



# THE LANDSCAPE FOR SOCIAL INVESTMENTS IN SOUTHERN AFRICA

SOCIAL INVESTMENT LANDSCAPE

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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



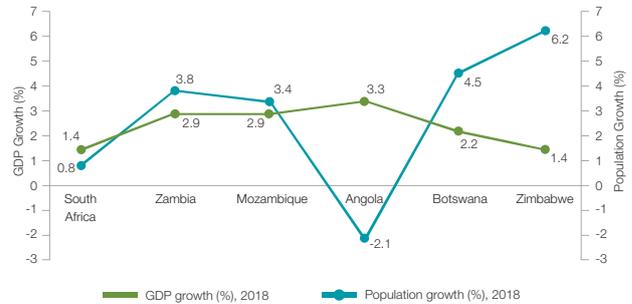
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# THE SOCIAL INVESTMENT LANDSCAPE IN SOUTHERN AFRICA

## 1.1 DEMOGRAPHIC AND SOCIO-ECONOMIC TRENDS IN THE REGION

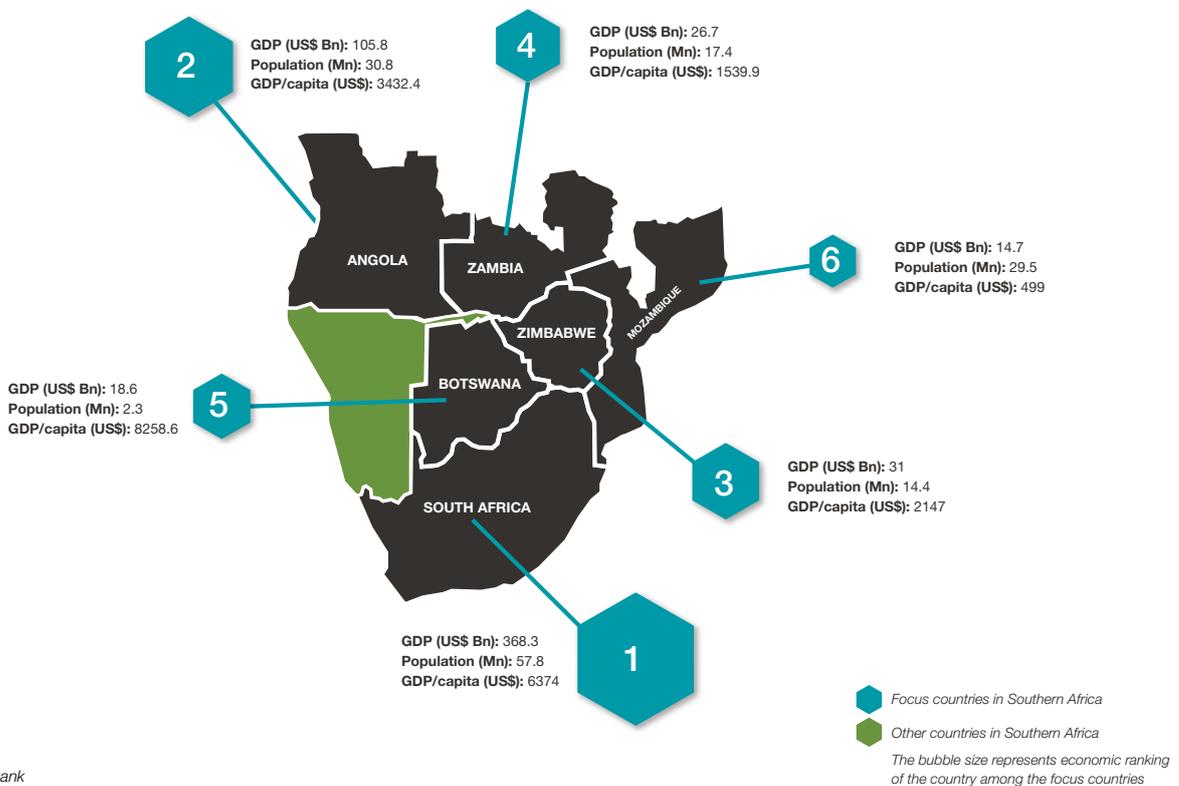
*Southern Africa has experienced one of the lowest and declining economic growth rates in Sub Saharan Africa (SSA) in the last decade, driven by volatility in the extractive sector and recurring natural disasters.*

Southern Africa<sup>4</sup> has a fifth of Africa’s population and contributes over a quarter of the total gross domestic product (GDP)<sup>5</sup> of Africa. The region is home to about 209 million people, 73% of which reside in the focus countries of this study. *The three largest economies – South Africa, Zambia and Angola- contribute close to 82% of the region’s economy*<sup>6</sup>. This dominance puts pressure on other countries to suffer from backwash effects of any regional growth dynamics. Other than Zimbabwe, all the other focus countries have experienced a declining economic growth trend in the last decade. South Africa faces severe unemployment challenges and economic



inequality, showcasing the legacy of apartheid. Angola is currently in an economic recession due to the volatility in the international oil market, which is the biggest contributor to its economy. Further, frequent weather events like storms, floods, and cyclones, particularly in Mozambique, continue to suppress regional economic growth. GDP growth in the region fell from 4% in 2010 to 1.2% in 2019 and is expected to decline further due to the ongoing COVID-19 pandemic.

Figure 1: Economic Overview of the Focus Countries



Source: World Bank Development Indicators, 2018

<sup>4</sup> Comprises of 13 countries in total; Angola, Botswana, Lesotho, Mauritius, Malawi, Madagascar, Mozambique, Namibia, Sao Tome and Principe, South Africa, Zambia, Zimbabwe, Eswatini  
<sup>5</sup> Southern Africa Economic Outlook 2019: Macroeconomic performance and prospects, AFDB  
<sup>6</sup> Southern Africa Economic Outlook 2019: Macroeconomic performance and prospects, AFDB

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

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

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

Africa and Zimbabwe are among the best performers in Southern Africa, ranked 10 and 19 in the continent with significant challenges only in 7 of the SDGs.

### Socio Economic Status in Southern Africa



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



**45 million** people facing hunger due to extreme natural disaster



**Double digit** unemployment rates in most of the countries



<sup>7</sup> Extreme poverty set to rise across Southern Africa, Institute for Security Studies, 2017

<sup>8</sup> Ranking is out of 52 African countries.

Figure 2: SDG Rating and Trends

SDGs	SOUTH AFRICA	ZAMBIA	MOZAMBIQUE	ANGOLA	BOTSWANA	ZIMBABWE
GLOBAL RANK/162 COUNTRIES	113	139	136	149	120	121
AFRICA RANK /52 COUNTRIES	10	22	30	38	8	19
01  NO POVERTY	 →	 →	 →	 ↓	 ↗	 —
02  ZERO HUNGER	 ↗	 →	 →	 ↗	 →	 →
03  GOOD HEALTH AND WELL-BEING	 ↗	 ↗	 ↗	 →	 ↗	 ↗
04  QUALITY EDUCATION	 —	 —	 →	 —	 —	 —
05  GENDER EQUALITY	 ↗	 ↗	 →	 →	 ↗	 ↗
06  CLEAN WATER AND SANITATION	 ↗	 →	 →	 →	 →	 ↓
07  AFFORDABLE AND CLEAN ENERGY	 ↗	 →	 →	 ↗	 ↗	 ↓
08  DECENT WORK AND ECONOMIC GROWTH	 →	 ↗	 —	 —	 ↗	 ↑
09  INDUSTRY INNOVATION AND INFRASTRUCTURE	 ↗	 ↗	 →	 →	 ↗	 →
10  REDUCED INEQUALITIES	 —	 —	 —	 —	 —	 —
11  SUSTAINABLE CITIES AND COMMUNITIES	 →	 →	 ↗	 —	 ↗	 →
12  RESPONSIBLE CONSUMPTION AND PRODUCTION	 —	 —	 —	 —	 —	 —
13  CLIMATE ACTION	 →	 ↑	 ↑	 ↑	 ↓	 ↑
14  LIFE BELOW WATER	 →	 —	 ↗	 →	 —	 —
15  LIFE ON LAND	 ↗	 →	 →	 →	 →	 ↗
16  PEACE, JUSTICE AND STRONG INSTITUTIONS	 →	 →	 →	 —	 →	 →
17  PARTNERSHIP FOR THE GOALS	 ↑	 —	 —	 —	 —	 —

 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

## 1.2 THE NEED FOR SOCIAL INVESTMENTS IN SOUTHERN AFRICA

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

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

redesign their capital deployment strategies.

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

Figure 3: Trends in tax revenue and government debt, 2018

### GOVERNMENT REVENUE SOURCES REMAIN INADEQUATE TO MEET GOVERNMENT OBLIGATIONS



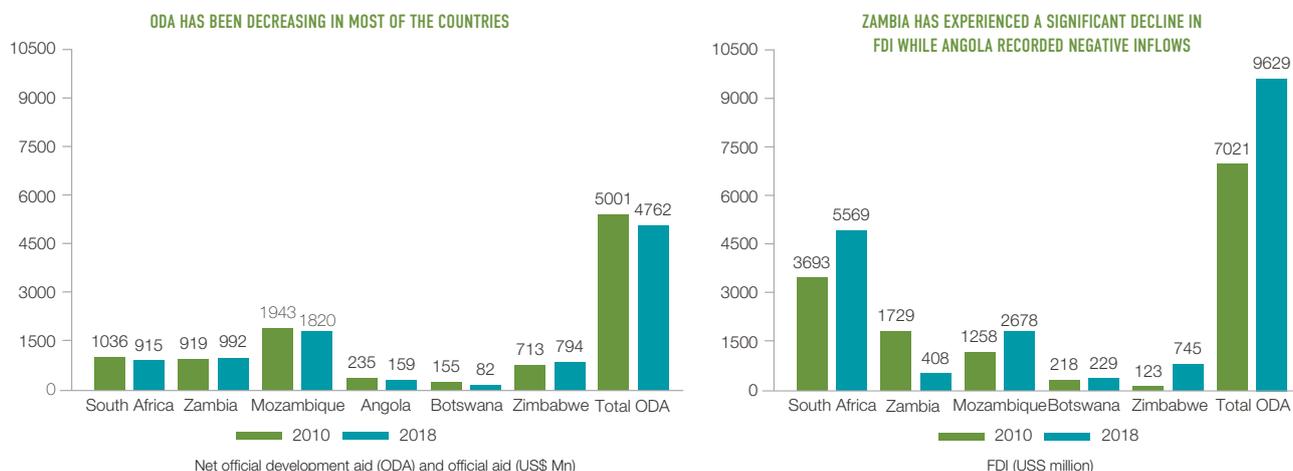
Source: World Bank Development Indicators, OECD Africa Revenue Statistics

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

Mozambique has been receiving the highest ODA in the region in the last few years, mostly in response to the frequent natural disasters – cyclones, floods, and earthquakes – exposing it to the humanitarian crisis.

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

Figure 4: Trends in ODA and FDI, 2010 and 2018



Source: World Bank Development Indicators

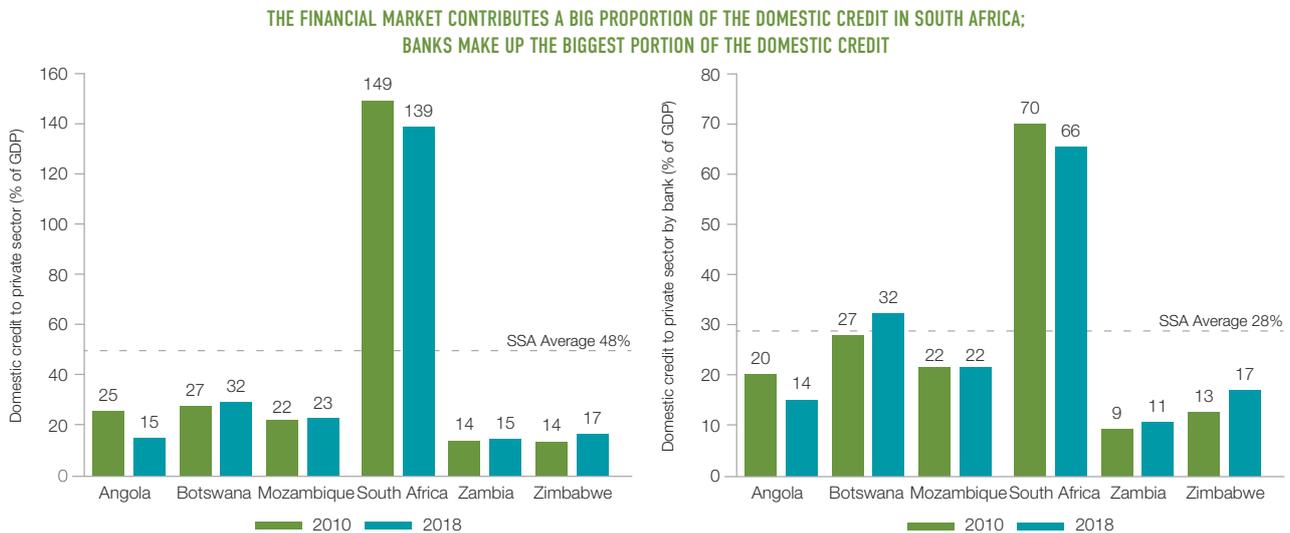
<sup>10</sup> World Bank Development Indicators, 2018

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

While South Africa has one of the highest domestic lendings to the private sector in the region, majorly from

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

**Figure 5: Trends in the domestic credit market, 2010 and 2018**



Source: World Bank Development Indicators

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

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

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

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

In response to the increasing philanthropic activities, particularly by corporates, South Africa has witnessed a sprout of sophisticated ESOs offering a diverse set of services specifically to the philanthropic industry. Institutions like Independent Philanthropy Association of South Africa (IPASA), Resourcing Philanthropy, and Centre on African Philanthropy and Social Investment (CAPSI) in South Africa provide **networking opportunities** for the industry, in addition to much-needed **data and research to support decision making**. Philanthropy transaction

advisors like Elma Philanthropies, FNB Philanthropy Centre, and Citadel wealth management are also unique to the region. These institutions provide much-needed **strategy support** to individual and institutional philanthropists to maximise impact. They explore funding opportunities, develop program strategies, monitor and evaluate performance, and manage strategic partnerships on behalf of philanthropist.

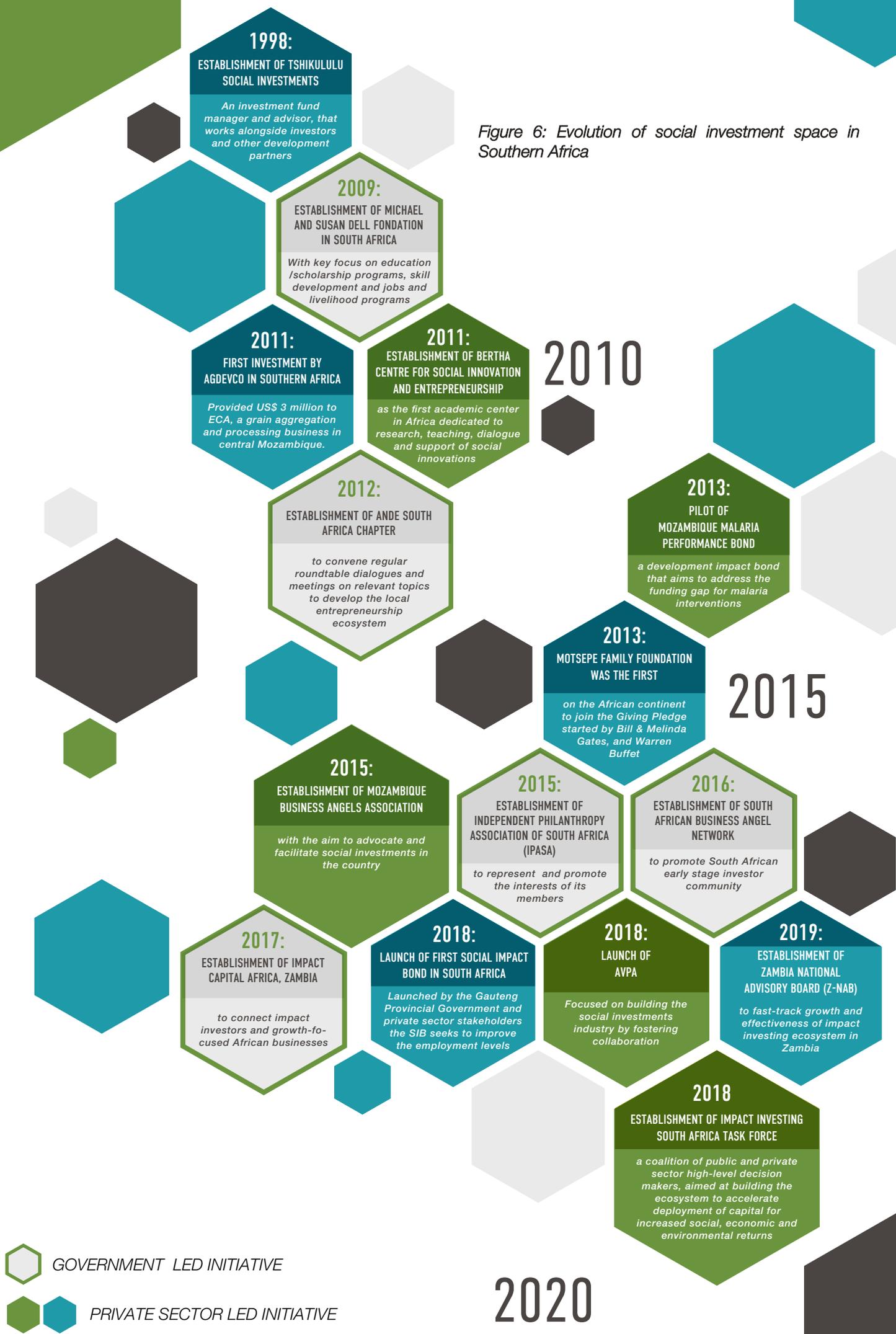
Further, given their links to various philanthropists, they are able to mobilise funds to different social causes and assist in the design of blended finance structures. Legal, financial and advisory services providers for philanthropists are further organised in networks such as the Philanthropy Service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

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

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

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

Figure 6: Evolution of social investment space in Southern Africa



 GOVERNMENT LED INITIATIVE

 PRIVATE SECTOR LED INITIATIVE

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

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

The Southern Africa region boasts of the highest number of HNWI's and the largest wealth market in Africa, with most HNWI's residing in South Africa. The region had more than 53,380 dollar millionaires with a combined wealth of US\$ 772 billion in 2018<sup>15</sup>. All the focus countries except Zimbabwe featured in the top 20 wealthiest countries in Africa in the same year. Four of the top billionaires in South Africa made it to the Forbes list of wealthiest people in 2020. *Further, South Africa has over twice as many HNWI's compared to any other African countries and tops the list of wealthy African countries.* Supporting their communities remains a core focus for the HNWI's in the region. This, they do through formal structures – family foundations and trust. The region has around 60

registered family foundations and trusts with the largest proportion (77%) in South Africa<sup>16</sup>. However, even with the large established philanthropy structures, a significant proportion (96%)<sup>17</sup> of people contributing to charity in South Africa do so through informal systems, indicating growth opportunities for formalizing giving.

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

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

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

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

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

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

<sup>11</sup> Trialogue: Business in Society Handbook 2019

<sup>12</sup> Trialogue: Business in Society Handbook 2019

<sup>13</sup> More details provided under chapter 6 on education and leadership development

<sup>14</sup> SAVCA: VC Industry Survey, 2019

<sup>15</sup> AfrAsia Bank Africa Wealth Report 2019 Reveals South Africa is the Wealthiest Country in the Region, 2019

<sup>16</sup> Intellect Analysis

<sup>17</sup> Nedbank: The Giving Report IV 2019

<sup>18</sup> SAVCA: VC Industry Survey, 2019

<sup>19</sup> Information on funding facilitated through these networks and the business models adopted is presented in Chapter 4

<sup>20</sup> Nedbank giving reports, 2010 and 2019

<sup>21</sup> Convergence: Blended Finance transactions in Sub-Saharan Africa, 2020

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

Industrial Development Corporation of South Africa provide credit guarantees to mobilize more capital in the region.

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

# 38%

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

## CHALLENGES LIMITING GROWTH OF BLENDED FINANCE TRANSACTIONS IN THE REGION

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

*\*Insights from stakeholder interviews*

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

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

<sup>22</sup> Some of these blended finance structures and more are discussed in the table below

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

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

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

Africa-based alternative finance (crowdfunding and peer to peer) platforms raised US\$ 182Mn in 2016, which was more than 313% increase from 2013<sup>24</sup>. The market is expected to reach an estimated US\$ 2.5Bn by 2025<sup>25</sup>. Southern Africa accounted for 28% of the funding, second only to West Africa. Specifically, Zambia and South Africa remain key focus countries on this front – with yearly funding volumes of US\$ 40 million and US\$ 27 million, respectively<sup>26</sup>. In 2018, South Africa had the highest number of operational platforms (21 out of 57)<sup>27</sup>. NGOs in South Africa receive a lot of fundraising support from these platforms, with 13 locally-based

crowdfunding platforms and programs supporting their fundraising efforts in the same year<sup>28</sup>. There have also been some crowdfunding initiatives in Mozambique, although to a limited extent. In 2017, SolarWorks, a solar home system distributor in Mozambique, launched its first crowdfunding campaign on the Netherlands-based debt crowdfunding platform, Lendahand. The campaign, which aimed to raise US\$ 118,000 in debt to fund the installation of 1,000 solar home systems to households in Mozambique, achieved its target in just a few hours<sup>29</sup>.

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

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

Table 2: Summary of key social investments trends across Southern Africa

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



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



High activities with increasing number of players



Moderate activities and number of players witnessed



Minimal to no activities witnessed

<sup>24</sup> Cambridge Centre: The 2nd Annual Middle East & Africa Alternative Finance Industry Report, 2018

<sup>25</sup> Crowdfunding for NGOs in South Africa – Background, Platforms and Programmes,

<sup>26</sup> Crowdfunding Statistics Worldwide: Market Development, Country Volumes, and Industry Trends, May 2020

<sup>27</sup> Crowdfunding for NGOs in South Africa – Background, Platforms and Programmes,

<sup>28</sup> Crowdfunding for NGOs in South Africa – Background, Platforms and Programmes,

<sup>29</sup> Energy 4 Impact supports Mozambique debt crowdfunding campaign by SolarWorks!, 2017