KEY SOCIAL INVESTMENT SECTORS

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ACKNOWLEDGEMENTS

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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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KARMA.

KEY SOCIAL INVESTMENT SECTORS IN EAST AFRICA

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

FINANCIAL INCLUSION

THE CHALLENGE

Financial inclusion in East Africa has undergone a massive transformation over the last decade. However, there are still significant gaps in quality access, with inactive accounts and poor credit history affecting access to credit for MSMEs.

Financial inclusion in the region, driven by the high adoption of mobile-money, particularly in Kenya (73%) and Tanzania (51%), tripled from 22.5% in 2006 to 68.5% in 2019[101]. Kenya's financial inclusion of 82.9% is the third highest in Africa after Seychelles and South Africa[102]. Financial inclusion has been driven by the growth of Fin-tech companies seeking to fill critical gaps in lending, savings, and insurance services left by the formal financial institutions. However, this has not been able to create a significant impact on the accessibility of financial products. A substantial proportion of the mobile money accounts in the region are inactive – an indication that the holders are unable to access mobile-based products such as loans and savings. Furthermore, the MSMEs continue to underserved due to challenges such as lack of credit history, poor financial management, and lack of audited books of accounts. Access to credit in the focus countries remains a challenge, especially for the microenterprises, with above 60% of the enterprises in the countries reporting a challenge in accessing credit and as high as 70% in Ethiopia and Tanzania.[103]

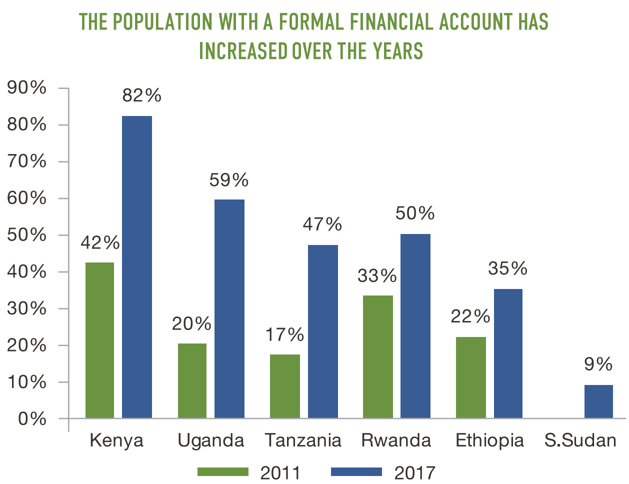
Financial inclusion in East Africa tripled from 22.5% in 2006 to 68.5% in 2019

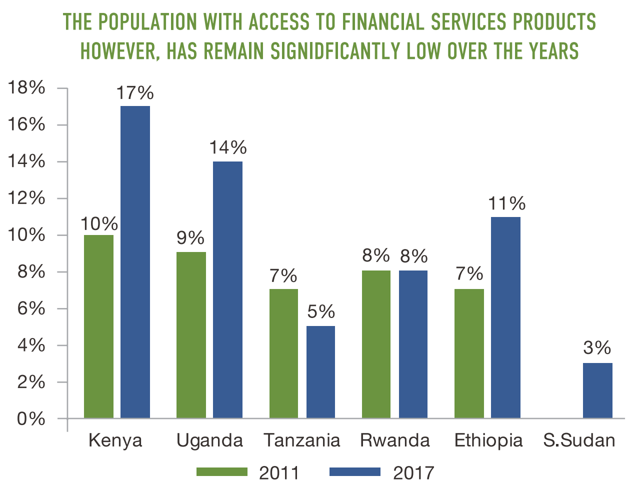
HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

DFIs and SFMs prefer financial inclusion sector initiatives, with 39% and 31% of their total portfolio dedicated to the sector.

The social investors in this space focus more on the supply-side challenges, working with other financial services providers (FSPs), including banks, microfinance and fintech institutions. The social investors provide lines

Figure 1: Financial Inclusion Rates in the Focus Countries





Source: Global Findex Database

[101] EADB: Financial Technology in East Africa
[102] 2019 FinAccess Household Survey by CBK, KNBS, and FSD Kenya
[103] Banking in Africa: Delivering on Financial Inclusion, Supporting Financial Stability, 2018

of credit, credit guarantees, as well as capacity building and technical assistance support to the FSPs. Some of the key DFIs in the sector include AfDB, IFC, FinnFund, EIB, Norfund, Proparco and FMO, which also invest indirectly through the impact funds and MFIs focusing on financial inclusion. FinnFund, for instance, invested US$ 5Mn in Letshego Group Uganda in 2018 to provide financial services to the financially under-served, while Proparco invested over US$ 10Mn in Accion to develop young fintechs in developing countries, i.e. the Accion Venture Lab fund and Accion Quona Inclusion Fund in 2019. On the other hand, international foundations such as the BMGF and the MasterCard Foundation focus on enhancing financial inclusion in the region through various programmatic interventions. Some of the interventions include the Financial Services for the Poor in Tanzania, Kenya and Uganda (BMGF), The MasterCard Foundation Fund for Rural Prosperity covering Kenya, Uganda, Tanzania, and Ethiopia with a US$50 million seven-year commitment launched in 2018. Most of these initiatives support through donations, training and capacity-building of the financial inclusion focused-organizations.

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

The governments contribute to the financial inclusion sector through the establishment of financial institutions providing credit guarantees and loans to various underserved groups.

The role of governments' in establishing regulatory frameworks targeting the financial sector has been pivotal in contributing to financial inclusion in the focus countries. In Kenya, for example, the government has been at the forefront in promoting the digital economy and leveraging technology to achieve financial inclusion in the country, in partnership with other social investors and private sector players. Some of the successful digital products in the country include Mpesa, M-Akiba and the recently launched Stawi, a mobile loan product by the Central Bank of Kenya in partnership with commercial banks and targeting to provide unsecured financing to MSMEs in Kenya. The M-Akiba, on the other hand, provides an avenue to save at least a dollar a day and invest in government securities after 30 days. Other mechanisms adopted by the governments include the provision of credit guarantees and direct lending to SMEs and various groups such as youth and women through government established financial institutions including Women Enterprise Funds, Youth Funds etc. Additionally, in Uganda, the government has partnered with the United Nations Capital Development Fund (UNCDF) in creating an operational planning and financial system for sustainable and inclusive local development.

AGRICULTURE AND FOOD SECURITY

THE CHALLENGE

The agriculture sector is one of the significant contributors to East Africa's economy, accounting for 25.7%[104] of the region's GDP.

28% of the East African population are undernourished compared to the SSA average of 22.7%

The agricultural sector contributes to a significant proportion of the region's GDP. It employs the largest proportion of the population, accounting for about 80% of the livelihood for the region's population[105]. The region, however, faces a challenge in achieving the desired levels of agricultural productivity, food security, and nutrition due to climate change and variability as most of the countries in the region depend heavily on rain-fed agriculture. Besides, the sector is dominated by smallholder subsistence farmers adopting unsustainable agricultural approaches, which leads to low productivity. The average cereal yield across the focus countries is 1,717 Kg/Ha against the global average of 4,074 Kg/Ha[106] while the average fertiliser consumption is 15.6 Kg/Ha[107]. The population growth estimated at 2.5% annually (2018), coupled with the increasing rates of urbanisation put pressure on the existing resources to adopt more productive agriculture practices. The trends in agricultural production, poverty levels, and undernourishment in the region underline the need for greater efforts if the targets of SDG 1 and SDG 2 are to be achieved by 2030.

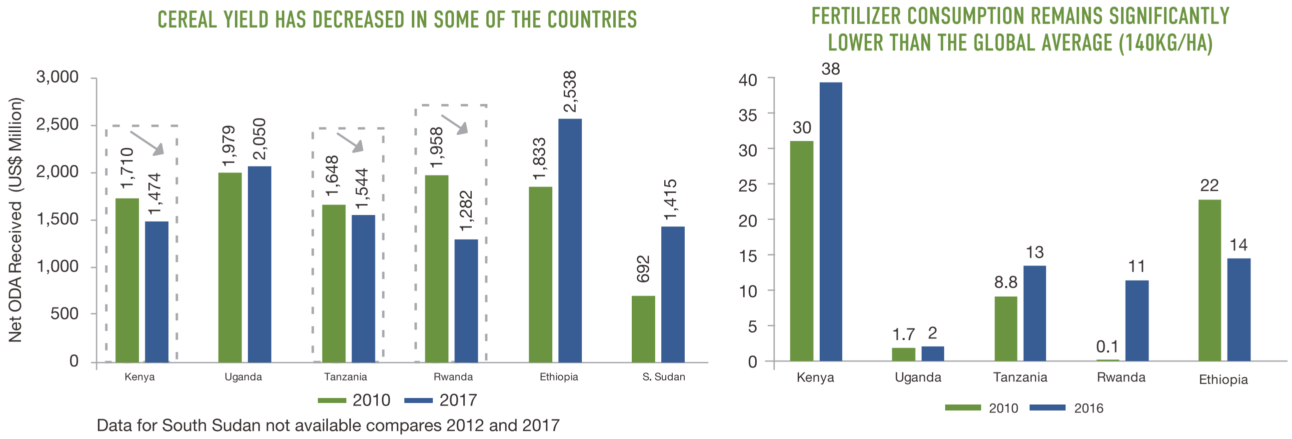
HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

Funding to the sector has focused on initiatives that increase productivity, enhance access to financial services and market linkages with the sector receiving significant focus by international family foundations.

Agriculture received the second highest value of investment (29%) by North American Family foundations with a total of 60 grants deployed in the sector in the form of program support, agronomic research, agricultural extension and policy advocacy, environmental management issues, capacity building and technical assistance. On the other hand, the DFIs made 38 investments in the sector in the same period, 78% of which were direct investments focusing on agribusinesses such as agri-export companies, agri-processing company, horticultural companies, among others. The SFMs in the region also made 37 investments into the sector, focusing majorly on ag-techs and agri-marketplaces, including East Africa Fruits, Twiga Foods, iProcure, Tulaa and M-farm. Agtechs in the region focus on addressing challenges such as access to agricultural input and access to financial services, thus contributing to improved productivity.

[104] Africa Development Bank: East Africa Economic Outlook, 2019
[105] Investment in Agriculture
[106] World Bank Development Indicators, 2019
[107] World Bank Development Indicators, 2019

Figure 2: Agriculture Sector Indicators across the Focus Countries



Source: World Bank Development Indicators

Some of the active donors in the region, such as IFAD, USAID and DFID have supported the sector through technical assistance, capacity building programs as well as through the provision of first-loss guarantees to the other social investors in the sector. The research did not establish any financing deployed to farmer cooperatives in the region between 2015-2019, which, to some extent, can be attributed to the governance and management challenges facing the cooperatives. However, cooperatives still present a good opportunity for the investors due to their role in the region in empowering farmers, facilitating access to the market, financing, and other capacity-building services, which would be beneficial, especially to smallholder farmers in the region. Some social investors such as the Acumen have established a facility targeting the farmers in the region such as the Juhudi Kilimo (since 2011), providing micro-loans in Kenya that allow the smallholder farmers to access agricultural assets and enhance productivity.[108] International foundations, such as the DRK Foundation, also support the agriculture sector, working with agriculture-focused investors in the region such as the One Acre Firm. Furthermore, international corporate, Balton, has contributed to the agriculture value chain finance through a partnership with the local Kenyan company, Amiran, in collaboration with the Shell Foundation.

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

The role of governments in the sector has primarily been in the form of incentives to farmers and programmes to facilitate access to market and financing

Across the focus countries, governments have focused on providing incentives and establishing sectoral frameworks to enhance agricultural productivity. In Kenya, for instance, the government has rolled out plans to facilitate irrigation of 1.2 acres of land, a subsidy program to supply 200,000 MT of fertilizer annually. In Rwanda, the government plans to double the credit to the agriculture sector from 5.2% in 2016 to 10.4% in 2024. Besides, there also exist several programmes financed by the government in partnership with the development partners to support the sector; these include the Agricultural Sector Development Support Programme (ASDSP) implemented by the Government of Kenya in collaboration with development partners, with the overall aim to support the implementation of the agricultural sector development strategy.

ENERGY, ENVIRONMENT AND CLIMATE CHANGE

THE CHALLENGE

Climate change continues to take a toll on the East African region amidst the concerted efforts to mitigate the devastating impact of global climate change.

Access to electricity in East African countries averages 40%; less than the Sub-Saharan average of 44.7% in 2017.

Climate change remains a threat to the achievement of sustainable development goals in the region. Access to energy is also a significant challenge in the Sub-Saharan Africa region, with less than half of its population accessing energy (the lowest energy access rates in the world)[109]. This trend almost reflects in the East Africa region, with only about 41% of the population in the region with access to electricity[110], second-lowest in Sub-Saharan Africa after Central Africa (27.1%).[111]

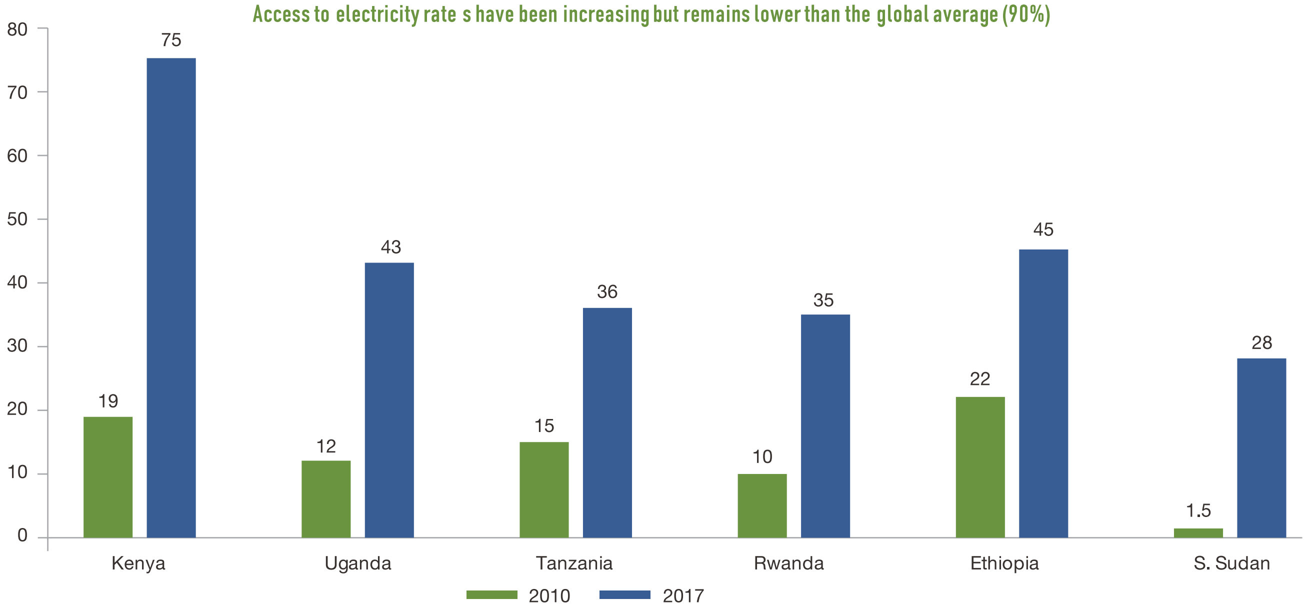
HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

The sector accounts for the largest portfolio for the SFMs and second-largest for the DFIs in the focus countries.

DFIs reported a total of 88 transactions in the sector, 78% of which were direct investments into renewable energy and power generating and distributing companies. DFIs have also deployed funding to impact funds focusing on

[108] Accumen: Juhudi Kilimo
[109] OECD: Achieving Clean Energy Access in Sub-Saharan Africa
[110] OECD: Achieving Clean Energy Access in Sub-Saharan Africa
[111] Africa Development Bank: East Africa Economic Outlook, 2019

Figure 3: Access to Electricity Rates across the Focus Countries



Source: World Bank Development Indicators

renewable energy generation such as Frontier Energy Fund and Energy Access Ventures Fund as well as funding small-scale renewable energy projects such as the Facility for Energy Inclusion (FEI) On-Grid Fund. DFIs also deploy funds through programmatic interventions aimed at enhancing access to electricity e.g. the Sustainable Energy for All (SE4All) initiative implemented by the Kenya Power and Lighting Company, a multiple scheme electrification project targeting the connection of customers to the distribution network, primarily in rural areas, in 32 of Kenya's 47 counties, to ensure universal access to modern energy services. SFMs in the focus countries had 50 transactions with investments focusing on financing pay-as-you-go energy solutions such as the M-Kopa Solar, Azuri Technologies, SolarNow, SunFunder, among others that enhance consumer access to energy in the region.

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

> *Governments across the region are focusing on electrification programs particularly targeted towards rural areas.*

In Kenya, the government is implementing the Rural Electrification Programme, a "Last Mile Connectivity Program" towards achieving universal access to energy for the Kenyan population by 2022. The programme aims to increase the number of households connected to the grid by increasing the number of distribution transformers and by connecting every household within a 600-metre radius of the distribution transformers; the program is funded by the AfD, EIB, and EU. Uganda is currently implementing the Energy for Rural Transformation Program Project (2015-2021), in partnership with the World Bank, to increase access to electricity in rural areas. The collaboration includes facilitating on-grid and off-grid energy access, and financing the TA and capacity development required to accelerate electricity access. In Tanzania, the government is working with the World Bank to implement the Rural Electrification Expansion Project aiming to increase access to electricity (approximately 1.3 million connections) in rural areas between 2016 and 2022.

HEALTHCARE

THE CHALLENGE

> *The health financing gap is acute in East Africa with low health expenditure per capita by government and high out of pocket expenditures for the population.*

The region still battles with strategies to combat infectious diseases, reduce maternal mortality, infant and child mortality rates, and improve the overall life expectancy. Mortality rates remain high with infant mortality rates (IMR) of 39 per 1,000 live births[112] and maternal mortality rates (MMR) of 497 per 100,000 live births against the SDG target of 25 child deaths per 1000 live births[113] and maternal mortality of less than 70 per 100,000 live births by 2030[114]. Rwanda has made remarkable progress and is almost achieving the SDG targets on IMR with 27 per 1,000 live births.

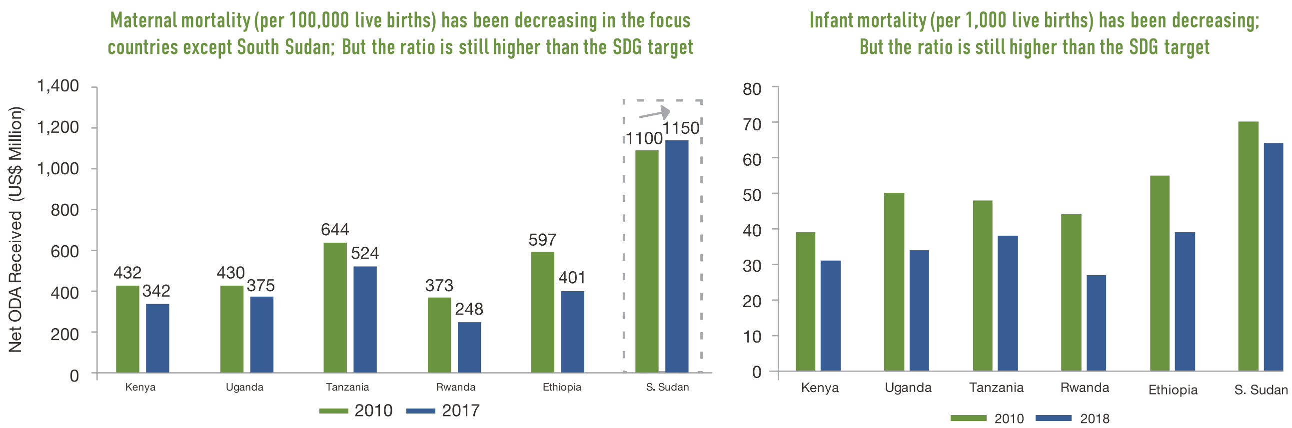
The average health expenditure per capita in the focus countries in 2017 was US$ 15, which is much lower than the African average of US$ 60[115]. The majority of the countries in the region are yet to achieve the target of at least 15% expenditure of the annual budget to the health sector, as per the 2001 Abuja Declaration. Among the focus countries, only Rwanda achieved this target in 2017[116]. On the other hand, the out of pocket expenditure

[112] Africa Development Bank: East Africa Economic Outlook, 2019
[113] World Bank Data, 2017
[114] The United Nations Sustainable Development Goals
[115] WHO: Global Health Expenditure Database
[116] UN: Africa Renewal

The Average IMR and MMR in the focus countries is 39 per 1,000 live births and 506 per 100,000 live births; remaining higher than the SDG of 25 and 70, respectively

(OOPE) continues to be a significant challenge with households spending large proportions of income on healthcare, with an average OOPE of 25%[117] of the total health expenditure in the focus countries. Moreover, the region has experienced a general decrease in international financing to healthcare from an average of 41% in 2010 to 33% in 2017[118], among the focus countries.

Figure 4: Health Indicators across the Focus Countries



Source: World Bank Development Indicators

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

International family foundations such as BMGF are actively supporting the healthcare sector in the region and across Africa.

With 255 grants valued at US$ 305.4Mn deployed between 2015 and 2019, the North American based family foundations have been very active in the health sector in the region, supporting various programmatic interventions implemented by the government agencies and international NGOs. Furthermore, the sector has received a significant focus from the donors active in the region including the USAID, DFID and the World Bank funding health programmes such DFID's Reducing Maternal and Newborn Deaths programme in Kenya (2013-2023), and support to the government in strengthening the response to Malaria in Uganda (2017-2022). The USAID, on the other hand, has funded several health programs in the region, mainly focusing on preventing maternal and child deaths, controlling HIV/AIDs and TB. The SFMs have also focused on the sector with 41 transactions reported between 2015 and 2019, accounting for 18% of the total value of the investments targeting scalable innovative healthcare SMEs such as health techs, pharmacy chains and health insurance enterprises. Additionally, the sector continues to receive a large focus from faith-based organisations managing health facilities, corporates and local family foundations.

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

The governments across East African countries are making concerted efforts to achieve Universal Health Coverage for its population.

The governments in the focus countries have established and supported various health insurance schemes both in the formal and informal sectors. Some of the schemes include the National Health Insurance Scheme (Uganda), National Hospital Insurance Fund (Kenya), National Health Insurance Fund and the Community Health Fund (Tanzania), Community-based Health Insurance (Rwanda), Social Health Insurance and Community-based Health Insurance in Ethiopia, and the National Health Insurance Fund (South Sudan). The governments are also working towards achieving a Universal Health Coverage (UHC) with various initiatives launched, including partnerships with private sector players and international development partners such as the USAID, World Bank, German Development Corporation and WHO. For instance, in Kenya, the government plans to achieve 100% coverage by 2022 through its initiative of focusing on collaboration between the national health insurance scheme (NHIF) and private insurance providers. In Tanzania, the UHC initiative focuses on combining the NHIF and the Community Health Fund, which provides basic healthcare coverage to low-income households in the informal sector with fixed premium rates. On the other hand, in Uganda, the NHIS is implemented concurrently with three sub-schemes: Community-based Health Insurance (CBHI), social health insurance, and private-commercial health insurance. The use of insurance schemes in the region has started to reduce out-of-pocket expenditure for the general population.

[117] WHO: Global Health Expenditure Database
[118] WHO: Global Health Expenditure Database

WATER AND SANITATION

THE CHALLENGE

According to UNICEF, around US$15 billion of the new financing is required every year until 2030 to achieve the WASH-related SDGs in Eastern and Southern Africa, with Ethiopia and Kenya accounting for 50% of the resources needed.

The national governments financed 22% of the total financing in the water sector in 2017

The Eastern and Southern Africa (ESA) region accounts for the lowest percentage of households with access to water across all regions. It also lags behind basic sanitation coverage[119]. The population using basic drinking water services across most of the focus countries is lower than the SSA average of 61%[120]. Similarly, the population with access to basic sanitation services in the focus countries averaged 27% in 2017, lower than the SSA average of 31%[121]. The inadequate WASH services in the region have a significant impact on the population, with 75% of the national disease burden in the countries being attributed to sanitation and hygiene[122]. Furthermore, Kenya loses an estimated amount of US$ 365 million annually due to poor sanitation[123]. The major challenge in achieving this goal in the region is inadequate funding supporting WASH initiatives. The total water financing in East Africa, however, increased by 64% from US$ 2.5Bn in 2016 to US$ 4.05Bn in 2017[124], with the national governments financing 22% of the total amount.

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

The WASH sector has received less focus from the social investors with very few transactions reported in the sector.

North America based family foundations deployed US$ 27.5Mn across 36 grants to the sector, accounting for only 4% of the total portfolio. Most of the grants in the sector were general support and programmatic interventions towards capacity-building and technical assistance in the sector. Only 4 DFIs have invested in the sector, mainly indirectly, through 37 transactions accounting for 7% of the value of investments. Donors and international NGOs such as the World Bank, USAID, UNICEF, Charity Water and Water.org have also been active in the region running WASH programmes. The USAID, for instance, has been running Water, Sanitation and Hygiene Finance (WASH-FIN), a three-year programme in Kenya since 2017, working with the government, private financial institutions among other stakeholders, to reduce the financing gaps in the sector. However, the number of SFM transactions in the sector was insignificant. The Charity Water project has also provided several water sector solutions in the region, including digging and drilling wells, piped water, and rainwater catchments in partnership with Amref, Welthungerhilfe, and other donors.

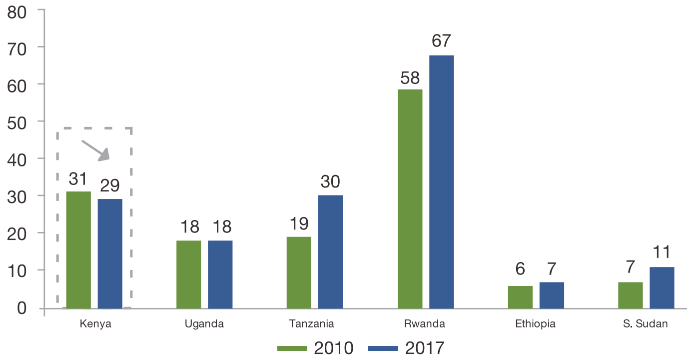
HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

In the absence of sustainable business models and low funding from governments, donors, and foundations will need to continue playing a pivotal role in the WASH sector.

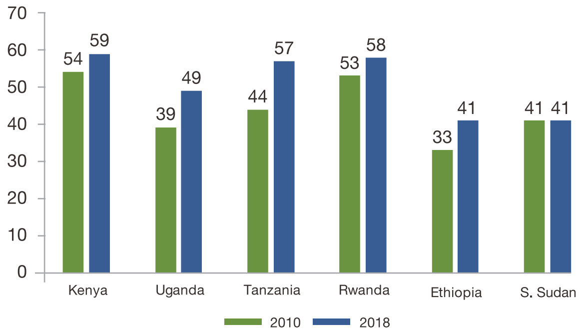
The government financing to the sector in the focus countries remains significantly low, accounting for only 22% of the water sector financing in 2017[125]. Government focus in the sector has mainly been in developing the WASH infrastructure, supporting capital investments in the sector and leveraging collaboration opportunities with the international development partners in the provision of access to water and sanitation services.

Figure 5: Water and Sanitation Indicators

Population accessing basic sanitation services has increased in all countries except Kenya and Uganda; but remains low in most of the focus countries



There has been an increase in the population accessing basic drinking water services across the focus countries; the rates are still lower than the global average



Source: World Bank Development Indicators

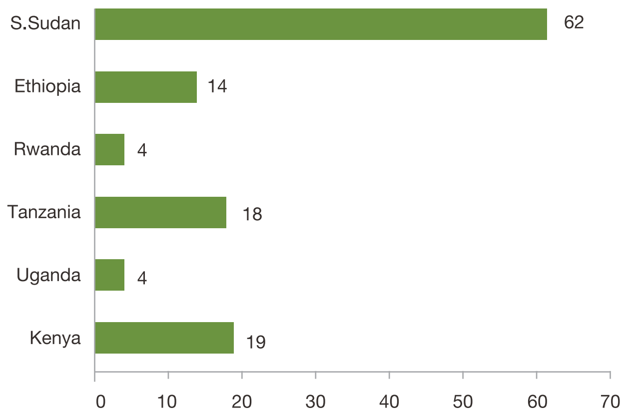
[119] The State of WASH Financing in Eastern and Southern Africa
[120] World Bank Development Indicators, 2017
[121] World Bank Development Indicators, 2017
[122] Trading Economics, 2015-2016
[123] Kenya Water and Hygiene Unit: Annual Report, 2013
[124] Infrastructure Consortium for Africa's Infrastructure Financing Trends in Africa – 2017
[125] Infrastructure Consortium for Africa's Infrastructure Financing Trends in Africa – 2017

EDUCATION AND LEADERSHIP DEVELOPMENT

THE CHALLENGE

The region still contends with 'education exclusion' with the number of primary school-age children out of school in the focus countries higher than the global estimate of 8%[126].

Proportion of primary school going children that are out of school in the focus countries.



Based on the recent data; Kenya (2014); Uganda(2013), Tanznaia (2018), Rwanda (2018), Ethiopia (2015), South Sudan (2015)

The proportion of out-of-school children in the region is still high, despite the numerous strategies and initiatives to enhance the enrolment in schools. The proportion is, however, lower than the SSA average (20%), in almost all of the focus countries except in South Sudan (62%), which could be attributed to conflicts and insecurity witnessed in the country over the past years. Several reports have established gaps in literacy and numeracy skills amongst young students as well as lack of requisite basic and technical skills in more than half of East Africa's graduates[127]. For instance, the Uwezo report of 2013 indicated that one-fifth of the children completing primary school in East Africa had not mastered basic numeracy and literacy skills.

Furthermore, while the advent of universal free primary education in countries like Kenya has seen positive development with improved enrolment at the primary level, the transition to secondary and tertiary education levels remains significantly lower. Enrolment ratio to tertiary institutions, for example, is, on average 7% in the region and as low as 4% in Tanzania[128]. The adult literacy rate is also significantly low in South Sudan (35%).

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

The education sector has received minimal focus from international investors but increased focus by local investors, especially local philanthropists.

The research noted very few transactions focusing on the education sector with only four DFI deals in the sector between 2015 and 2019, both through a direct investment to the education institutions and indirectly through impact funds to enhance the quality of education in the region. The SFMs, on the other hand, had eight (8) transactions in the sector, funding edtechs, and private education institutes. Educate Global Fund is one of the active SFMs in East Africa with a thematic focus on improving the educational outcomes of children. The fund, however, focuses on much larger deal sizes investing between US$ 5Mn to US$ 10Mn in capital. North American family foundations made 185 transactions to the sector valued at US$ 40.2Mn, accounting for 6% of the total value of investments deployed within the period. Local foundations have supported academic institutions and NGOs with research, curriculum development, policy advocacy grants as well as infrastructure development like renovations of schools to enhance access and quality of education. The Rattansi Trust, for instance, has longstanding work in the Kenyan education sector, working with various stakeholders in the sector.

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

Across the focus countries, the government is focused on enhancing access to inclusive and quality education with an emphasis on free primary education, expansion of TVETs, and provision of affordable loans mainly for tertiary education.

All the focus countries in the region are implementing free and compulsory primary education, with some countries like Kenya planning to achieve a 100% transition from primary to secondary education by 2023. Most of the government policies and initiatives are geared towards addressing the challenges in the sector, including teacher-pupil ratio, the gross enrolments in the schools, and the provision of learning facilities. Besides the primary and secondary education, the governments are also keen to promote the tertiary level education through various strategies, including the expansion and equipping of Technical and Vocational Education Training (TVET) institutions and polytechnics to improve the quality and quantity of the middle-level workforce and the provision of higher education loans to students. South Sudan's strategy, among others, is to improve grant transfers system to education institutions and learners, increase the percentage of inclusive educational infrastructures constructed from 0% to 50% by 2021, and the proportion of learners completing primary education from 30% to 64%.

[126] World Bank Data 2018
[127] State of East Africa Report
[128] World Bank Development Indicators, 2017

KEY SOCIAL INVESTMENT SECTORS IN WEST AFRICA

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

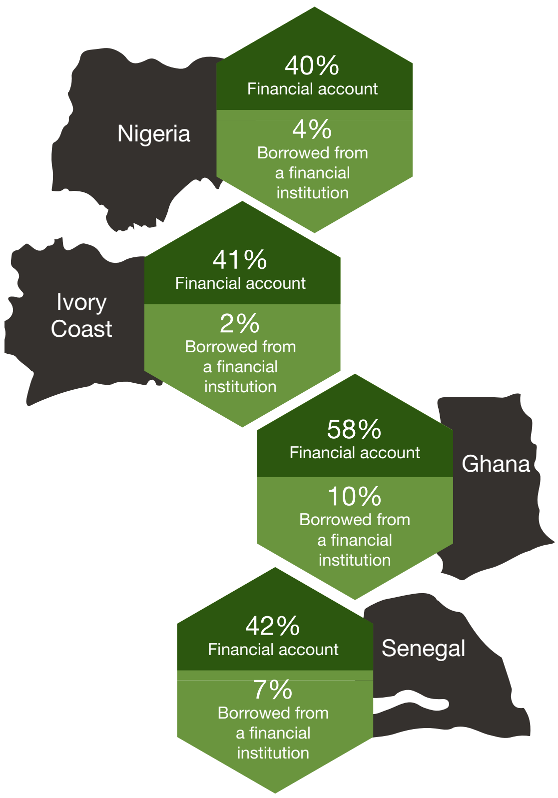
FINANCIAL INCLUSION

THE CHALLENGE:

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

The majority of the countries in the region recorded a double-digit increase in the percentage of the adult population with a bank account[83] between 2011 and

Figure 6: Overview of Financial Inclusion Rates, 2017



Source: Global Findex Database (2017

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

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

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

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

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

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

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

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

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

AGRICULTURE & FOOD SECURITY

THE CHALLENGE:

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

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

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

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

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

Figure 7: Areas Where Investments Are Required for Developing Sustainable Agriculture Sector

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

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

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

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

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

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

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

ENERGY, ENVIRONMENT AND CLIMATE CHANGE

THE CHALLENGE:

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

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

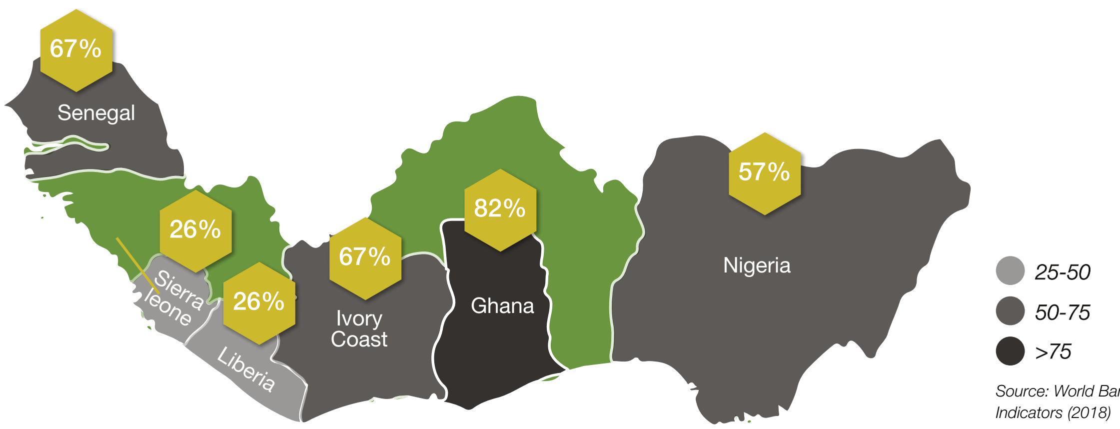
HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

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

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

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

Figure 8: Share of Population with Access to Electricity (%), 2018



Source: World Bank Development Indicators (2018)

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

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

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

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

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

HEALTHCARE

THE CHALLENGE:

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

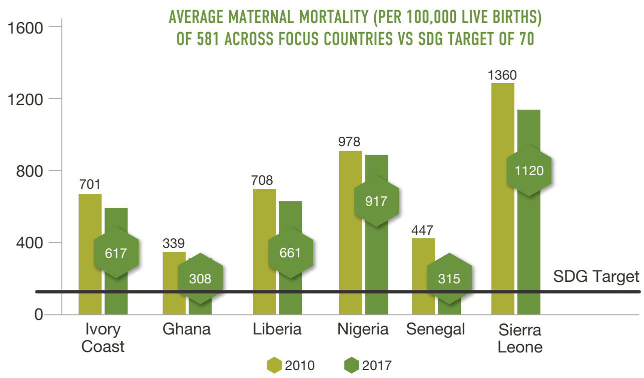
During the 2001 Abuja Declaration, heads of state of African Union set a target of deploying at least 15% of their annual budgets for improving the health sector; however, none of the focus West African countries were able to achieve this target by 2017[94]. Out of pocket expenditure (OOPE) accounts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

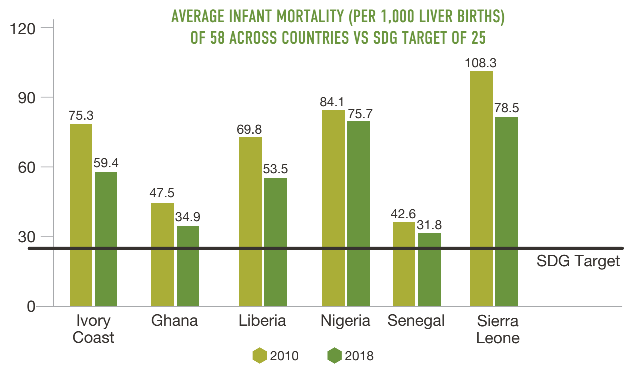
HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

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

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

Figure 9: Health Indicators across the Focus Countries





Source: World Bank Development Indicators

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

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

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

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

WATER AND SANITATION

THE CHALLENGE:

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

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

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

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

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

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

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

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

Figure 10: Water and Sanitation Indicators, 2017

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

Source: World Bank Development Indicators

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

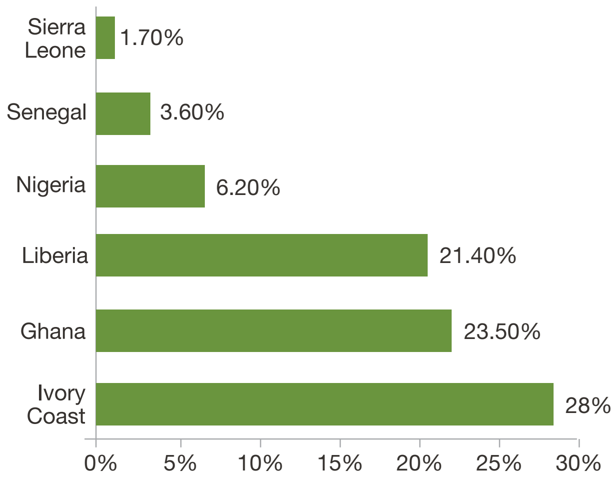
EDUCATION & LEADERSHIP DEVELOPMENT

THE CHALLENGE:

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

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

Figure 11: Proportion of Primary School going children that are out of school, 2018



Source: UNESCO database

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

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

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

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

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

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

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

KEY SOCIAL INVESTMENT SECTORS IN SOUTHERN AFRICA

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

FINANCIAL INCLUSION

THE CHALLENGE

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

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

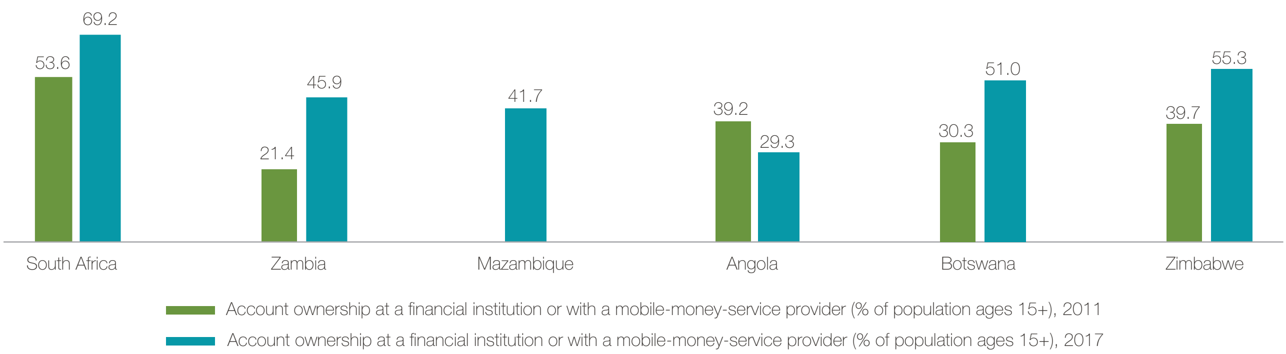
6 million SMEs in South Africa are currently financially excluded.

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

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

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

Figure 12: Account ownership in the focus countries, 2011 vs 2017



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

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

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

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

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

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

[130] Access to finance to inclusive businesses in Zambia

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

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

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

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

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

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

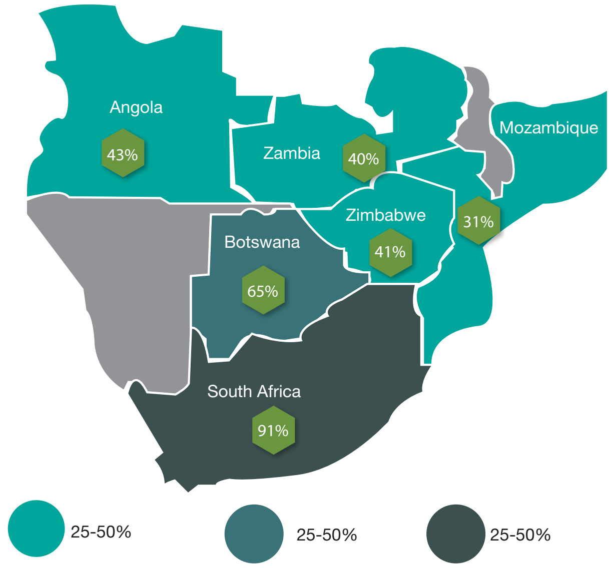
ENERGY, ENVIRONMENT AND CLIMATE CHANGE

THE CHALLENGE

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

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

Figure 13: Share of population with access to electricity, 2018

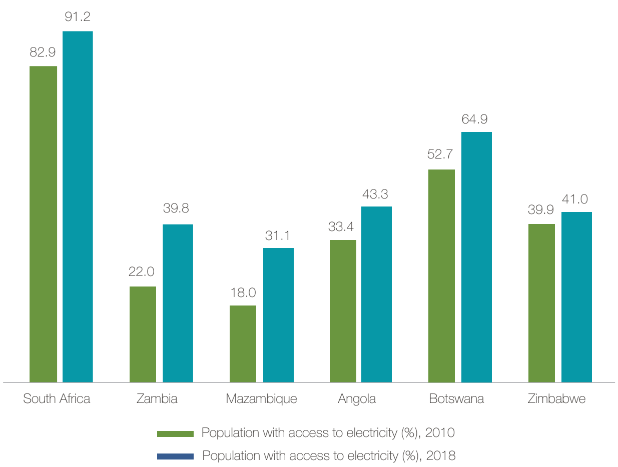


Source: World Bank Development Indicators, 2018

recent cyclone Idai in 2019.

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

Figure 14: Access to electricity rate, 2010 vs 2018



Source: World Bank Development Indicators

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

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

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

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

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

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

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

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

HEALTHCARE

THE CHALLENGE

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

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

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

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

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

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

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

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

Figure 15: Average health expenditure by source (2012-2017)

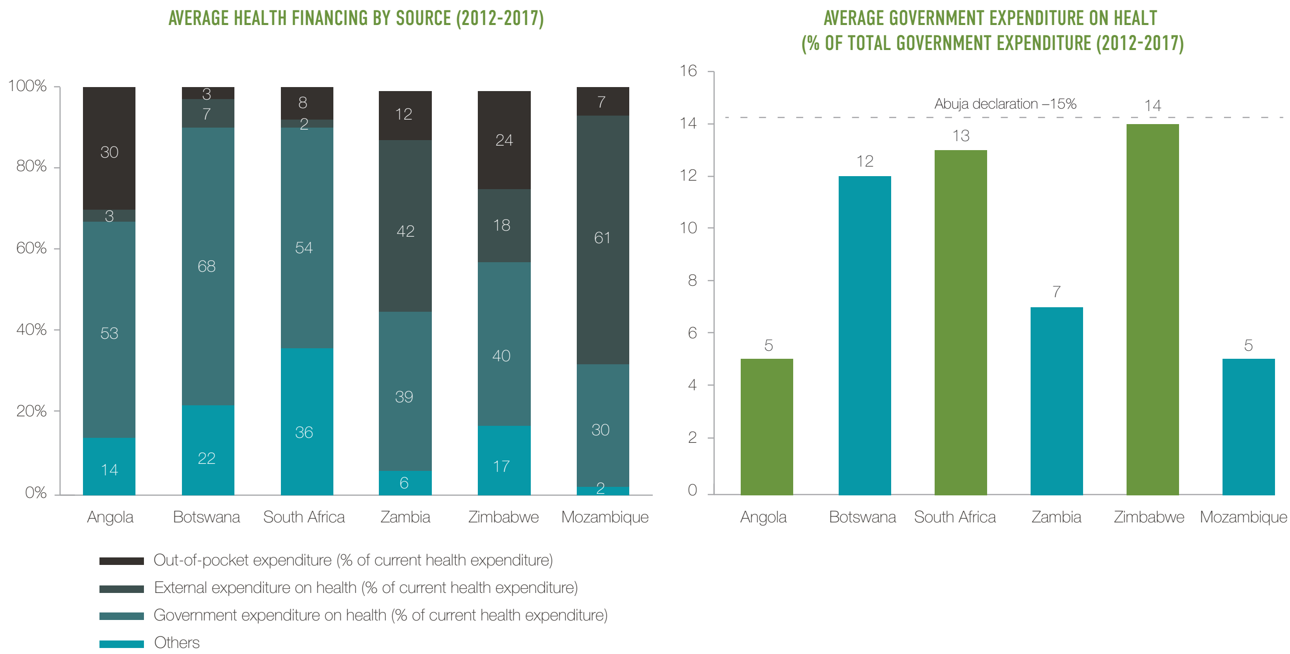
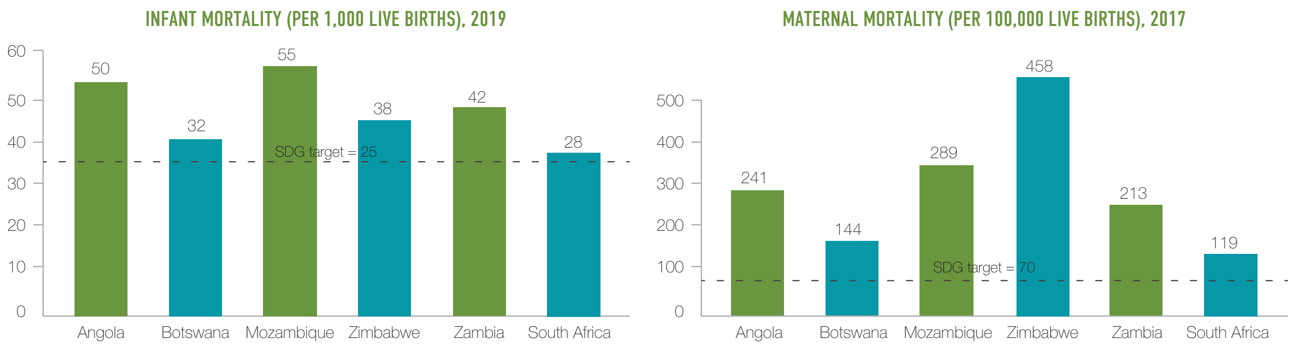


Figure 16: Infant and maternal mortality rates



Source: World Bank Development Indicators

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

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

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

[141] USAID, Healthcare, Mozambique
[142] Program Appraisal Document, Mozambique Primary Healthcare Strengthening Program, The World Bank, 2017
[143] Zambia Health Budget Brief 2019
[144] Project Appraisal Document, Angola Health System Performance Strengthening Project, The World Bank, 2018
[145] NHI, Department of Health, Republic of South Africa

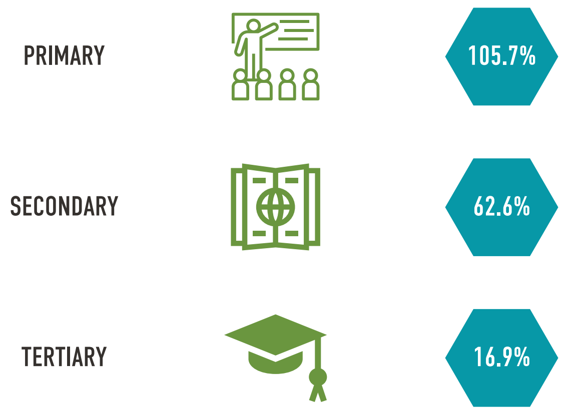
EDUCATION AND LEADERSHIP DEVELOPMENT

THE CHALLENGE

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

Poor quality of education and scarcity of infrastructure are critical challenges in most of the focus countries. For instance, in Botswana, while access to education has significantly increased in the past few years (enrolment of 91%), learning levels are far below grade-level expectations and are stagnating[146]. Lack of appropriate infrastructure, curriculum, and qualified teachers are some of the challenges that plague the education sector in Angola[147]. Likewise, Mozambique has shown its commitment to education – through direct investment in educational infrastructure and indirectly through facilitative policies. However quality and improvement in learning still lags behind[148]. Social challenges such as poverty and drug abuse further diminish the impact of the progress attained in terms of the number of educational institutions or children going to school. For instance, in Zambia, though significant progress has been made in the number of primary, secondary and tertiary educational institutions, the country still suffers from challenges owing to poverty, parental unemployment, child labour, and involvement in drug abuse[149]. In South Africa, between 2002 and 2017, there were improvements in the number of school-going children, thereby increasing overall school attendance[150]. The percentage of learners benefiting from the 'no-fee' policy also rose from 0.3% to ~65% by 2017. Despite the progress across the Southern Africa countries, there is a clear need to link education to skills and employment.

Figure 17: Gross regional average enrollement rate



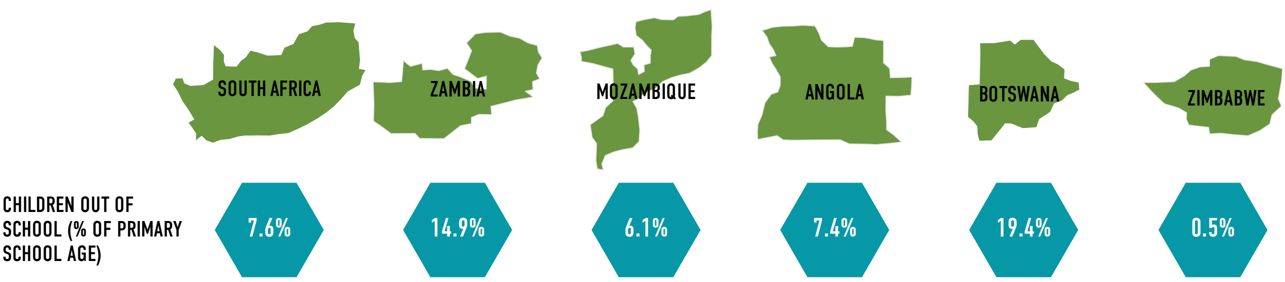
Source: WBDI, School Enrollment (% gross)

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

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

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

Figure 18: Children out of school (% of primary school age)



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

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

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

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

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

AGRICULTURE AND FOOD SECURITY

THE CHALLENGE

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

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

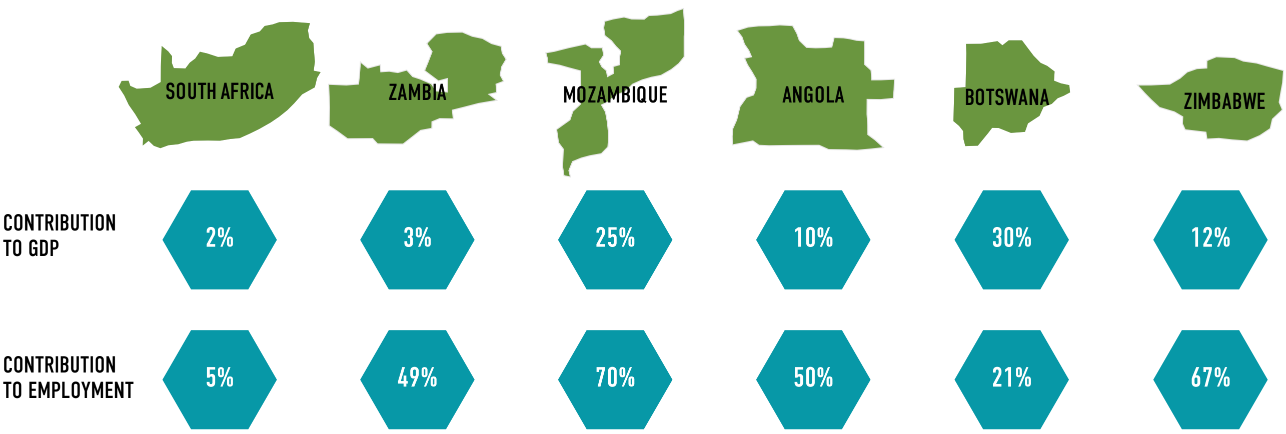
Fertilizer consumption is one-third and average cereal production is less than half of the average global production

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

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

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

Figure 19: Contribution of agriculture to GDP and employment



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

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

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

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

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

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

WATER AND SANITATION

THE CHALLENGE

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

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

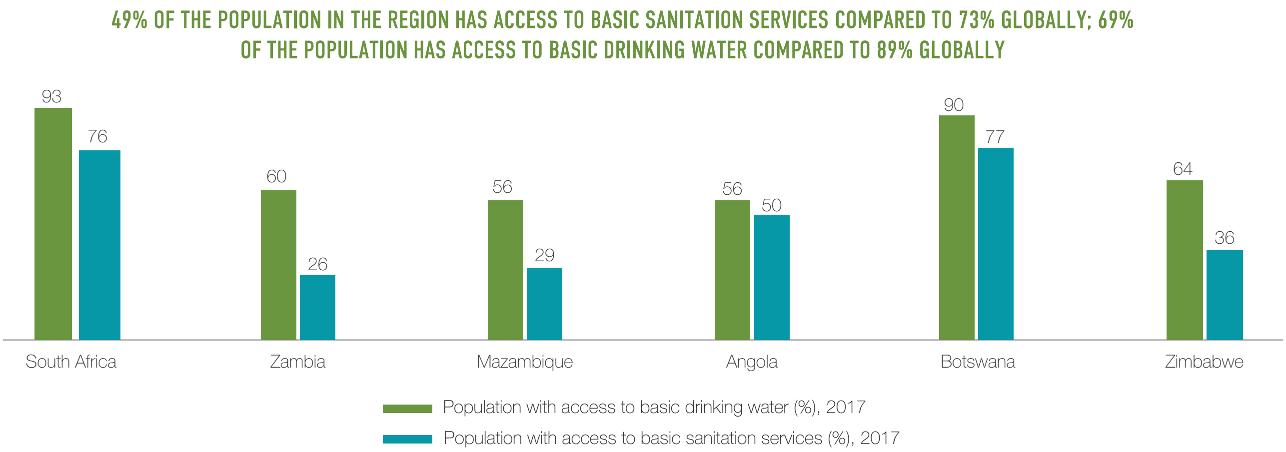
HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

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

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

[158] a vertically integrated company that grows, distributes and sells high quality blueberries originating from South Africa and Zambia
[159]
[160] Zambia Agriculture Investment Plan Supports Climate-Smart Agricultural Development, The World Bank, 2019
[161] Angola: World Bank Supports Commercial Agriculture with $130 Million, The World Bank, 2018
[162] Mozambican government initiatives, WTO, 2019
[163] Extreme poverty set to rise across Southern Africa, Institute for Security Studies, 2017
[164] Reflecting on South Africa's socioeconomic progress, March 2019
[165] Mozambique Receives $115 Million in Grants to Increase Access to Sanitation, 2019
[166] The state of wash financing in Eastern and Southern Africa, UNICEF, 2019
[167] The state of wash financing in Eastern and Southern Africa, UNICEF, 2019

Figure 20: Population with access to basic drinking water and sanitation services



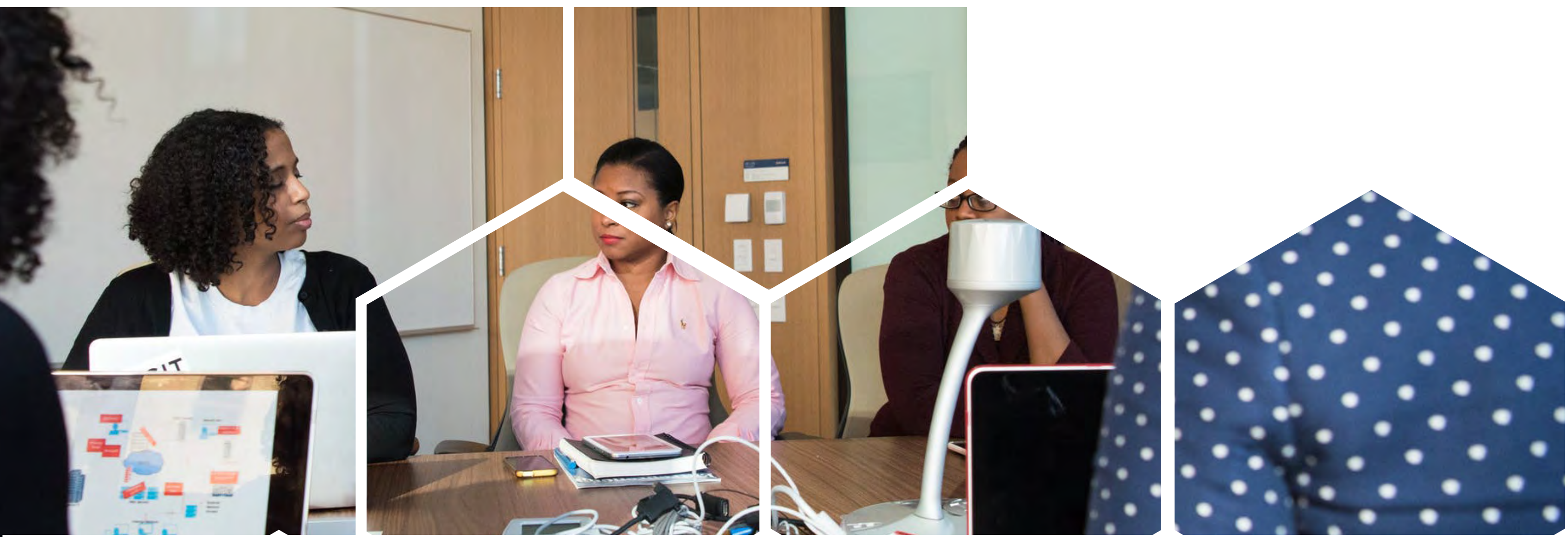
Source: World Bank Development Indicators, 2017

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

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

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

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



[168] South African Government, Water and sanitation

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

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

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

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