AFRICAN VENTURE PHILANTHROPY ALLIANCE

THE LANDSCAPE FOR SOCIAL INVESTMENTS IN EAST AFRICA

SOCIAL INVESTMENT LANDSCAPE

intellecap
AAVISHKAAR GROUP

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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.

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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.

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01

01

THE SOCIAL INVESTMENT LANDSCAPE IN EAST AFRICA

1.1 DEMOGRAPHIC AND SOCIO-ECONOMIC TRENDS IN THE REGION

High economic growth, coupled with a growing population in the East Africa region, makes it a favourable destination for social investments.

At a regional[4] level, East Africa has recorded the fastest economic growth in Africa in the past decade. Economic growth in the entire region was estimated to be 5.0% in 2019[5]. Although there were projections of continued growth in the coming years, the current COVID-19 pandemic is expected to slow down this growth.
Most of the focus countries have contributed to this growth with Rwanda, Ethiopia, and Tanzania projected to be amongst the ten fastest-growing economies globally in 2020-21[6]. South Sudan saw an accelerated economic growth from 0.5% in 2018 to 5.8% in 2019[7], mainly due to the increase in oil production following the peace agreement in 2018. As of March 2020, the entire East African region's population was estimated at 444 million[8], with about 67% residing in the focus countries of this study, i.e. Kenya, Uganda, Tanzania, Ethiopia, Rwanda, and South Sudan. The large population presents a significant consumer base for various goods and services.

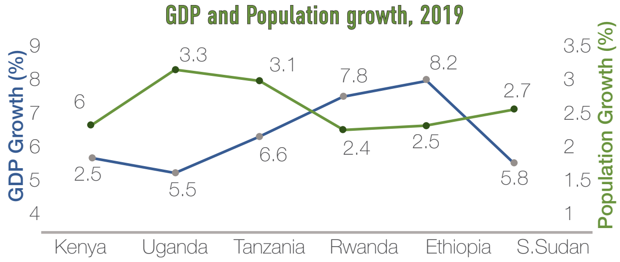
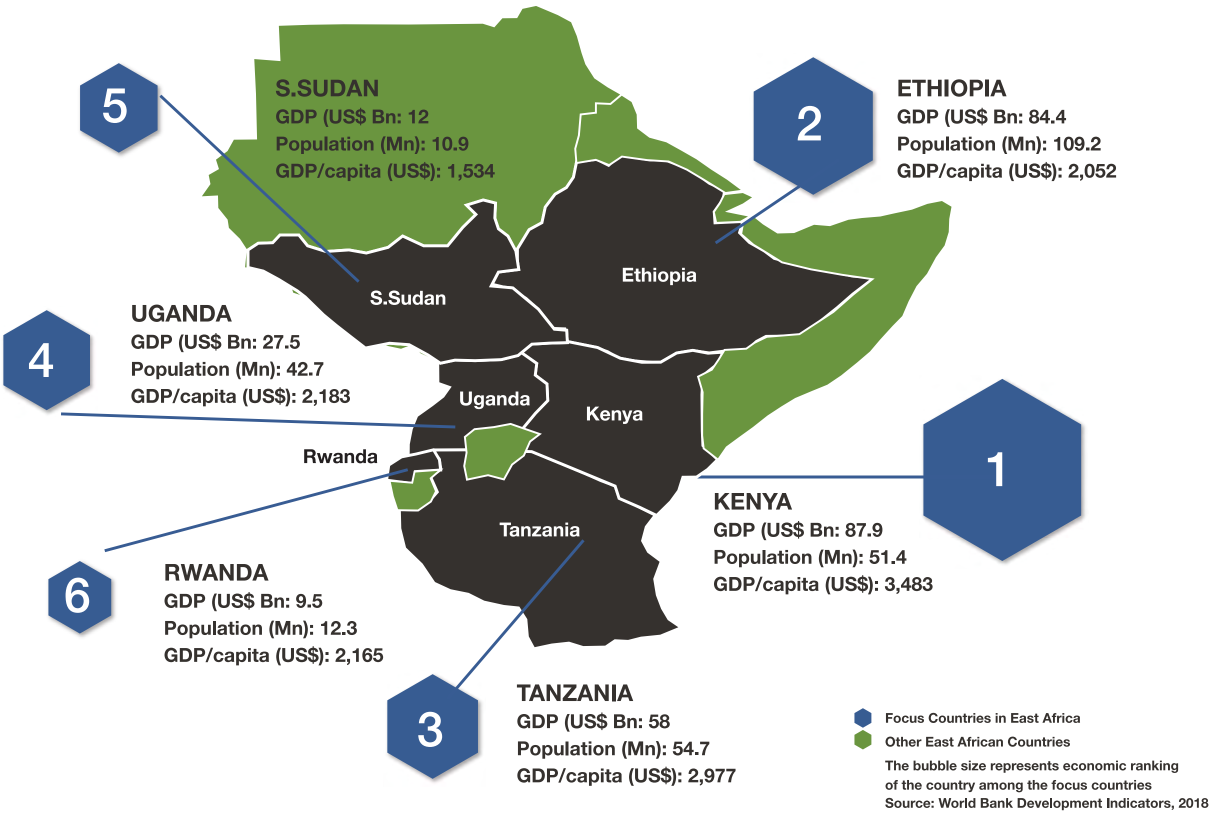


Figure 1: Economic Overview of the Focus Countries



[4] Refers to the 13 countries in the region: Burundi, Eritrea, Ethiopia, Djibouti, Sudan, Tanzania, Uganda, Rwanda, Comoros, Kenya, Seychelles, Somalia and South Sudan
[5] AFDB African Economic Outlook 2020
[6] AFDB African Economic Outlook 2020
[7] AFDB African Economic Outlook 2020
[8] Worldometer, 2020

Political instability and insecurity in some countries in the region, however, hinder the attainment of full economic potential.

While some countries such as Uganda, Tanzania, and Rwanda enjoyed political stability in the past decade, some countries still grappled with instability and security threats. Kenya, for instance, has suffered several terrorist attacks from the Al-Shabab terrorist group and post-election volatilities. South Sudan is also just recovering from political infighting and violence, which has plagued the country since 2013. High insecurity and instability harm the economy with a slowdown of the business environment, thus lowering levels of capital flowing in the economies.

East Africa faces significant development challenges that counter the region's advancement towards the Sustainable Development Goals (SDG) agenda.

Figure 2: SDG Rating and Trends

SDGs	KENYA	UGANDA	TANZANIA	RWANDA	ETHIOPIA	SOUTH SUDAN
GLOBAL RANK/162 COUNTRIES	125	140	128	126	135	N/A (Not ranked)
AFRICA RANK /52 COUNTRIES	12	18	16	12	21	52
01 NO POVERTY	Significant challenges, Stagnating	Significant challenges, Stagnating	Major challenges, Stagnating	Significant challenges, Stagnating	Significant challenges, On track to achieving SDG	Major challenges, Decreasing
02 ZERO HUNGER	Major challenges, Stagnating	Major challenges, Stagnating	Major challenges, Moderately improving	Major challenges, Stagnating	Major challenges, Moderately improving	Major challenges, No information
03 GOOD HEALTH AND WELL BEING	Major challenges, Moderately improving	Major challenges, Moderately improving	Major challenges, Stagnating	Major challenges, Stagnating	Major challenges, Moderately improving	Major challenges, Stagnating
04 QUALITY EDUCATION	Significant challenges, Stagnating	Significant challenges, Stagnating	Major challenges, Stagnating	Major challenges, Stagnating	Major challenges, Stagnating	Major challenges, Stagnating
05 GENDER EQUALITY	Significant challenges, Moderately improving	Major challenges, Stagnating	Significant challenges, Moderately improving	Challenges remain, Moderately improving	Major challenges, Stagnating	Major challenges, Stagnating
06 CLEAN WATER AND SANITATION	Major challenges, Stagnating	Major challenges, Stagnating	Major challenges, Stagnating	Significant challenges, Stagnating	Major challenges, Stagnating	Significant challenges, Stagnating
07 AFFORDABLE AND CLEAN ENERGY	Major challenges, Stagnating	Major challenges, Stagnating	Major challenges, Stagnating	Major challenges, Moderately improving	Major challenges, Stagnating	Major challenges, No information
08 DECENT WORK AND ECONOMIC GROWTH	Challenges remain, Moderately improving	Significant challenges, On track to achieving SDG	Significant challenges, Moderately improving	Significant challenges, Moderately improving	Significant challenges, No information	Major challenges, No information
09 INDUSTRY INNOVATION AND INFRASTRUCTURE	Major challenges, Moderately improving	Major challenges, Moderately improving	Major challenges, Stagnating	Major challenges, Moderately improving	Major challenges, Stagnating	Major challenges, No information
10 REDUCED INEQUALITIES	Significant challenges, No information	Challenges remain, No information	Challenges remain, No information	Significant challenges, No information	Challenges remain, No information	Significant challenges, No information
11 SUSTAINABLE CITIES AND COMMUNITIES	Significant challenges, Stagnating	Major challenges, Decreasing	Major challenges, Stagnating	Major challenges, No information	Major challenges, Stagnating	Major challenges, Decreasing
12 RESPONSIBLE CONSUM-PTION AND PRODUCTION	SDG achieved, No information	Challenges remain, No information	Challenges remain, No information	SDG achieved, No information	Challenges remain, No information	Data not available, No information
13 CLIMATE ACTION	Challenges remain, On track to achieving SDG	SDG achieved, On track to achieving SDG	SDG achieved, On track to achieving SDG	SDG achieved, 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, Moderately improving	Data not available, No information	Major challenges, Moderately improving	Data not available, No information	Data not available, No information	Data not available, No information
15 LIFE ON LAND	Significant challenges, Decreasing	Significant challenges, Stagnating	Significant challenges, Stagnating	Challenges remain, Stagnating	Challenges remain, Stagnating	Challenges remain, Moderately improving
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Major challenges, Stagnating	Major challenges, Stagnating	Major challenges, Stagnating	Major challenges, Stagnating	Major challenges, Stagnating	Major challenges, Stagnating
17 PARTNERSHIP FOR THE GOALS	Significant challenges, Stagnating	Major challenges, Stagnating	Major challenges, Stagnating	Major challenges, Moderately improving	Major challenges, Stagnating	Major challenges, No information

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

Source: SDG Index and Dashboard

Moderate progress has been made to improve access to essential services (SDG 1 to SDG 9) for most of the East African countries. The region's SDG ranking of 53.5 is slightly lower than the Sub-Saharan Africa (SSA) regional score of 53.8.[9] On average, most of the countries in the region still face significant challenges in achieving the SDG targets. The region notably lags in achieving SDG 3 (health), SDG 9 (infrastructure), and SDG 16 (peace and strong institutions) where all the countries significantly lag. Moderate progress has also been achieved in SDG 2 (zero hunger) and 7 (clean energy) with 85% and 77% of East African countries, respectively, reporting facing significant challenges in achieving the targets[10].
Furthermore, 69% of the countries reported difficulty in achieving SDG 4 (education), 11 (sustainable cities and communities), and 17 (global partnerships). Kenya and Rwanda are among the top performers in the region, both ranked 12th in Africa; the two countries have achieved one and two SDGs respectively. South Sudan is among those performing poorly; the country lags in 11 SDGs and is ranked 52nd in Africa. Ethiopia is also lagging in 10 of the SDGs and none of the SDGs achieved. Uganda and Tanzania have both achieved one SDG each but report significant challenges in nine and eleven SDGs respectively.

Traditional funding for social causes in the region remains inadequate. This creates a need to enhance collaboration among local, international, public, and private social capital providers to make better use of available capital.

46%

Increase in FDI in the region (2013-2018)

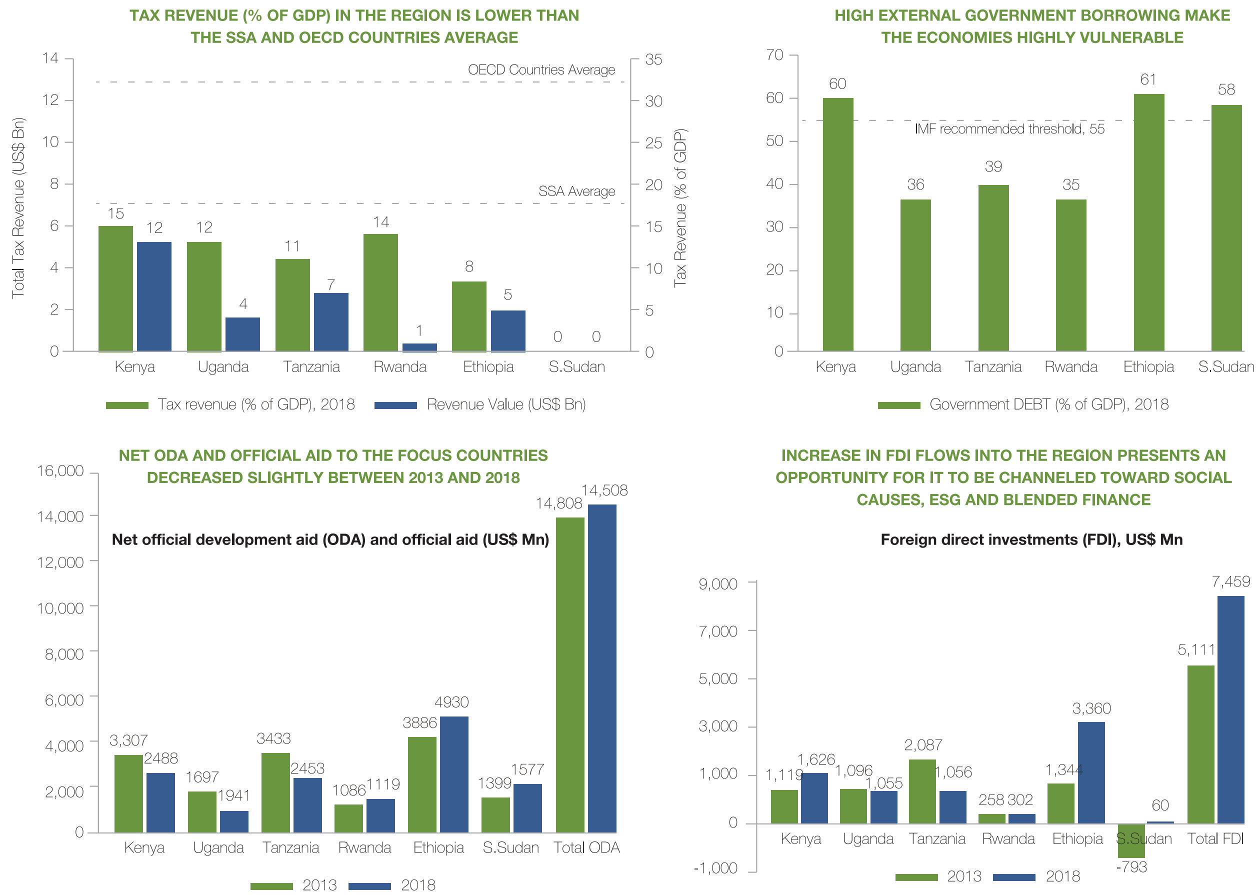
2%

Decrease in ODA in the region (2013-2018)

Tax revenue, which accounts for a large proportion of financial resources available for social investment in the focus countries, averaged 12.5%[11] of GDP in 2018, less than half of the Organisation for Economic Co-operation and Development (OECD) country-level of 34%[12] and less than the SSA average of 19% in the same year. This has contributed to an increase in external borrowing, which led

1.2 THE NEED FOR SOCIAL INVESTMENT IN EAST AFRICA

Figure 3: Trends in Traditional Funding Source



Source: World Bank Development Indicators, OECD Africa Revenue Statistics, Trading economics.
NB: Tax Revenue data for South Sudan, not available; Net ODA South Sudan = 2011 & 2018, and FDI data = 2012 & 2018

[9] Sustainable Development Report, 2019
[10] 2019 Africa SDG Index and Dashboards Report, SDG Center for Africa and Sustainable Development Solutions Network
[11] World Bank Development Indicators, 2018
[12] OECD: Revenue Statistics, 2019

to a high government debt to GDP ratio (averaging 48%[13] in 2018 in the focus countries). The official development assistance (ODA) in the focus countries has remained largely constant, with a slight decrease of 2% between 2013 and 2018. Foreign direct investments (FDI) into the focus countries have however, been increasing over the last five years. The FDI experienced a 46% increase over the same period, despite a 39% decline in FDI globally.[14] The increase in FDI in the region can be primarily attributed to interests in the infrastructural development plans, natural resources, and extractive industry, including the discovery of oil and gas in the region.

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

The social investment industry in the focus countries has evolved over the past 10 years, with many milestones achieved.

The government, as well as the private sector, have been at the forefront of launching initiatives aimed at promoting the growth of the sector. Some of the shifts in the industry include increased launch of sustainability programs by corporates e.g. Safaricom, Kenya Commercial Bank (KCB), and Equity Bank; the launch of initiatives to promote capacity development of social enterprises; and the establishment of national forums to promote philanthropy. The governments have also been at the forefront in creating an enabling ecosystem for the industry, establishing dialogue for private sector engagement, and introducing policies and regulations.

[13] IMF Data: Government debt (% of GDP)
[14] World Bank Development Indicators, 2018

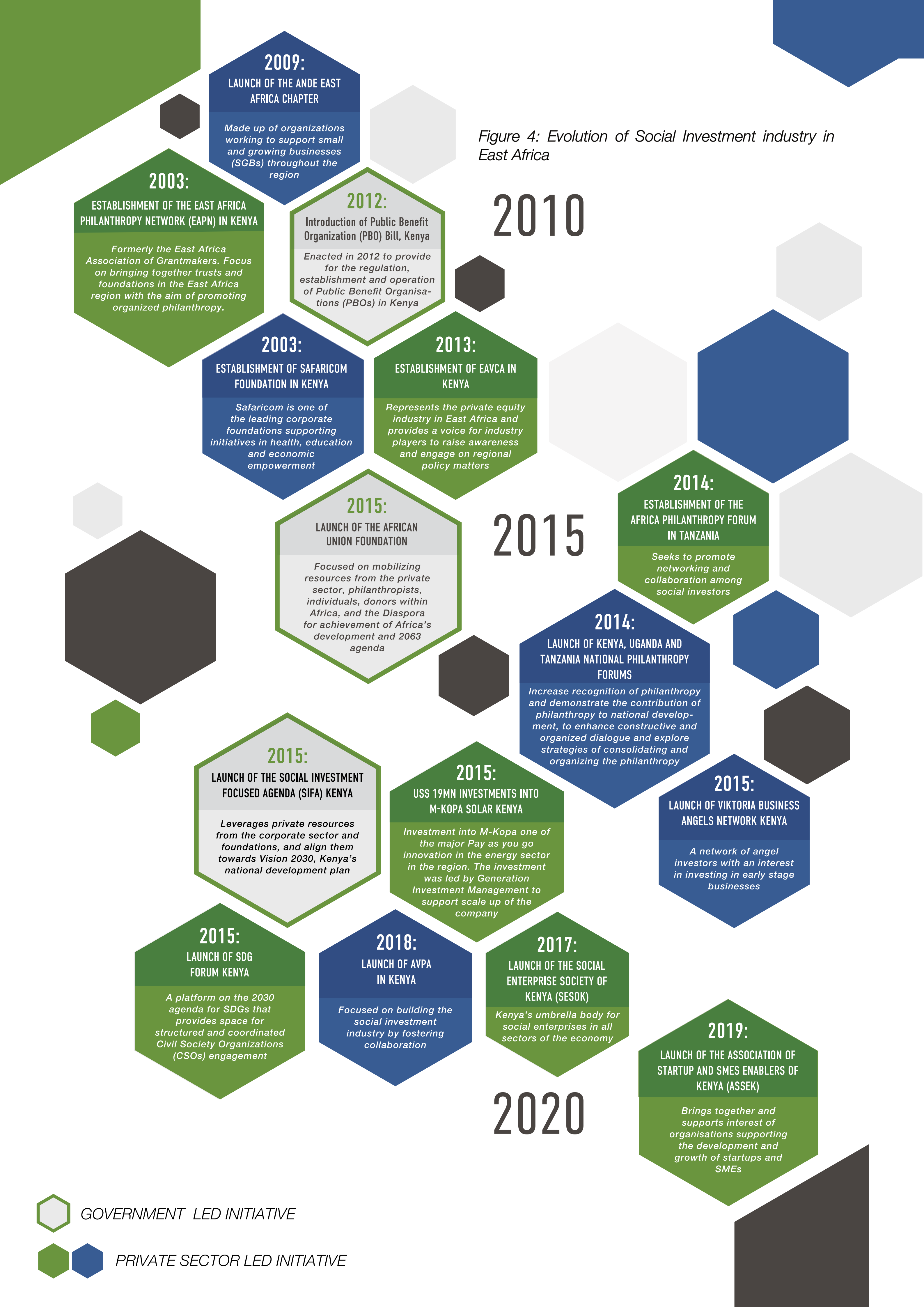


Figure 4: Evolution of Social Investment industry in East Africa

01 *Institutional philanthropy in East Africa is becoming more vibrant with the strengthening of networks and philanthropy forums.*

Philanthropy in East Africa comprises of faith-based, individual, community, family and corporate philanthropy. The philanthropy space is growing in East Africa, especially in Kenya, Uganda and Tanzania, driven by ecosystem support organisations which have focused on strengthening policy advocacy and government engagement. East Africa Philanthropy Network (EAPN), formerly 'East Africa Association of Grant Makers (EAAG)', established in 2003, was one of the first philanthropy networks on the continent. The network has regional chapters across Kenya, Uganda, and Tanzania with active participation by the philanthropists in the National Philanthropy Forum networks established in these countries. EAPN has brought together various trusts and foundations from across the region through the national philanthropy chapters to promote indigenous philanthropy.

operational in the country. Some of these foundations have deployed a significant amount of capital. For instance, Safaricom Foundation invested US$ 4.3Mn[19] to various health, education, and economic empowerment initiatives in 2019; Equity Group Foundation has spent US$ 723Mn[20] to date on entrepreneurship and education while KCB Foundation has spent US$ 10Mn[21] to date across several East African countries. Furthermore, some corporates are establishing their investment vehicles e.g. the Safaricom Spark Venture Fund (US$ 1Mn), and the Johnson and Johnson venture fund that invests in impact-focused enterprises. Corporate foundations are increasingly working with other social investors to scale up their interventions. The MasterCard Foundation is, for example, working alongside KCB Foundation to scale up the Tujiajiri Program while the Government of Kenya is supporting the Equity Group Foundation in the scale-up of the Wings to Fly education program.

Ecosystem institutions, established to advance the CSR agenda in the region, such as the Center for Social Responsibility and accountability (CESRA) in Kenya, CSR Africa, and Beyond Profit (Kenya), are playing a pivotal role in the advancement of corporate sustainability.

Figure 5: Spotlight: East Africa Philanthropy Network (EAPN) - Regional Network

The EAPN (formerly East Africa Association of Grant Makers) was established in 2003 and brings together Trusts and Foundations in the East Africa region with the aim of promoting philanthropy.

COMPOSITION	KEY ACHIEVEMENTS
The association has about 52 full member organizations and over 200 members associated with the Network.	Facilitated the creation of national philanthropy forums in Kenya, Uganda and Tanzania that bring together stakeholders to discuss strategic issues.
The member categories include; Corporate Foundations, Family Foundations, Community Foundations, Faith Based organizations, and International organizational with local presence in East Africa.	Launched the East Africa Philanthropy Portal– an online platform that would regularly capture and analyze reliable data on philanthropy organizations in East Africa (Kenya, Uganda, and Tanzania.

02 *Corporates foundations in the region are driving the social investment space, establishing partnerships with other social investors to deliver sustainability programs*

Corporates in East Africa are increasingly moving away from ad-hoc based CSR to a more strategic and sustainable investment approach. In 2016, corporate giving in Kenya was dominated by institutions in the manufacturing, ICT and banking/finance sectors.[17] In Tanzania, oil and gas, mining, and professional services companies are the major players in corporate giving. Since the establishment of the Safaricom Foundation in Kenya in 2003, more corporates, particularly in the banking sector, have followed suit, launching operating foundations to deliver on their sustainability and social investing agenda. Corporate foundations account for 21%[18] of all foundations currently

03 *Governments in the region, particularly in Kenya, are enhancing collaboration and engagement with philanthropy stakeholders.*

Governments have been supporting the activities of the philanthropy sector and leveraging their potential in implementing the National Development Agenda and the SDGs. For example, in Kenya, there have been a lot of philanthropy-government collaborations, majorly in the area of education and health e.g. the Government of Kenya (GoK) has been working with Equity Group Foundation to enhance secondary education financing. Such collaboration has been boosted by initiatives such as the Social Investment Focused Agenda (SIFA) driven by the Office of the Deputy Vice President. In 2016,

[17] Yetu Initiative: Corporate Philanthropy in Kenya, 2017
[18] OECD netFWD (2017), Bringing Foundations and Governments Closer: Evidence from Kenya
[19] Safaricom: Sustainable Business Report, 2019
[20] Equity Group Foundation Website
[21] KCB Foundation Annual Report, 2018

SIFA worked with other philanthropy actors to launch the Guidelines for Effective Philanthropic Engagement in Kenya, which seek to reduce the barriers and challenges around collaboration, thus enhancing the philanthropy sector. Furthermore, the government has launched programs such as the Women's Enterprise Fund and the Uwezo Fund to support social investing in women and youth enterprises.

SPOTLIGHT: SOCIAL INVESTMENT FOCUSED AGENDA (SIFA)

Launched in 2015, SIFA is a public private partnership forum co-ordinated by the Deputy President's office and Kenya Private Sector Alliance (KEPSA) with the primary objective of promoting the alignment of corporate and philanthropic social investments with the Sustainable Development Goals and Vision 2030

Figure 6: Spotlight: Centre for Social Responsibility and Accountability (CESRA)

SPOTLIGHT: CENTRE FOR SOCIAL RESPONSIBILITY AND ACCOUNTABILITY (CESRA)

What is CESRA? The Centre for Social Responsibility and Accountability (CESRA) is one of the leading organisations in Kenya formed with a vision to create a community of socially responsible businesses and non-profits.

What is its mandate? CESRA supports companies and the non-profit sector in adapting sustainability, accountability and general responsibility to the communities they serve. It also provides various services such as monitoring and the evaluation for grants as well as reviewing progress, training and building the members' capacity though sharing helpful resources, accreditation of Seals of Excellence (a voluntary accreditation program for both corporates and charitable organisations), and review of products and services at both charitable and corporate levels. Additionally, CESRA has organised several events and initiatives such as the CSR Awards, working with various companies to show their CSR commitments.

04 *Individual and family philanthropy in the region remains largely unstructured; more HNWIs are however, shifting to angel investing.*

As demonstrated by the low numbers of family foundations in the region, most High Net worth Individuals (HNWIs) in the region prefer to keep their philanthropic activities discreet and informal. In the absence of enabling regulatory frameworks and incentives supporting individual philanthropic activities, many HNWIs in the region tend to steer away from institutionalised strategic philanthropy. This trend could be related to fears around attracting the scrutiny of individual wealth from regulators as well as the general public. Nonetheless, the region has witnessed a rise in the number of angel investor networks established in recent years indicating increased acceptability of the concept amongst HNWIs. The angel investing trend is specifically observed in young business leaders who have exposure to the concept because of their international pedagogy, as well as their interest in participating in new innovative forms of business ventures.

05 *East Africa has recorded the largest share of blended finance transactions across the continent; many investors in the region are leveraging concessional capital, blended finance, and technical assistance facilities to deploy their capital.*

Many investors have backed innovative finance mechanisms to unlock the flow of commercial capital toward scalable sectors, which include leveraging blended finance such as concessional debt and equity, guarantees, and embedment of technical facilities in investments. As per the current Convergence (a global network for blended finance) database, technical assistance funds account for 39% of the blended finance transactions recorded in the Sub-Saharan Africa (SSA) region[22] with the East Africa region accounting for the largest share (65%) of the total transactions (216 transactions) recorded in the continent[23]. Kenya, Uganda, and Tanzania have been the most preferred investment countries, each accounting for 32%, 22%, and 21% of the total transactions respectively[24]. Financial services, energy, and agriculture are the preferred sectors for blended transactions in East Africa. Impact fund managers over the years have leveraged guarantees, especially from the DFIs, to deploy their capital in riskier but potentially scalable sectors and geographies. IFC SME Venture Fund, for instance, has leveraged blended finance, especially in larger projects finance, using concessional funding as a form of low-cost capital to the investees. Initiatives, such as AfDB's Africa Investment Forum, and Convergence have also been established to promote the use of blended finance among social investors.

The East Africa region account for the largest share (65%) of blended finance transactions (216 in total) recorded in the Sub-Saharan Africa (SSA) region to date.

[22] Convergence: Blended Finance transactions in Sub-Saharan Africa, 2020
[23] Convergence: Blended Finance transactions in Sub-Saharan Africa, 2020
[24] Convergence: Blended Finance transactions in Sub-Saharan Africa, 2020

Figure 7: Spotlight: African Development Bank - Blended Finance Approach

SPOTLIGHT: AFRICAN DEVELOPMENT BANK - BLENDED FINANCE APPROACH

African Development Bank (AfDB) is one of the DFIs in the region that is actively engaging in blended finance transactions and promoting the use of blended finance among the DFIs. AfDB established, the Africa Investment Forum, as an innovative marketplace dedicated to advance projects to bankable stages, raising capital, and accelerating the financial closure of deals. The Bank considers blended finance as a viable instrument to de-risk and mobilize large-scale private capital flows, and has invested in various blended finance structures such as the African Guarantee Fund and the Africa Local Currency Bond Fund. AGF is a public-private partnership designed and funded by the AfDB in partnership with the governments of Denmark and Spain, with a mandate of facilitating access to finance for SMEs; providing financial guarantees to financial institutions to stimulate financing to SMEs and unlock their potential to deliver inclusive growth in the region.

The table below outlines some of the blended finance/catalytic financing structures across crucial development sectors in the region.

Table 1: Blended Finance/Catalytic Financing Structures across Key Development Sectors

Types of Initative	Example Of Initiative And Type Of Investor Involved	Outcomes Achieved
Financial + non-financial (TA)/ challenge funds	**Renewable Energy and Adaptation to Climate Technologies (REACT) – Energy** REACT is implemented by AECF which uses a challenge fund model where funding is awarded through competitions. The REACT window provides patient risk capital (grants, interest free loans) to businesses with potentially transformative climate change solutions seeking to scale and create social impact. AECF is funded by multiple donors including; the Consultative Group to Assist the Poor (CGAP), Danish International Development Cooperation (DANIDA), Department for International Development (DFID), Government of Canada (GoC), Swedish International Development Agency (Sida).	US$ 161Mn has been committed to REACT in the past 6 years, with investments in 77 companies implementing innovative business models that provide increased access to clean energy, financial services and climate smart solutions for the rural poor across sub Saharan Africa; with over 32 companies across East Africa.
	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$ 20Mn 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$77Mn Launched in 2020, fund 2 seeks to support 30 fintech companies across the focus countries.
Green Bonds	**Kenya's Green Bond program - Energy** In 2017, the Government of Kenya, in conjunction with FMO, IFC and other private sector players (Kenya Bankers Association, Nairobi Securities Exchange, and Climate Bonds Initiative) launched the Kenya's Green Bond programwhich aims to promote financial sector innovation by developing a domestic green bond market..	The bond raised about US$ 43Mn accounting for 85% subscription in 2019.

Types of Initative	Example Of Initiative And Type Of Investor Involved	Outcomes Achieved
Social Impact Bond/Development Impact Bond	**Village Enterprise Development Impact Bond for Poverty Alleviation – Livelihoods** Launched in 2017, the DIB intends to improve income levels of the extreme poor in East Africa (Kenya and Uganda) through the Village Enterprise's microenterprise development program for the extreme poor, known as a Graduation program. The program helps entrepreneurs launch and run a business, increase household income and savings, and improve standards of living. The outcome funders for the DIB include; Development Innovation Ventures from the United States Agency for International Development (USAID-DIV), DFID, and an anonymous philanthropic fund while the lead investor was Delta Fund.	To date, Village Enterprise has started over 48,000 businesses and trained over 185,000 people and impacted the lives of nearly 940,000 individuals.
Non-profit impact investment fund	**Medical Credit Fund – Healthcare** Established in 2009, Medical Credit Fundis a non-profit impact investment fund and a part of the PharmAccess Group which provides loans in partnership with local financial institutions primarily in small and medium-sized healthcare facilities in Africa and currently focuses on Kenya, Uganda and Tanzania in East Africa. The fund has an innovative capital structure, blending catalytic first loss capital, technical assistance grants, and debt financing as well as support to banks with which it co-invests. The fund has also partnered with governments on various fronts especially through insurance schemes (NHIF). Medical Credit Fundhas contributed to the NHIF covers in Kenya and Tanzania and the development of innovative health insurance models such as the M-Tiba currently used in the countries.	It has successfully served the SME sector and built partnerships with local commercial banks, and jointly extended 4,583 loans to healthcare providers, totalling over US$ 80.3 million in Africa since inception.
Pooled funding	**Global Sanitation Fund (GSF), Kenya, Uganda, Tanzania and Ethiopia - Water, Sanitation and Hygiene (WASH)** GSF is an an initiative of the Water Supply and Sanitation Collaborative Council (WSSCC). The GSF funds and supports community-led sanitation programmes across 13 developing countries including Kenya, Uganda, Tanzania and Ethiopia by working with a diverse network of stakeholders that include households, local governments, community-based organisations, NGOs, academic institutions and local entrepreneurs. GSF funds are pooled from the various members (donors, development institutions and governments) of WSSCC.	Since its establishment in 2008, the GSF has committed over US$117 million to programmes in the 13 countries of focus. The GSF has funded various WASH programmes in the region such as Ethiopia Sanitation and Hygiene Improvement Programme (ESHIP), Kenya Sanitation and Hygiene Improvement Programme (KSHIP), and Usafi wa Mazingira Tanzania (UMATA).
	Global Partnership for Education (GPE) – Education and leadership GPE offers different types of grants to support education in partner countries (including all the focus East Africa	The number of children completing schools in the focus countries have increased. US$ 5.3Bn has been deployed since 2003 globally.

Types of Initative	Example Of Initiative And Type Of Investor Involved	Outcomes Achieved
	countries) and globally. GPE supports pooling of more finances from other sources (donors, and DFIs) through the GPE Multiplier. These grants are available to countries that can mobilise at least US$3 in new and additional external financing for every US$1 from the GPE Multiplier. Furthermore, GPE supports partner countries in the development and implementation of education sector plans.	
Blended investment fund	**Yield Uganda Investment Fund– Agriculture** Established in 2017, Yield Uganda is managed by Pearl Capital Partners. The fund is supported by the European Union through International Fund for Agricultural Development (IFAD) and the National Social Security Fund Uganda (NSSF) and focuses on funding agribusinesses with equity, semi-equity and debt. Non-financial support to the portfolio companies is also provided through the Business Development Support (BDS) facility financed by the EU and implemented by IFAD.	Since June 2019, the fund has deployed over US$ 20 million in investments and is managed by the Pearl Capital Partners Uganda (PCP).

06

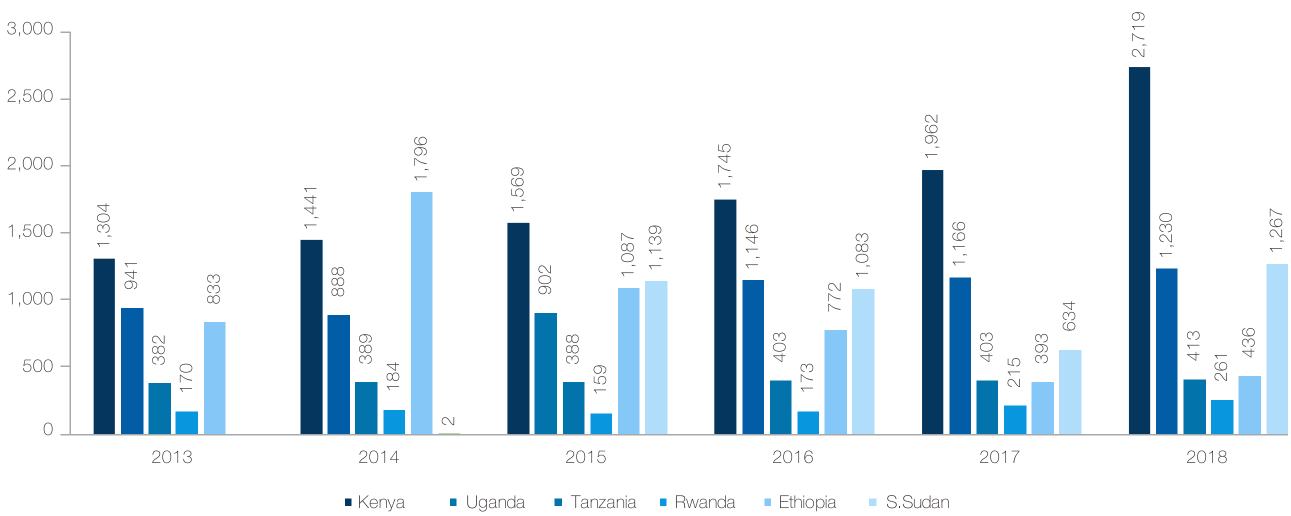
The potential for diaspora funds in financing development challenges remains largely untapped with only few innovative structures developed in the region.

The diaspora is a vital source of funding for a wide range of social and development initiatives in the region. East African countries received a total of US$ 17.4[25] Bn from their citizens living abroad between 2013 and 2018, with Kenya accounting for 62% of this amount. Other significant beneficiaries in the same period were Uganda, South Sudan, and Tanzania, receiving 36%, 16%, and 14% of the total remittances, respectively[26]. Remittance outpaced foreign direct investments over the same period to become the largest source of external financing in the region. Diaspora funds, despite being mostly private (to friends and family), are increasingly becoming an essential driver of social investment. For instance, Kenya is in the process of issuing a diaspora green bond to facilitate investments into the "big four agenda", including investments into affordable housing, healthcare facilities such as cancer centres and agribusinesses. The US$ 50Mn RemitPlus Rwanda Diaspora Bond (RRDB-1), launched in 2019, seeks to provide affordable housing for the Rwanda population. Furthermore, in 2019, DFID and BROXX (a pay-as-you-go solar company) launched an initiative that would enable Rwandans in the Diaspora to purchase solar-powered appliances for the families and friends over time.

Remittances was the largest source of external financing in East Africa between 2013- 2018 outpacing FDI

Figure 8: Remittances in the Focus Countries (US$ Mn), 2013-2018

REMITTANCES HAVE BEEN INCREASING YEAR ON YEAR IN MOST OF THE FOCUS COUNTRIES



Source: World Bank

[25] Trade Mark East Africa
[26] Trade Mark East Africa

07 *Although capital deployed to women-owned or women-led businesses is still relatively limited, more investors in the region are adopting Gender Lens Investing (GLI) in their investment decisions.*

Investors are increasingly embedding gender lens investing (GLI) in their investment strategy to provide much needed financial and non-financial support for women. Some of these strategies include directly investing in women-owned or women-led enterprises, targeting women as beneficiaries of investments, or promoting workplace equity for women by investing in such businesses. Since many women-owned businesses are usually at very early stages, some funds have also adopted the strategy of reducing their minimum ticket sizes so that they can have more women businesses in their portfolio. Some of the funds and foundations that have already included GLI in their strategy and advocate for the same include OPES-LCEF, AlphaMundi, Root Capital (Women in Agriculture Initiative), African Enterprise Challenge Fund, Graca Machel Trust. The GMT, for instance, advocates for providing innovative capital and supports women-owned or led and women-focused enterprises to scale their businesses through debt, quasi-equity, and financially innovative solutions[27].

Table 2: Sample GLI Focused Funds across the Focus Countries

Gender-lens investing strategy	Fund/ Fund Manager Name (Year of Launch)	LPs	Size (US$ Mn)	Geography focus	Investment Approach	Invest-ments Used
Investing in enterprises that offer products and services that significantly improve the lives of women and girls	Root Capital (Women in Agriculture Initiative) (2012)	IKEA Foundation Investing in Women, Landry Family Foundation, and Wagner Foundation		Kenya, Rwanda, Uganda, Ghana Senegal	The initiative focuses on transforming the lives of rural women in agriculture. It aims to strengthen businesses that are committed to the rise of women in agriculture	Debt and grants
	Palladium Impact Fund 1 (2019)	Currently fundraising (anchored by US$ 5Mn from Palladium)	40	Ghana, Nigeria, Kenya	Prioritises benefits to women through "economic empowerment and opportunities with agribusiness and off-grid renewable energy businesses."	Debt and quasi-equity
Investing in women-owned or women-led enterprises	Grofin (GroWoman) (2014)	FMO, Norfund Proparco, Dutch Good Growth Fund (DGGF), Shell Foundation, IFC, CDC	36	Kenya, Uganda, Rwanda, Tanzania, Nigeria, South Africa, Senegal, Ghana, and Ivory Coast	GroWoman – a gender lens investment initiative that aimed at ensuring more women entrepreneurs could access the financing and support they needed to succeed. It has invested in nearly 120 women-owned businesses.	Debt

[27] https://gracamacheltrust.org/womens-investment-funds/

Gender-lens investing strategy	Fund/ Fund Manager Name (Year of Launch)	LPs	Size (US$ Mn)	Geography focus	Investment Approach	Invest-ments Used
Investing in women-owned or women-led enterprises	2X Invest2Impact (2019)	FinDevCanada, CDC, Proparco, OPIC, the MasterCard Foundation Graça Machel Trust	Targets to raise US$ 3Bn by 2020	Ethiopia, Kenya, Rwanda, Tanzania, and Uganda	A challenge fund providing access to funding to help develop women-led initiatives in East Africa.	Grants and TA support
	LadyAgri Impact Investment Hub	FMO, Oiko Credit, Finnfund, EIB, BIO		Kenya, Uganda, Tanzania, Rwanda, Ethiopia, and other African countries	Focuses on investing in agri-businesses that are at least 51% woman-owned, woman-led, and in an agri- value chain dominated by women producers. The hub provides TA suport to agri-entrepreneurs, financial linkages and facilitate B2B linkages and opportunity to share technology.	Debt, equity, mezzanine
	Graca Machel Trust (Gender Lens Investment)	Rockefeller Foundation		East Africa	The fund seeks to accelerate women's economic empowerment in Africa by putting capital in the hands of women entrepreneurs.	Debt and mezzanine

08 *Instances of collaboration have been increasing between international and regional local social capital providers.*

Traditionally, international donors have collaborated with East African players for the implementation of the programs they are funding. However, several international social investors are changing their investment strategies, evident through an increase in collaboration and co-investment with East African players. Local East African donors can bring local knowledge and network, which assists in more scalability and sustainability of the initiatives. For instance, Equity Foundation has partnered with the MasterCard Foundation for its Wings to Fly Program through which students from disadvantaged communities are provided scholarships to study at renowned universities across the world. Through this initiative, both the foundations want to create long-term impact by empowering and skilling a generation of youth. The Segal Family Foundation has also partnered with several East African organisations, including the BESO Foundation in Uganda, to improve the lives of children and women in rural Uganda through access to quality education.

Table 3: Summary of Key Social Investments Trends across Countries

TREND	KENYA	UGANDA	TANZANIA	DESCRIPTION
Institutionalised giving and investing by East African philanthropists				Overall, individual philanthropy in the region remains mostly unstructured and private, with only a few active family foundations identified as part of this research. The region has,however, witnessed an increase in institutional philanthropy driven by the strengthening of networks and philanthropy forums in the region. However, institutionalised philanthropyinitiatives have primarily been concentrated in Kenya.
Rise of angel investments through organized structures by HNWIs				There has been a rise in angel investor networks established in the region in recent years, driving angel investments. These networks bring together High Net Worth Individuals (HNWIs)/ angels and entrepreneurs for structured networking. Our research identified that over 60% of the angel networks in the regionexist in Kenya and Uganda.
Collaboration between governments and the philanthropy sector				While the government and philanthropy sector have been collaborating, witnessed particularly in Kenya, more such initiatives are needed. In Kenya, the government plays an active role in the National Philanthropy Forum as well as inthe Social Investment Focused Agenda (SIFA) initiative.
Sustainable and innovative approaches to corporate social giving				An increasing number of social investment arms of corporates (foundations, funds, and accelerators/incubators) are being set up in the region, with most of these operating in Kenya. Corporate foundations, particularly in the banking and ICT sectors, have been actively supporting long-term initiatives in the health, education, and entrepreneurship space. While some of the Kenya-headquartered corporate foundations operate across the region, CSR activities in Tanzania and Uganda remain mostly unstructured.
Usage of innovative and blended finance mechanisms				The region tops the SSA region in the number of blended finance structures that have leveraged blended capital innovatively from different capital providers across the risk-return spectrum. Innovative structures such as SIB/DIBs have been launched in Kenya, Uganda and Ethiopia to address various social issues.
Usage of diaspora funds for supporting national development agenda				The potential for diaspora funds in financing social challenges remains untapped, with only a few innovative structures developed in the region. Kenya is currentlydeveloping a diaspora green bond to facilitate investments forthe Big Four agenda.
Adoption of Gender Lens Investing (GLI)				Investors in the region have started to embed GLI in their investment strategies and provide both financial and non-financial support for women.
Collaboration between international and local social capital providers				Collaborations, in the form of long-term and strategically aligned initiatives, have been witnessed between international and local capital providers to amplify their respective impact, e.g., the partnership between MasterCard Foundation and Kenya Commercial Bank (KCB) to scale up the Tuajiri program.

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