THE LANDSCAPE FOR SOCIAL INVESTMENTS IN WEST AFRICA

EXECUTIVE SUMMARY

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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.

The following AVPA team members contributed to this report:

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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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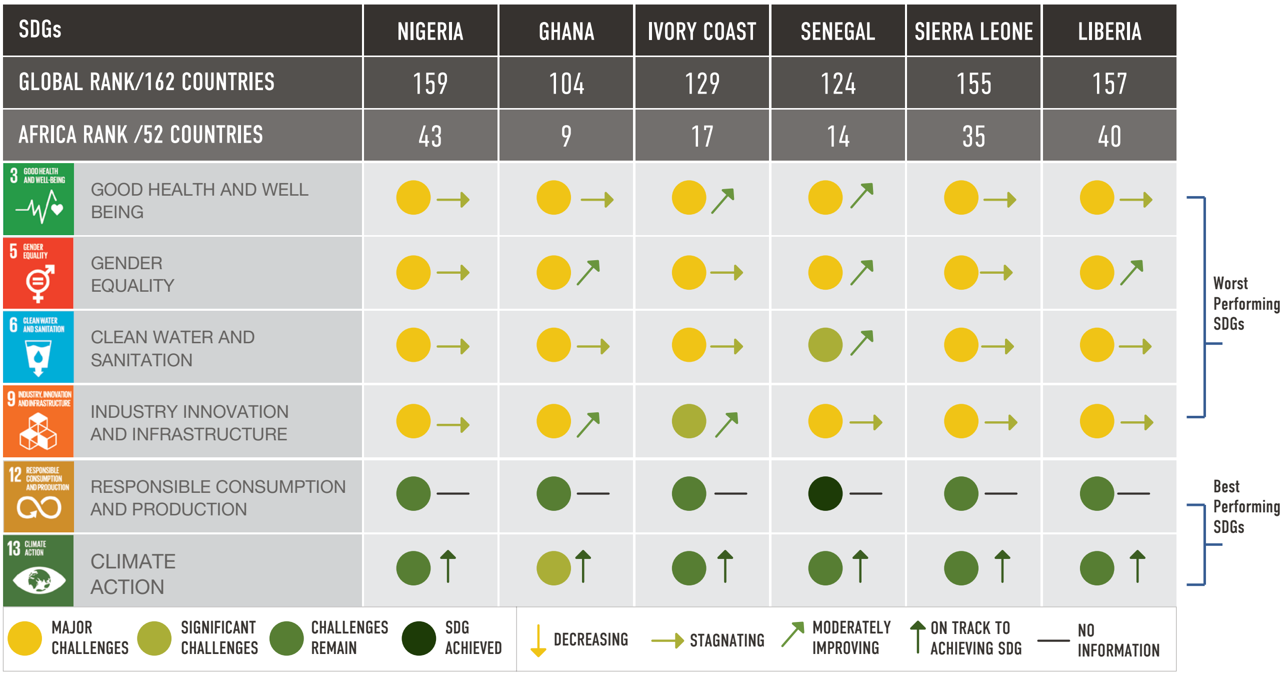
EXECUTIVE SUMMARY

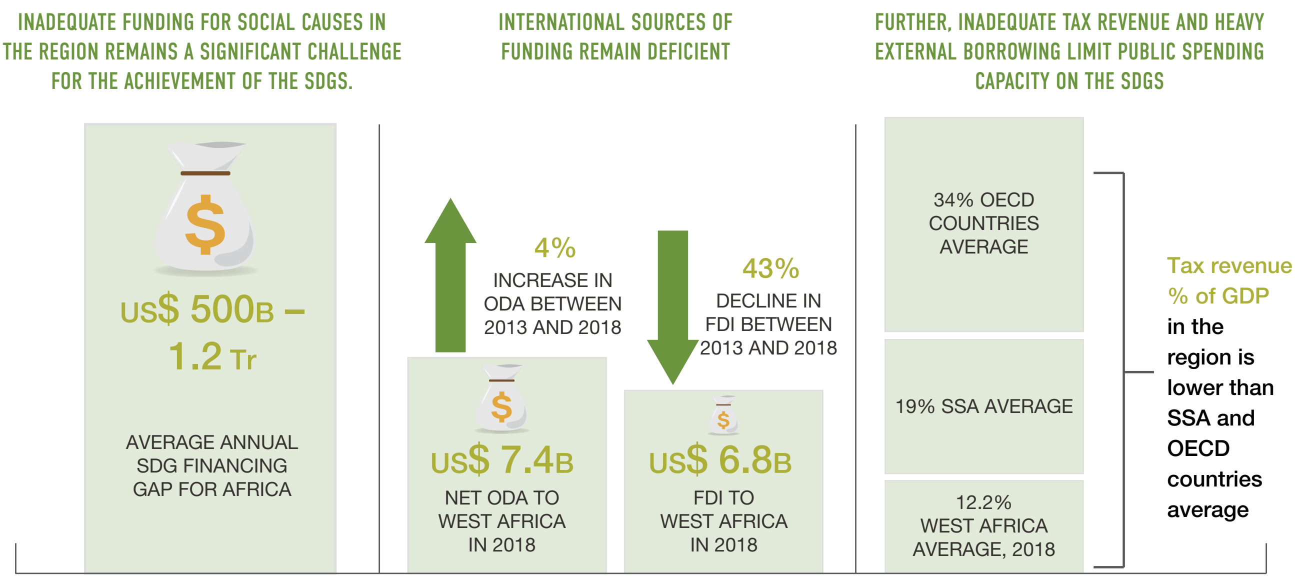
1. SOCIAL INVESTMENT AND THE SDG FINANCING GAP IN WEST AFRICA

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

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



Source:SDG Index and Dashboard



NB: West Africa refers to the 6 focus countries

This funding gap necessitates collaboration amongst the local, international, public, and private social capital providers to deploy existing capital resources in new ways. Across Africa, practitioners are increasingly leveraging diverse social investment forms to fund social sectors and solve development challenges.

Social Investment *is financial and non-financial capital deployed according to rigorous investment principles to generate positive social and environmental impact, with varying financial return expectations. Social investment methodologies have proven to be a powerful strategy to create sustainable and scalable social and environmental impact by enabling diverse social investors to collaborate for a more significant impact on the SDGs' achievement. Social investment 'capital' takes various forms: financial (grants, debt, equity, blended finance), intellectual and human capital.*

This report maps the landscape of social investments in West Africa with a deep dive focus on Nigeria, Ghana, and Ivory Coast, and a high-level assessment of Senegal, Sierra Leone, and Liberia. It analyses strategies used by various international and domestic social investment capital providers.

The study leveraged concurrent triangulation, which is a mixed-method approach involving collection and analysis of qualitative and quantitative information from secondary and primary sources. The data and information leveraged was collected through four key sources, a) literature review/desktop research from existing publications on the industry, b) interviews with 57 industry stakeholders, c) transaction/deal mapping from online databases such as Crunchbase, Baobab Insights and Candid/Foundation as well as websites of the different social investors and, d) 20 online surveys received from social investors in the region.

2. EVOLUTION OF THE SOCIAL INVESTMENT INDUSTRY IN WEST AFRICA

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

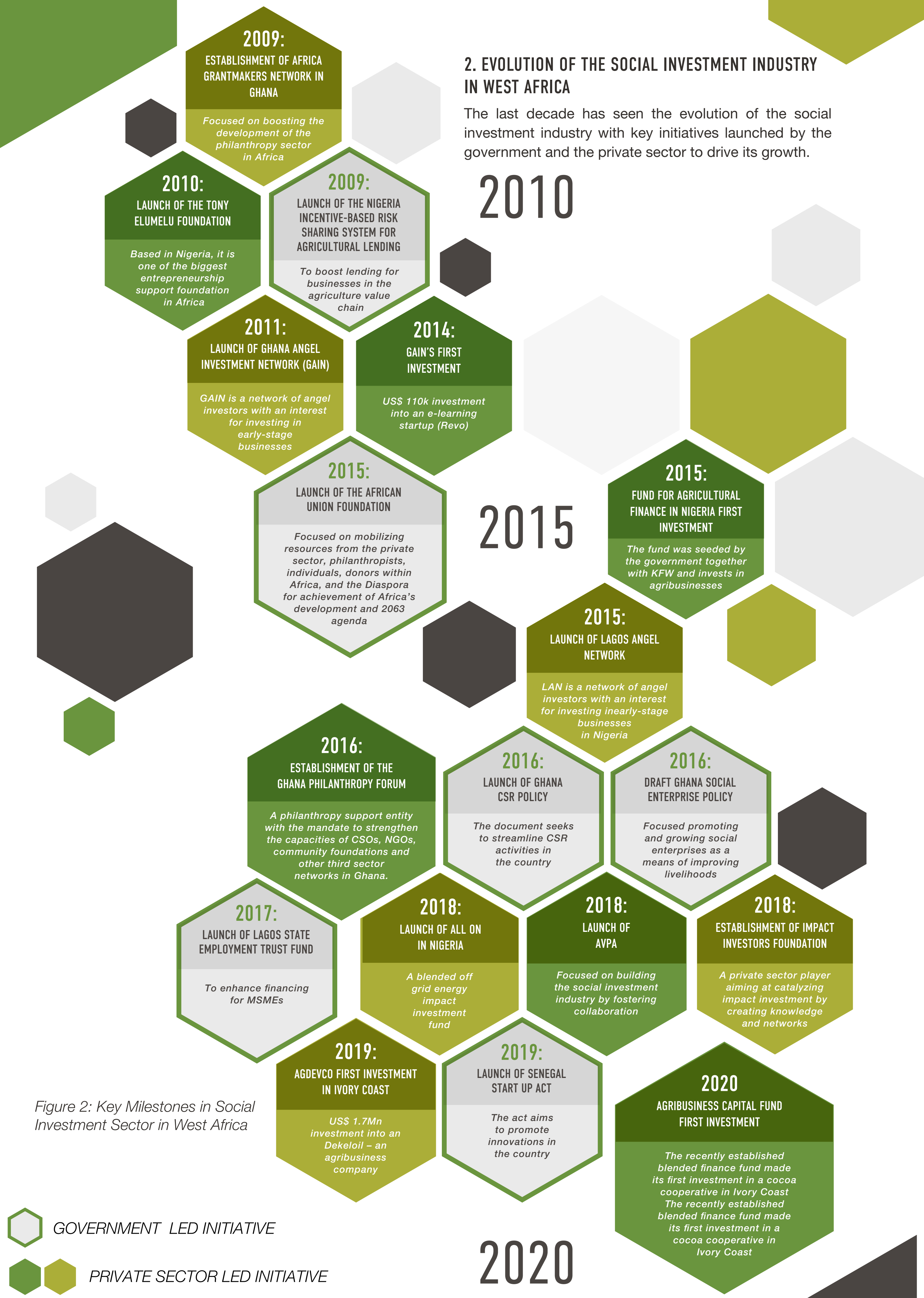


Figure 2: Key Milestones in Social Investment Sector in West Africa

3. EMERGING TRENDS IN WEST AFRICA SOCIAL INVESTMENT INDUSTRY

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

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

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

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

High activities with increasing number of players

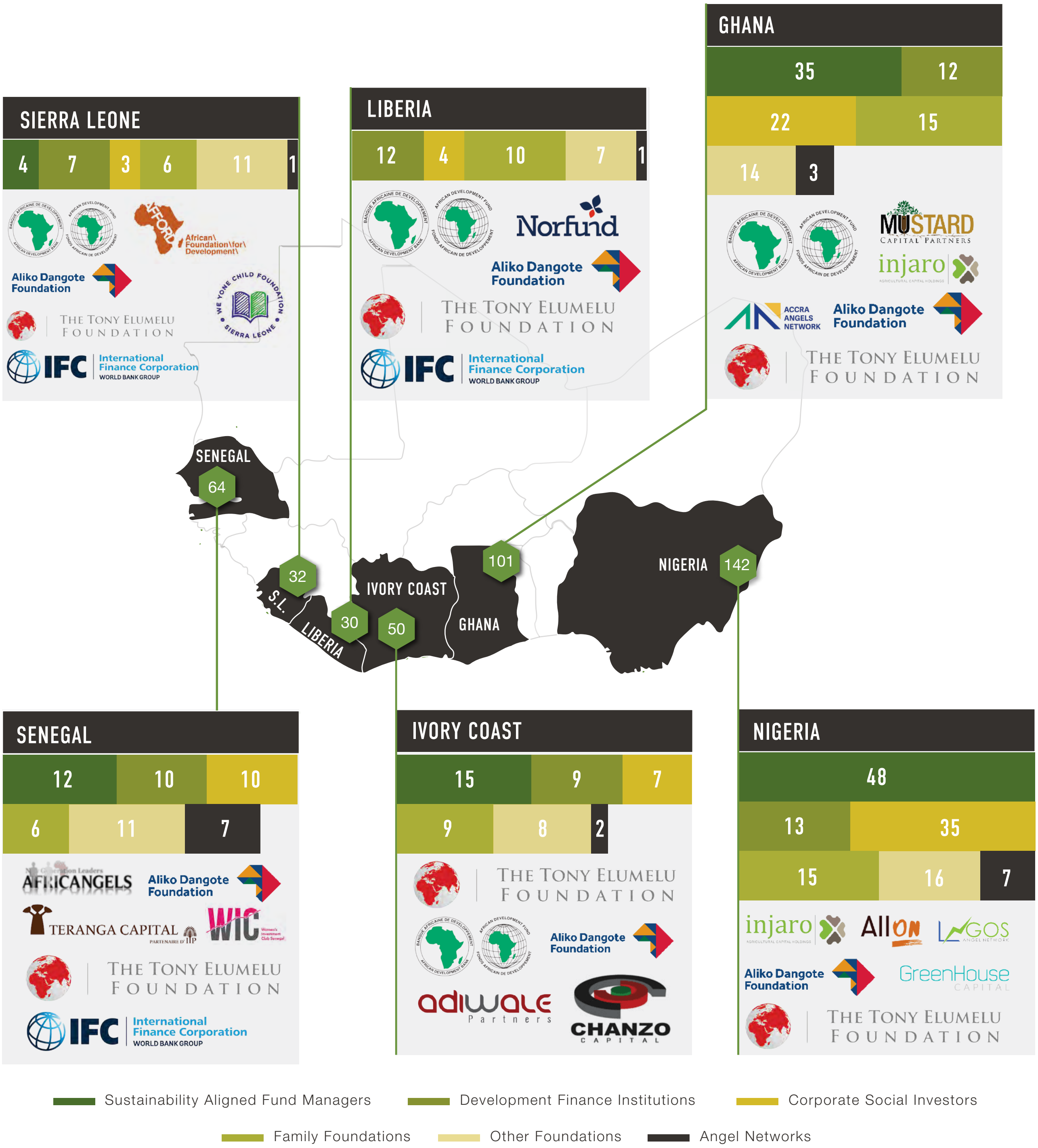
Moderate activities and number of players witnessed

Minimal to no activities witnessed

4. SUPPLY OF SOCIAL INVESTMENT IN WEST AFRICA

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

Figure 3: Overview of Key Social Investors in the Region



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

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[1] List not exhaustive

DEVELOPMENT FINANCE INSTITUTIONS (DFIs):

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

Figure 4: Summary of DFI activities 2015-2019

14 DFIs INVESTED US$ 8.4BN IN 262 DEALS

TRANSACTION SIZE
Average deal size was US$ 32.1Mn

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

INSTRUMENTS
70% of DFI capital deployed through debt

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

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

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

SUSTAINABILITY ALIGNED FUND MANAGERS (SFMs)[2]:

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

Figure 5: Summary of SFM activities 2015-2019

US$ 1.2BN DEPLOYED BY SFMs IN 305 DEALS

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

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

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

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

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

[2] SFMs refer to private fund managers (including venture capital funds, private equity funds, debt funds, blended finance funds, incubators and accelerators) that deploy capital in SDG focused sectors.

CORPORATE SOCIAL INVESTORS (CSIs)[3]:

West African CSIs[4]

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

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

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

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

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

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

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

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

North American and European CSIs[5]

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

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

US$ 547MN DEPLOYED BY SELECTED NORTH AMERICAN CSIs

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

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

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

Other international CSIs

- While we believe there are some Asian and Latin American CSIs active in the region, these could not be comprehensively covered during this research due to limited data available on their activities. This presents a key area for future research.

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

FAMILY FOUNDATIONS:

West African family foundations[6]

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

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

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

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

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

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

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

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

North American and European family foundations[7]

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

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

US$ 547MN DEPLOYED BY SELECTED NORTH AMERICAN CSI

TRANSACTION SIZE
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Largely grants deployed to NGOs and programmatic interventions implemented through government and NGOs

Other international family foundations

- While we believe there are some Asian and Latin American family foundations active in the region, these could not be comprehensively covered during this research due to limited data available on their activities. This presents a key area for future research.

[6] Family foundations headquartered in West Africa

[7] Family foundations headquartered in North America and Europe

ANGEL INVESTORS:

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

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

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

US$ 3.2MN DEPLOYED IN 19 ANGEL DEALS

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

MULTILATERAL AND BILATERAL DONORS:

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

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

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

FAITH-BASED GIVING:

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

Table 2: Characteristics of Social Investors Active in the Region

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

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

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

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

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

5. DEMAND FOR SOCIAL INVESTMENT IN WEST AFRICA

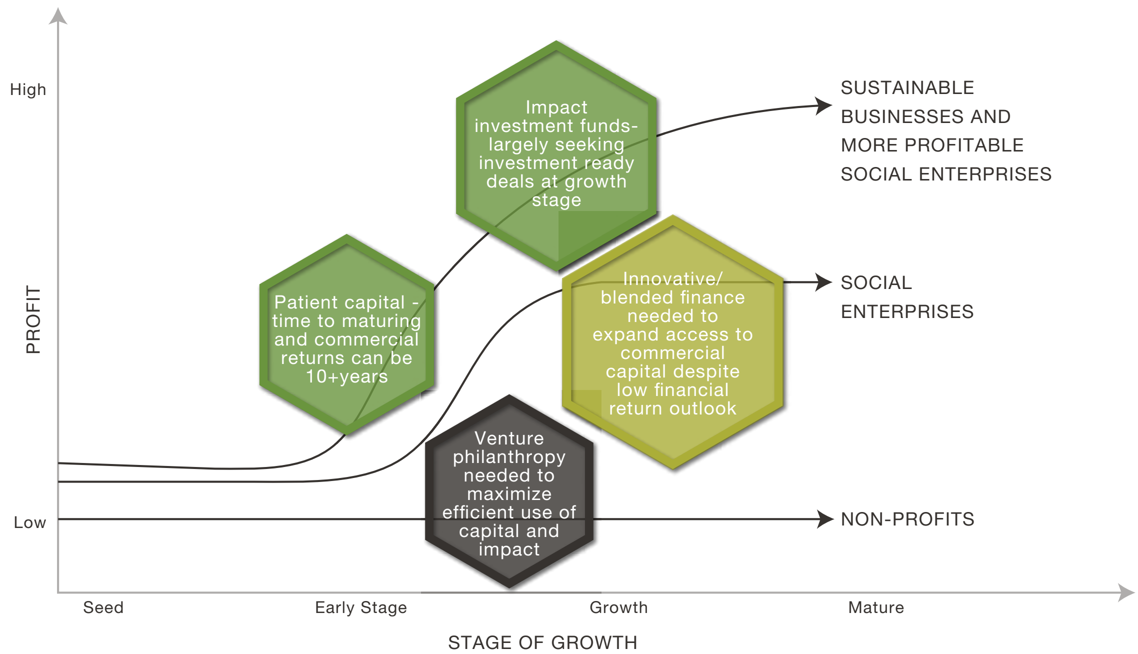
The supply of social investment capital in the region is not well aligned to the demand from social enterprises and impact businesses.

- A significant financing gap exists for small and medium enterprises (SMEs), which are considered too big for microfinance institutions (MFIs) and too small or risky for commercial investors—popularly referred to as the "missing middle". Further, social investors largely focus on financing organizations with already proven models and established revenue structures.
- The average transaction size by SFMs and DFIs who supply most of the region's impact capital is much higher than required by most enterprises who are still in the early stages of growth.
- Addressing these gaps requires catalytic funding and innovative instruments to de-risk and attract private investments. More patient growth capital is needed for scalable early-stage businesses that do not qualify for pure-play equity.

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

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

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



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

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

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

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

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

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

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

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

West Africa, however, lags in gender diversity.

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

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

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

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

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

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

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

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

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

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

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

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

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

The major challenges include;

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

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

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

6. ENABLING ENVIRONMENT FOR SOCIAL INVESTMENTS IN WEST AFRICA

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

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

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

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

High activities with increasing number of players

Moderate activities and number of players witnessed

Minimal to no activities witnessed

7. RECOMMENDATIONS AND OPPORTUNITIES FOR INDUSTRY STAKEHOLDERS

The key recommendations to develop the social investment industry are grouped into three categories; recommendations to catalyze diverse and innovative social capital pool, recommendations to empower organizations delivering social change, and recommendations to develop enabling environment and infrastructure.

Table 4: Summary of Key Recommendations

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

7.1 RECOMMENDATIONS TO CATALYZE DIVERSE AND INNOVATIVE POOL OF SOCIAL CAPITAL

- **Enhancing the supply and use of catalytic capital in the region:** The demand for catalytic capital in the region far outweighs the supply, with most of the investors interviewed indicating that they target market-rate returns implying a limited supply of below market-rate capital. This research also identified significant gaps in the supply of funding at the seed and Series C stages. Social investors such as corporate foundations, family foundations, and donors are well-positioned to provide catalytic capital, e.g.,credit or first loss default guarantees to cover the downside risk for commercial lenders. This would ensure more debt capital flowing to early-stage businesses as well as missing middle.

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

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

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

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

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

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

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

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

7.3 RECOMMENDATIONS TO DEVELOP ENABLING ENVIRONMENT AND INFRASTRUCTURE

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

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

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

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

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