Table 1: Summary of Social Investment Approaches Adopted by Select Family Foundations*

#	Foundation Name	Headquarter	Acceleration/ Incubation support	Impact Investing	Venture Philanthropy	Grants/ philanthropy	Description
1	Mo Dewji Foundation	Tanzania					The Mo Dewji Foundation supports social entrepreneurship through its Mo Entrepreneurs Competition program in the region. The Mo Entrepreneurs Competition seeks to provide approximately US\$ 4,310 (TZS 10 million) interest-free loan and mentoring from Mo Dewji to innovative firms, enabling them to improve productivity and income. The foundation also supports various initiatives through grants and donations in education, health and community development.
2	Chandaria Foundation	Kenya					Deploys grants to various institutions in sectors such as education, and health sectors. The foundation also engages in venture philanthropy and invests in entrepreneurs to create impactful companies in the region. It also supports offers non-financial support to enterprises through the Chandaria business incubation centre.
3	Bill and Melinda Gates Foundation	United States					BMGF largely deploys grants to NGOs and government agencies in addition to establishing and implementing huge programmatic interventions. The foundation focuses on the health, agriculture and financial services sectors. Locally, the foundation has partnered with the Financial Sector Deepening Trust (Tanzania) in financial inclusion related projects. In Kenya, it has partnered with the National AIDS Control Council in health projects. The BMGF aims to improve local capacity and support vulnerable members of the societies through grants. The foundation has also deployed some impact investments in the region largely in the agriculture sector.
4	Segal Family Foundation	United States					Beyond grant making, Segal Family Foundation has made a number of debt or equity investments in social enterprises in East Africa, focusing on early-stage entrepreneurs who are creating innovative, scalable models to address Africa's most pressing social and environmental challenges. It has also implemented a Social Impact Incubator (SII) programme in the region.
5	Stone Family Foundation	United Kingdom					The foundation provides grants and seed capital to innovative enterprises and new ideas, particularly solving water and sanitation access challenges. Its geographic focus in sub-Saharan Africa includes Kenya, Uganda and Rwanda in East Africa.
6	LGT Venture Philanthropy	Switzerland					It invests into for-profit and non-profit social enterprises. In East Africa, LGT only works with enterprises in Kenya in various sectors including education, health and environment.

#	Foundation Name	Headquarter	Acceleration/ Incubation support	Impact Investing	Venture Philanthropy	Grants/ philanthropy	Description
7	Rockefeller Foundation	United States					The foundation supports various initiatives and has supported the development of a global impact investing, invested in a number of enterprises under the foundation's innovative finance and impact investing work. The foundation has as awarded both grants and program-related investments (PRIs). In East Africa, the foundation has worked with the Alliance for a Green Revolution in Africa and Farm Concern International in the agriculture sector.
8	Zarina & Naushad Merali Foundation	Kenya					The foundation is purely philanthropic supporting various projects including hospitals, health centers, old-age homes and educational funds for the needy. It has supported initiatives such as the Beyond Zero Campaign and the construction of a Day Care at the Kenyatta National; Hospital (Kenya)
9	Rattansi Education Trust	Kenya					The Rattansi Trust has been in existence since 1953 and focuses in the education sector. The Trust provides bursaries and scholarships to students in various academic institutions.
10	Mulago Foundation	United States					The foundation adopts a venture philanthropy approach with a focus on enterprises working in the health, agriculture, education and energy sectors. It offers unrestricted funding to these enterprises and supports them in their growth. Some of the enterprises supported include; Komaza, Sanergy, Living Goods, among others.

## INVESTMENT ACTIVITIES

### *East Africa based family foundations*

*Health, education, and economic empowerment are the focus areas for East Africa based family foundations, with most of the identified foundations deploying funds to the education sector.*

This research identified US\$ 22.17Mn deployed across 29 transactions by East African based family foundations in the region between 2012 and 2019. Most of the identified East African family foundations have deployed funds largely for basic services provision, particularly in health and education. This finding is also supported by a study recently conducted by Bridgespan Group, which

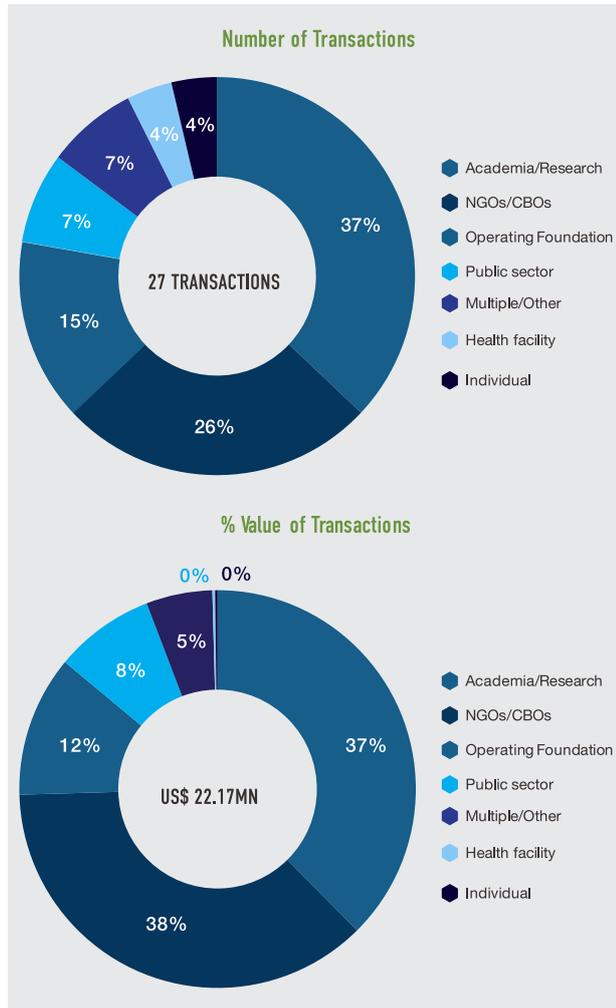
reported that 77% of Africa donors give to basic needs causes<sup>38</sup>. The Rattansi Trust, for example, focuses on the education sector and engages in the provision of bursaries, books, and classrooms construction in Kenya. The trust has also partnered with education institutions to implement the initiatives programmes and deploys at least US\$ 400,000 per annum. The Mo Dewji Foundation has for the last five years contributed more than US\$ 3Mn in grants and other forms of funding for community service projects, supporting schools, hospitals, and water wells.<sup>39</sup>

<sup>38</sup> The Bridgespan Group: The Landscape of Large-Scale giving by African Philanthropists

<sup>39</sup> The Mo Dewji Foundation Website

Figure 21: Giving by East African Family Foundations, by Recipient Type (2012-2019)

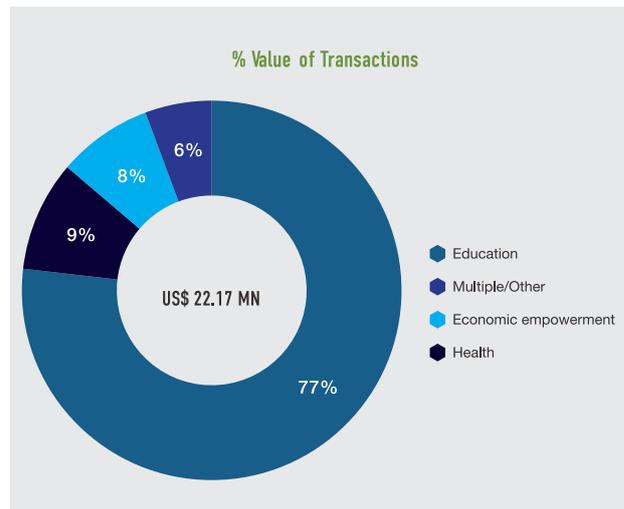
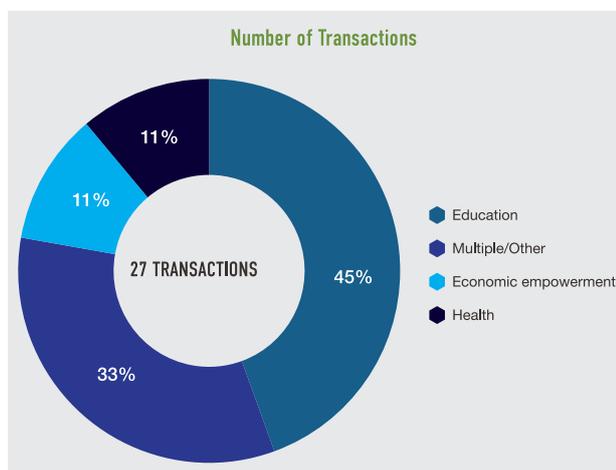
Donations by local foundations have been mainly through academia/Research and NGO/CBOs



Source: Intelicap Analysis, EAPN Data Portal, Websites, Reports and Bridgespan Group

Most of the East Africa philanthropists targeted programmatic interventions in the education, health, and economic empowerment in the region.

Figure 22: Giving by East African Family Foundations, by Area of Focus (2012 – 2019)



Source: Intelicap Analysis, EAPN Data Portal, Websites, Reports and Bridgespan Group

North American family foundations

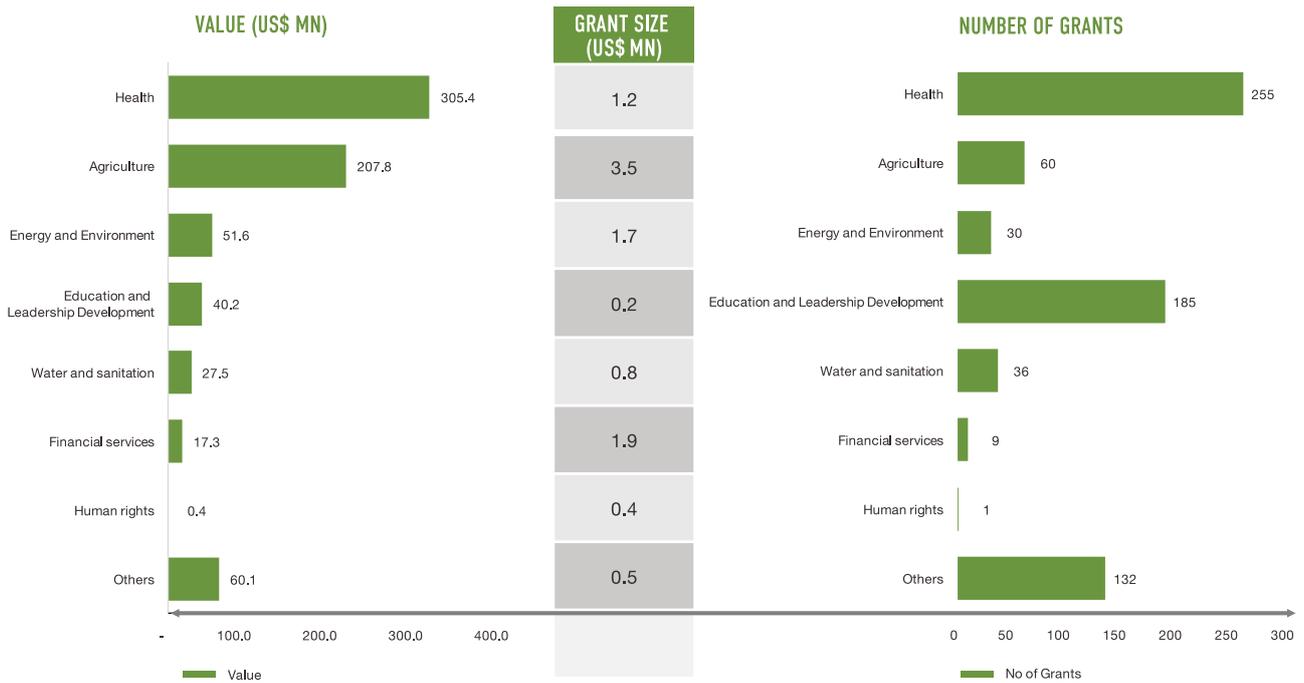
The healthcare sector constitutes the largest proportion of North America-headquartered family foundations' funding in the region.

The research mapped 708 grants valued at US\$ 710.4Mn deployed by North America-n based family foundations between 2015 and 2019. Grant funding to the region by these foundations declined significantly within the same period, which could be attributed to a change in strategies by large foundations. The healthcare sector constitutes the largest proportion of foundations funding in the region, accounting for 43% of the total funding; this could be attributed to the healthcare focus by one of the most activebiggest foundations in the region – BMGF. Furthermore, the top two sectors, healthcare and agriculture, accounted for 72% of the funding by North American family foundations between 2015 and 2019. Even though the agriculture sector had fewer grants than the education and health sector, it had the biggest grant sizes averaging US\$ 3.5Mn.

The top two foundations – BMGF and Howard G. Buffet Foundation – accounted for more than 73% of the North American family foundations grant value between 2015 and 2019.

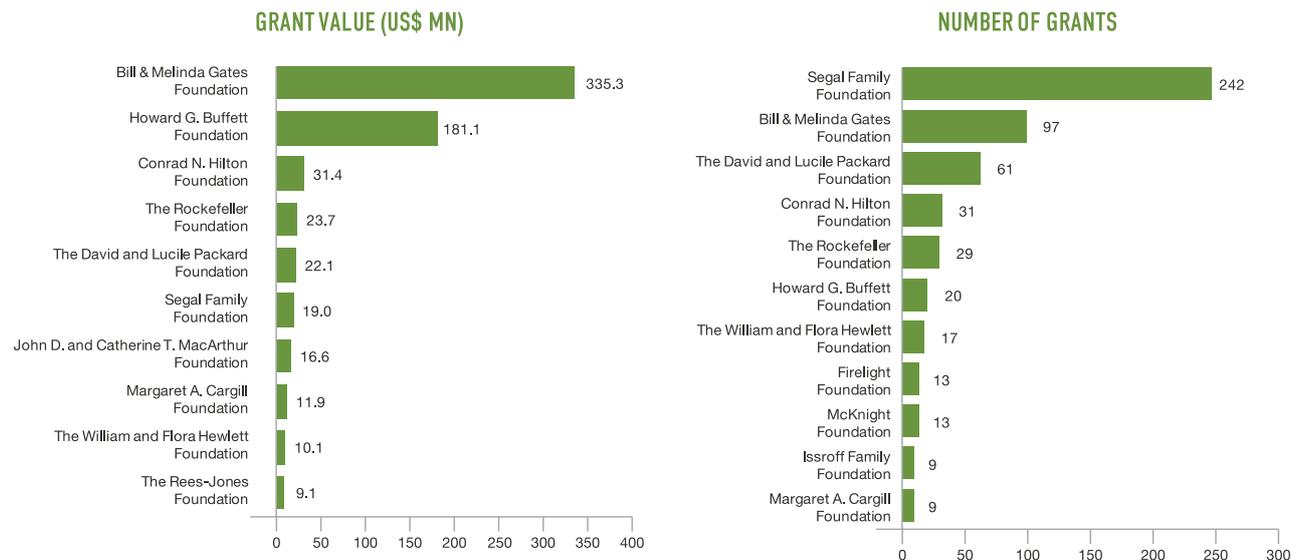
The top two foundations have actively engaged in the region, working with the local organisations to implement some of the initiatives. The BMGF, which accounted for the largest proportion of grants (47%), worked with other local and international partners in the health, agriculture, and financial services sector. The foundation also worked with organisations such as the JHPIEGO, PATH and the National AIDS Control Council (Kenya) to implement some of the health programmes in the region. In Kenya, the Howard G. Buffet Foundation has partnered with the Partners for Seed in Africa (PASA) Fund in the agriculture sector to provide technical assistance and program support.

Figure 23: Capital Deployed by North American Family Foundations, by Sector (2015-2019)



Source: Intelicap Analysis, Foundation Centre

Figure 24: Top North American Family Foundations Active in the Region, by Number and Value of Grants (2015-2019)



Source: Intelicap Analysis, Foundation Centre

Other family foundations active in the region

The research identified at least seven Europe-based family foundations operating in the region with a focus on addressing social challenges such as access to affordable healthcare, education, agriculture, and energy. The Laudes Foundation (formerly C&A foundation), for example, was launched in 2020 and has supported agriculture initiatives in Tanzania in partnership with Technoserve and GIZ. The foundation is currently supporting a €1,900,000 (US\$ 2.24Mn) project in Tanzania implemented in partnership with the GIZ targeting to improve the livelihoods of 16,500 smallholder cotton farmers in Tanzania through the transition to organic farming and forging a strong link to markets. On the other hand, the Canopus Foundation

engages in venture philanthropy in the region with more focus on clean energy. The foundation partnered with Ashoka to launch the “Solar for All” initiative providing equity to social enterprises in the region. The Stone Family Foundation in the region focuses on market-based solutions in the WASH sector with approximately 75% of its funding equivalent to roughly US\$ 4.7Mn (£4Mn)<sup>40</sup> annually committed to the sector and largely deployed to Ghana, Kenya, Uganda, Rwanda and Cambodia. On the other hand, King Baudouin Foundation (KBF Foundation) runs an annual prize known as ‘King Baudouin Prize for Development in Africa’ which recognises outstanding contributions made by individuals or organisations across African countries including Kenya, Tanzania, Ethiopia, Rwanda, and South Sudan. 1

<sup>40</sup> The Stone Foundation: How to spend a penny – lessons from funding market based approaches in WASH

## 1.1.5 Multilateral and Bilateral Donors

### SUMMARY OF TRENDS AND OBSERVATIONS ON SOCIAL INVESTING BY MULTILATERAL AND BILATERAL DONORS IN THE REGION

- USAID, the top donor in the region, accounted for 21% of the donor funding in the focus countries. USAID funding to the region has increased over the years, despite a 4% decline in 2018 and 2019.
- Donor funding in most of the countries increased, except for Tanzania, between 2010 and 2018.
- Health, agriculture, education and entrepreneurship development are the top three focus sectors, receiving 30%, 25% and 12% of donor funding, respectively

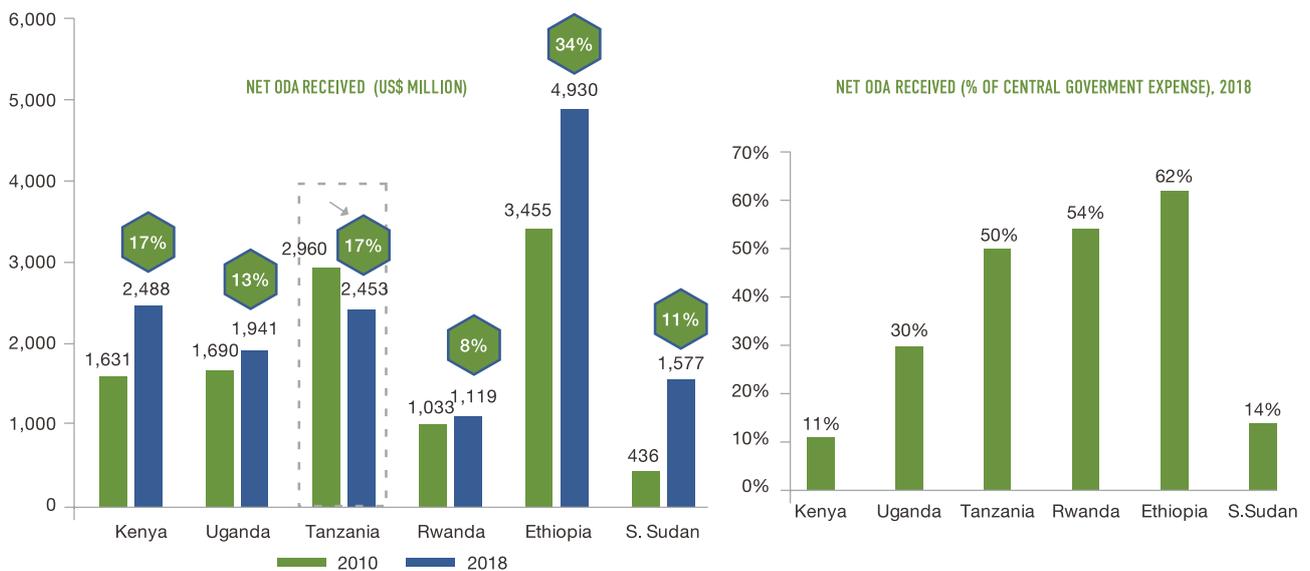
### COUNTRY FOCUS

Donors remain a significant source of funding to the East Africa region, with USAID accounting for the largest proportion of this funding.

Official development assistance (ODA) accounts for a significant proportion of national governments budget ranging from 11% in Kenya to 62% in Rwanda as of 2018<sup>41</sup>. In 2018, the total net ODA into the focus countries was US\$ 14.5Bn – approximately 29% of the total ODA to Sub-Saharan Africa, with 33% of it deployed to

Ethiopia. USAID has been the top donor and accounted for 21%<sup>42</sup> of the total funding to the focus countries in 2018. While ODA in most of the countries increased between 2010 and 2018, Tanzania experienced a decline which could be attributed to various intervening factors, including the relationship between the government and the international community (donors) in terms of meeting the set criteria for disbursements.

Figure 25: ODA Trends across the Focus Countries



Circles represent the share of total ODA to the focus countries in 2018

Source: World Bank Development Indicators, 2018  
NB: South Sudan is 2016 data

### SECTOR FOCUS

Donors in the focus countries have primarily focused the programmatic multi-year intervention on health, agriculture and food security, education, and entrepreneurship development.

The donors deployed the largest portion of the aid to the health sector followed by agriculture.<sup>43</sup> This nearly

reflects the trends in USAID funding in the sector, with the health sector receiving the largest portion (44%) of the donor's funding between 2015 and 2019. Most of the funding in the sector focused on primary healthcare, HIV/AIDS, and maternal and child health.

<sup>41</sup> World Bank Development Indicators, 2018

<sup>42</sup> Intellectap analysis – USAID funding, 2018

<sup>43</sup> Intellectap Analysis based on 291 donor programs in the region

Figure 26: Donor Funding by Sector (2015-2019)

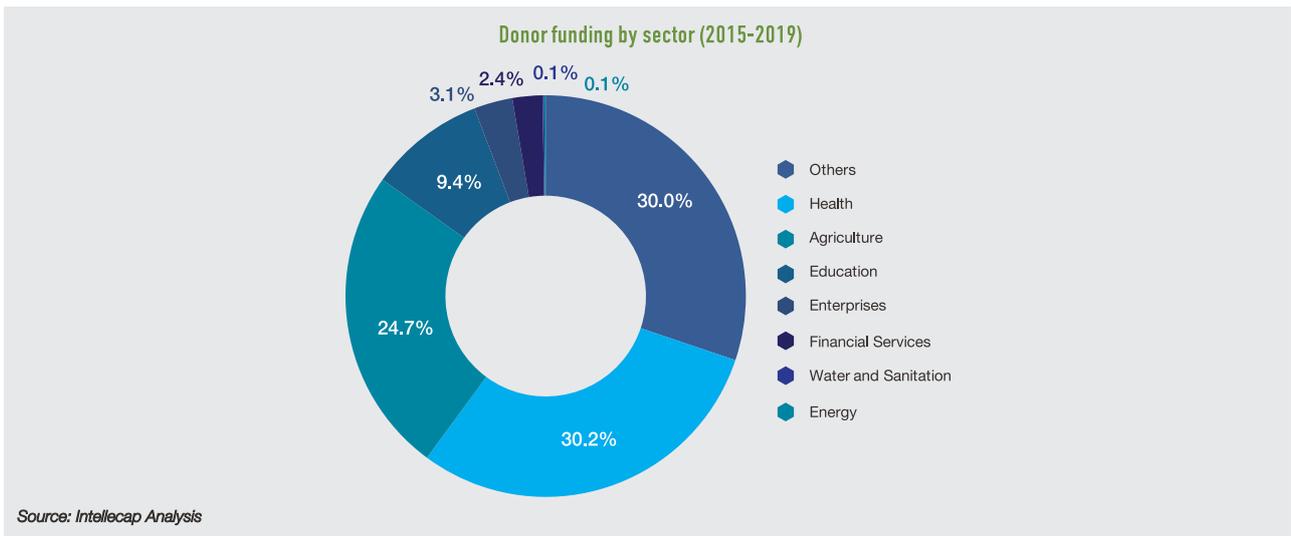
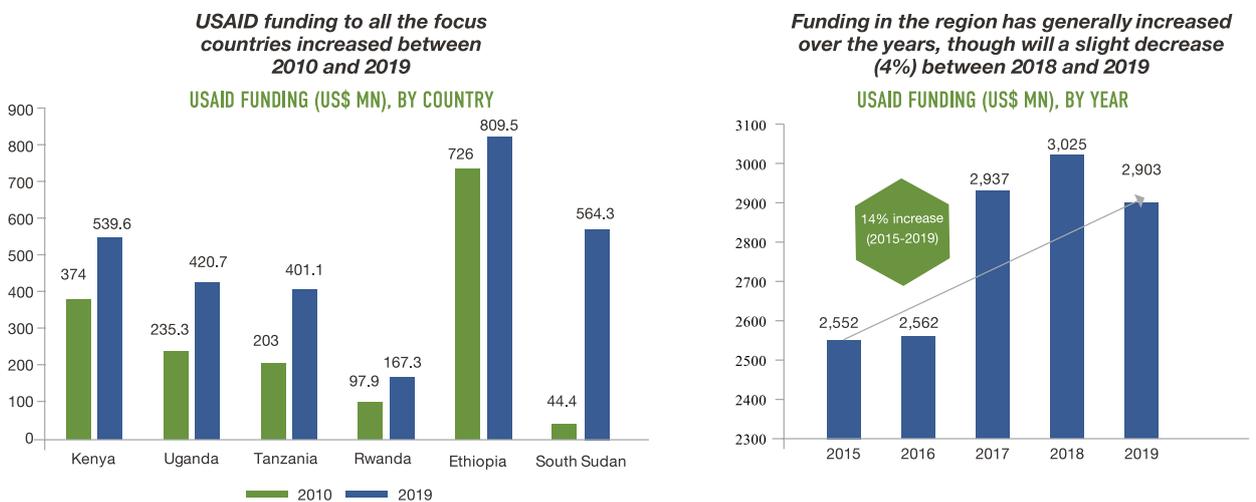
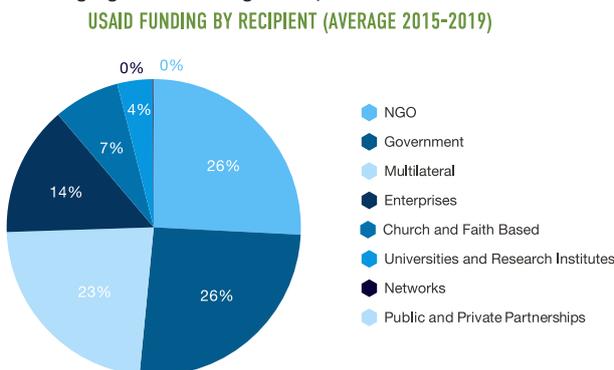


Figure 27: Snapshot of USAID Funding Trends in the Region

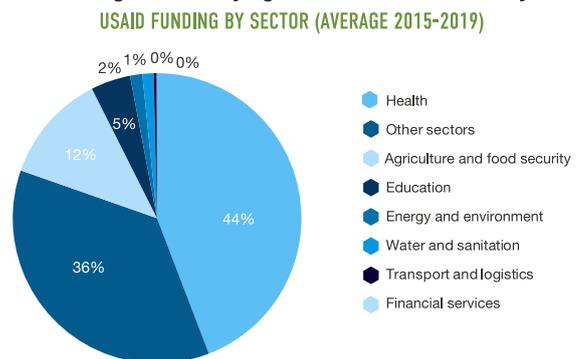


A significant proportion of USAID funding has been deployed through government agencies, NGOs and multilaterals



Total Value = 18.59Bn

Health sector received the largest proportion of funding followed by agriculture and food security



Total Value = 18.45Bn

US\$ 139 Mn was spent on administration program administration oversight. This has been excluded from the analysis

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

Donors to developing countries traditionally had strong financial backing from their governments. However, these international financing sources have been undergoing significant transitions, which may ultimately lead to a reduction in funding to developing countries. Key donor

shifts at a global level, likely to affect funding in the focus countries, include:

- DFID has merged with the Foreign and Commonwealth Office (FCO) to form the Foreign, Commonwealth and Development Office. This is expected to impact funding for social challenges in developing countries, as FCO has traditionally focused on advancing security and diplomatic issues rather than supporting

poverty-reducing projects.

- The adoption of the United States Better Utilization of Investments Leading to Development (BUILD) Act and the establishment of the U.S. International Development Finance Corporation (DFC) as the US government's DFI are also critical changes.

DFC combines the activities of Overseas Private Investment Corporation (OPIC) and some components of USAID. Thus, this shift is expected to further reduce the USAID funding to the region, which may disrupt the implementation of key development programmes.

## SAMPLE DONOR INTERVENTIONS

Figure 28: Select Donor Interventions across the Focus Countries



## 1.1.6 Faith-Based Giving

*Faith-based giving is deeply rooted in the region given the religious principles that advocate for helping the poor.*

Christianity and Islam are the dominant religions in the region, accounting for 67% and 21.4% of the population<sup>44</sup>. Believers are taught and encouraged to give and participate in various welfare, social and economic development through charitable giving. Such funds are used to support various socio-economic causes and donations to the less privileged in the society. As a result, there are many “faith-based organisations” (FBO)<sup>45</sup>, established in the region. The region is also home to a large Ismaili community and other Islamic organisations supporting philanthropic initiatives. This has driven significant amounts of both structured and individual giving in the region. The Aga Khan Development Network East Africa is, for instance, a prominent social investor in health, media, agriculture, and education initiatives in Kenya, Rwanda, Tanzania, and Uganda. In Kenya, the Aga Khan Foundation (AKF) is working with leading organisations such as the Islamic Relief Kenya, National Council for Nomadic Education in Kenya and schools to provide the skills that young people and tackle the complex challenges facing the youth.

FBOs are also actively involved in providing solutions and addressing challenges in various sectors, majorly health, education, water, economic empowerment and emergency relief. Some key organisations are outlined below;

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

*During the recently concluded Sankalp Africa Summit, key stakeholders from various religious affiliations were brought together to discuss the role 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, for example, advocates for an impact investment strategy for the Catholic Church, Jewish Law instructs followers to provide loans to those in need, 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 are playing a vital role towards the achievement of the SDGs. Pooled funds under the Zakat Fund, for example, are used to support farmers in Kenya to purchase inputs (seeds) while the Jewish community runs agricultural centres which gave extension services to farmers. The 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.*

#### Christian Health Association of Kenya (CHAK)

##### **Active sectors: Health**

The national faith-based organization of the Protestant churches' health facilities and programs in Kenya, has continuously promoted access to quality health care in Kenya. In supporting health service delivery for communicable diseases, CHAK focuses on Malaria, HIV/AIDS and Tuberculosis. In 2017, CHAK received the Global Fund Malaria NFM grant, with the view to contributing to the national goal of reducing the morbidity and mortality attributable to malaria.

#### The Catholic Relief Services (CRS)

##### **Active sectors: Health, agriculture**

CRS implements health programs in the region and has contributed to an improvement of quality of life of over 200,000 people in Uganda. Further, the CRS also implements an agricultural development volunteer program funded by USAID, Farmer to Farmer (F2F).

#### The Adventist Relief Agency (ADRA)

##### **Active sectors: Health, education, livelihoods**

The Adventist Relief Agency (ADRA) supports initiatives on Health, Education, Livelihoods, Emergency sectors. In 2016, ADRA partnered with NORAD to fund education programmes in Juba, South Sudan which led to training of 127 teachers and implementation of a daily school feeding program for more than 5,600 students. In Kenya, ADRA's invested in Water and Sanitation projects and established five boreholes improving access to water and hygiene kits in the region. The program targets to local farmers, schools, agribusinesses and universities in various countries in the region including Ethiopia, Rwanda and Uganda.

<sup>44</sup> Christianity in Eastern Africa

<sup>45</sup> FBOs include faith-based NGOs, hospitals, schools, and community-based organisations engaging in various philanthropic initiatives in the region.

## 1.1.7 Angel Investors and Angel Networks

### SUMMARY OF TRENDS AND OBSERVATIONS ON ANGEL INVESTING

- Angel networks in the focus countries are still nascent despite the high number of HNWI's in the region. Nevertheless, there is a substantial growth with most of the networks being established in the countries in the last 3-4 years.
- A total of US\$ 6.6 Mn has been deployed in the region through angel networks between 2015-2019.
- Angel networks in the focus countries operate primarily as networks and structured groups for sourcing and investment facilitation, with only a few operating as funds or syndicates.

Financing by angels in the region ranges between US\$ 20,000-500,000 and is mostly financed through equity.

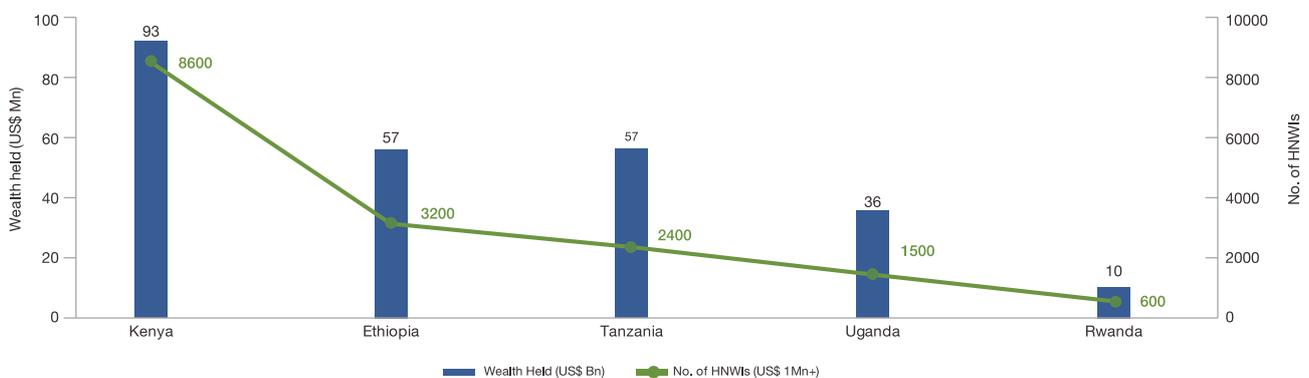
- Angels have mainly focused on non-social focused sectors such as e-commerce, consumer goods (clothing, accessories), and information technology.

Angel investing in East Africa is gaining momentum with the rise of wealthy individuals interested in investing in start-ups and social enterprises.

Kenya, Ethiopia and Tanzania rank highly in Africa (position 5th, 8th and 9th, respectively)<sup>46</sup> in total wealth held by high-net-worth individuals (HNWIs). In 2018, the three countries had more than 14,000 dollar millionaires with a combined wealth of US\$ 207Bn<sup>47</sup>,

45% of which was held by Kenyan HNWI's. According to the Forbes magazine, the region continues to produce more millionaires every year. This growth is expected to contribute to social impact investment targeting the start-ups and social enterprises. Spending on philanthropy by HNWI's in Eastern Africa was estimated at USD 94Mn in 2013<sup>48</sup> and is estimated to grow by a CAGR of 8.9%<sup>49</sup> to reach US\$ 171.8Mn<sup>50</sup> by 2020.

Figure 29: Number of HNWI's and Wealth Held 2018



Source: AfrAsia Bank Africa Wealth Report, 2019

The region has witnessed the establishment of several angel investor networks in recent years, mainly in Kenya and Uganda.

The research identified at least 13 angel networks in the region, with over 60% of them located in Kenya and Uganda. Some of the angels launched in recent years include the Intelicap Impact Investment Network (2015), Kampala Angel Investment Network (KAIN) 2016, Viktoria

Business Angel Network (VBAN) 2017, Tanzania Angel Investors Network (TAIN) 2018, and Ethiopia Business Angels Network (ETBAN) 2019. The angel investors in the region invest with ticket sizes ranging from US\$10,000 – US\$500,000. Besides facilitating financing, the investors support both enterprises and investors by proving business linkages, networking, mentorships, and capacity building.

<sup>46</sup> The AfrAsia Bank Africa Wealth Report 2019

<sup>47</sup> The AfrAsia Bank Africa Wealth Report 2019

<sup>48</sup> Africa Philanthropy Network (APN) – Sizing the field report, 2013

<sup>49</sup> CAGR for HNWI's in Africa from 2011-2017 as reported in World Wealth Report 2019

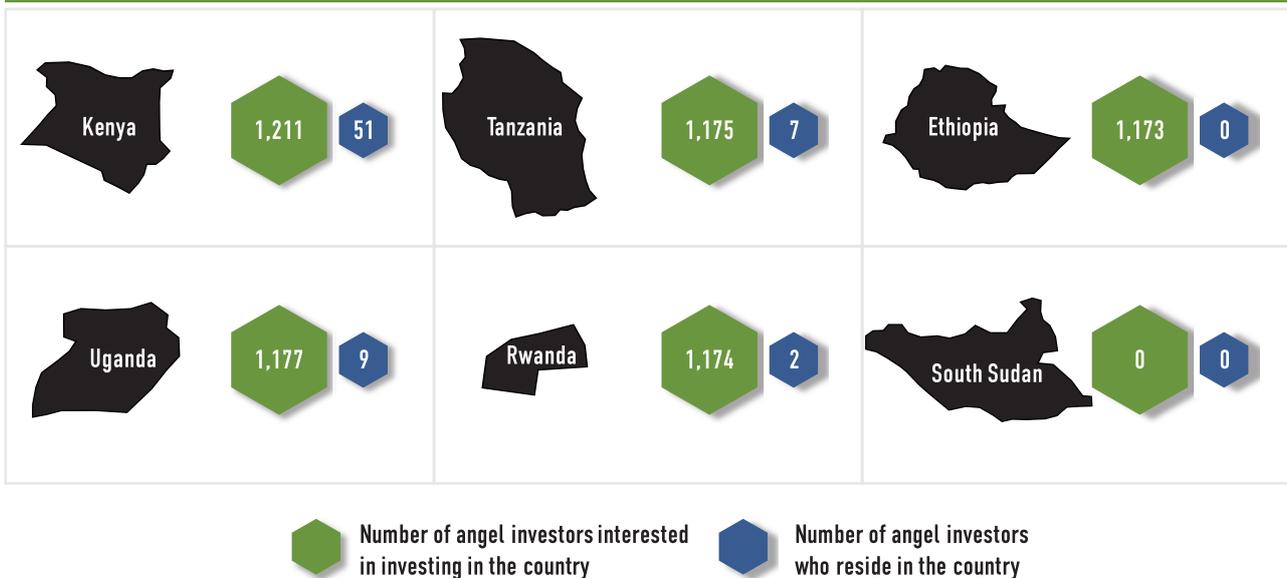
<sup>50</sup> Intelicap analysis

*"Our network was established to provide financial access to early stage enterprises founders, especially local founders who had a challenge in accessing finance. We have brought together over 30 angels to co-invest in the network platform. The ticket size is 50K-300K and we prefer start-up companies with less steep valuation; normally through convertible notes or equity."*

*Angel investor in Kenya*

*In addition to local angels, there is a substantial number of international angel investors focused on the region.*

#### 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

*Angel investors in the focus countries mainly finance non-social focused sectors such as transport and logistics, e-commerce, construction, and information technology.*

The research identified about 27 disclosed angel investments in the focus countries, totalling US\$ 6.6Mn<sup>51</sup>. Out of these, only 44% were in the SDG aligned sectors (financial services, agriculture, health, WASH, and energy), with a significant proportion (59%) of the investments focusing on Kenya. The majority of angel investments have flowed into non-SDG sectors such as transport and logistics, e-commerce platforms, information technology, construction, among other sectors, given the potential for higher financial returns in these sectors.

*The angel networks in the region are collaborating with a range of stakeholders in the ecosystem to mobilize capital for early-stage entrepreneurs.*

These networks leverage various partnerships to mobilise funding for early-stage businesses in the region. VBAN, for instance, brings together individual and institutional investors and syndicate local and international capital to mobilize investments in the early-stage companies. Angel networks are also tapping the local funds from "chamas" (investment clubs) among other formal and informal groups in the region. In Uganda for example, KAIN organises quarterly engagements between investors (investment clubs) and entrepreneurs to invest between US\$ 10,000 – US\$ 100,000 in early-stage start-ups<sup>52</sup>.

<sup>51</sup> Refers to data on the 27 angel investment deals identified

<sup>52</sup> KAIN partners with Investment Clubs

Table 2: Funding Activities by Top Angel Networks across the Countries (Disclosed)

#	Name	Year of establishment	Amount deployed (US\$)	Country	Sectors of focus	Example of investees
1	Viktoria Business Angel Network	2017	200,000 (2019)	Kenya	Agnostic	Agnostic ManPro systems (Co-investment with Pangea Accelerator)
2	Angels Initiative Uganda	2011	1.2Mn (2012-2019)	Uganda	Agnostic	Mara Launchpad, Unreasonable EastAfrica, Angels Hub, Cooling Solutions, Patasente, and Malumu Industries
3	Intellectap Impact Investment Network (I3N)	2015	1.3Mn (2015-18)	Kenya	Agriculture, healthcare, Financial inclusion, WASH, Clean energy & livelihoods	LOTEC Rwanda, Kigali Farms, Afya Po

## 1.2 SOCIAL INVESTOR ROLES IN THE CONTINUUM OF SOCIAL IMPACT CAPITAL

Social investors play different roles across the continuum of capital, each presenting unique strengths and potential to scale impact in multiple manners. Donors, international foundations, and governments have a medium to high-risk tolerance and can leverage their catalytic capital to attract more funding from SFMs, DFIs, and other commercial investors. Local foundations, family offices, and HNWIs, as well as faith-based giving organisations

and diaspora networks, present additional pools of philanthropic and concessional capital that have yet to engage widely with catalytic financing structures. The continuum of capital presents immense opportunities for collaboration amongst these investor categories to increase the efficient deployment of social capital for impact at scale.

Table 3: Social Impact Potential by Social Investor Category

Social Investor Category	Capital Scale (US\$)*	Type of Capital deployed	Patient Capital?	Innovative Finance?	Risk Tolerance	Geographic Reach	Dominant Sectors	Potential for Social Impact
Development Finance Institutions (DFIs)		Equity Debt Guarantees Grants				<b>Moderately concentrated</b> (Kenya, Uganda, Tanzania, Rwanda, Ethiopia, major cities)	  	<ul style="list-style-type: none"> <li>Large capital base can be used to catalyse more innovative finance structures in more sectors</li> <li>Longer term financing to cover short-term financing by private investors</li> </ul>
Sustainability Aligned Fund Managers (SFMs)		Equity Debt				<b>Moderately concentrated</b> (Kenya, Uganda, Tanzania)	  	<ul style="list-style-type: none"> <li>Through engagement with grantmakers using innovative finance structures and co-investments to de-risk their investments.</li> </ul>
Family Foundations (North America and Europe HQ)		Grants Debt Equity				Across all countries	   	<ul style="list-style-type: none"> <li>Large and flexible capital base, can drive innovative finance e.g. payment of outcomes for DIB;</li> <li>De-risking of private impact investments into social enterprises in the region e.g. through TA funds.</li> </ul>
Family Foundations (East Africa HQ)		Grants Debt				<b>Concentrated</b> (Mainly Kenya, Tanzania)	  	<ul style="list-style-type: none"> <li>Limited capital but opportunity to lead local venture philanthropy practice;</li> <li>Partnerships with international funders.</li> </ul>

Social Investor Category	Capital Scale (US\$)*	Type of Capital deployed	Patient Capital?	Innovative Finance?	Risk Tolerance	Geographic Reach	Dominant Sectors	Potential for Social Impact
Corporate Social Investors (North America and Europe HQ)		Grants Debt				<b>Moderately concentrated</b> (Kenya, Uganda, Tanzania)		• Potential to mainstream impact through corporate sustainability.
Corporate Social Investors (East Africa HQ)		Grants Debt				<b>Moderately concentrated</b> (Kenya, Uganda, Tanzania)		• Potential to mainstream impact through corporate sustainability.
Faith-based giving		Grants				Deep into rural areas in all countries		• Large capital base and geographic reach, enormous catalytic capital potential.
Angel investors		Equity				<b>Moderately concentrated</b> (Kenya, Uganda)		• Supporting early-stage commercial social enterprises.
Government Schemes		Debt Guarantees				<b>Moderately concentrated</b> (Kenya, Uganda, Tanzania)		• Large capital base, can be leveraged for innovative finance like SIBs.
Bilateral and Multilateral Donors		Grant Debt				Across all countries		• Large capital base can be used to catalyse more innovative finance structures in more sectors e.g. in the form of DIB.
Diaspora remittances		Bonds				Across all countries		Large capital base, looking at innovative structured finance, especially in highly 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