avpa AFRICAN VENTURE PHILANTHROPY ALLIANCE

THE LANDSCAPE FOR SOCIAL INVESTMENTS IN WEST AFRICA

SOCIAL INVESTMENT LANDSCAPE

intellecap AAVISHKAAR GROUP

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The African Venture Philanthropy Alliance (AVPA) is a unique Pan-African network for social investors, headquartered in Nairobi and committed to building a vibrant and high impact community across Africa. AVPA is aligned with thriving networks in Europe (EVPA - HQ in Brussels with 250+ members) and Asia (AVPN - HQ in Singapore with 600+ members) to form a dynamic global force for social impact.

The following AVPA team members contributed to this report:

- Dr. Frank Aswani - Chief Executive Officer
- Rachel Keeler – Value Hub Director, Report Lead
- Nancy Kairo - Executive Director, East Africa
- Oluwatoyin Adegbite-Moore - Executive Director, West Africa

The U.S. African Development Foundation (USADF) is an independent U.S. government agency established by Congress to invest in African grassroots organizations, entrepreneurs and small and medium-sized enterprises. USADF's investments promote local economic development by increasing incomes, revenues and jobs, and creating pathways to prosperity for marginalized populations and underserved communities.

Utilizing a community-led development approach, USADF provides seed capital and local project management assistance improving lives and impacting livelihoods while addressing some of Africa's biggest challenges around food insecurity, insufficient energy access, and unemployment, particularly among women and youth.

Over the last five years, throughout Africa, with an emphasis on the Horn, Sahel and Great Lakes regions, USADF has invested more than $115 million dollars directly into over 1,000 African owned and operated entities and impacted over four million lives.

Social Capital Foundation is a Dutch Foundation that partners with social impact first organisations who want to enhance sustainable economic opportunities for communities and small businesses.

SCF supports local talent potential, creativity and innovation with adequate tools, flexible funding and a knowledge network to maximize and scale impact.

The Rockefeller Foundation's mission—unchanged since 1913—is to promote the well-being of humanity throughout the world. Today the Foundation advances new frontiers of science, data, policy, and innovation to solve global challenges related to health, food, power, and economic mobility. As a science-driven philanthropy focused on building collaborative relationships with partners and grantees, The Rockefeller Foundation seeks to inspire and foster large-scale human impact that promotes the well-being of humanity by identifying and accelerating breakthrough solutions, ideas and conversations.

Authors

The following Intellecap team members contributed to the research:

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

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01

01

THE SOCIAL INVESTMENT LANDSCAPE IN WEST AFRICA

1.1 DEMOGRAPHIC AND SOCIOECONOMIC TRENDS IN THE REGION

Nigeria's large economy overshadows that of its smaller West African neighbors, but the country largely remains closed to the regional trade.

The West African region is home to Africa's most populous country and largest economy (Nigeria). The entire region's population is currently almost 400 million[4], with 70% residing in the focus countries of this study i.e. Nigeria, Ghana, Ivory Coast, Senegal, Sierra Leone, and Liberia. While the large population presents a significant consumer base for various goods and services, underserved and low-income communities in the region are often unable to access quality and affordable essential services. The private, public, and development sector needs to collaborate and combine efforts ensuring that the efforts to provide access to these services are both sustainable and scalable.

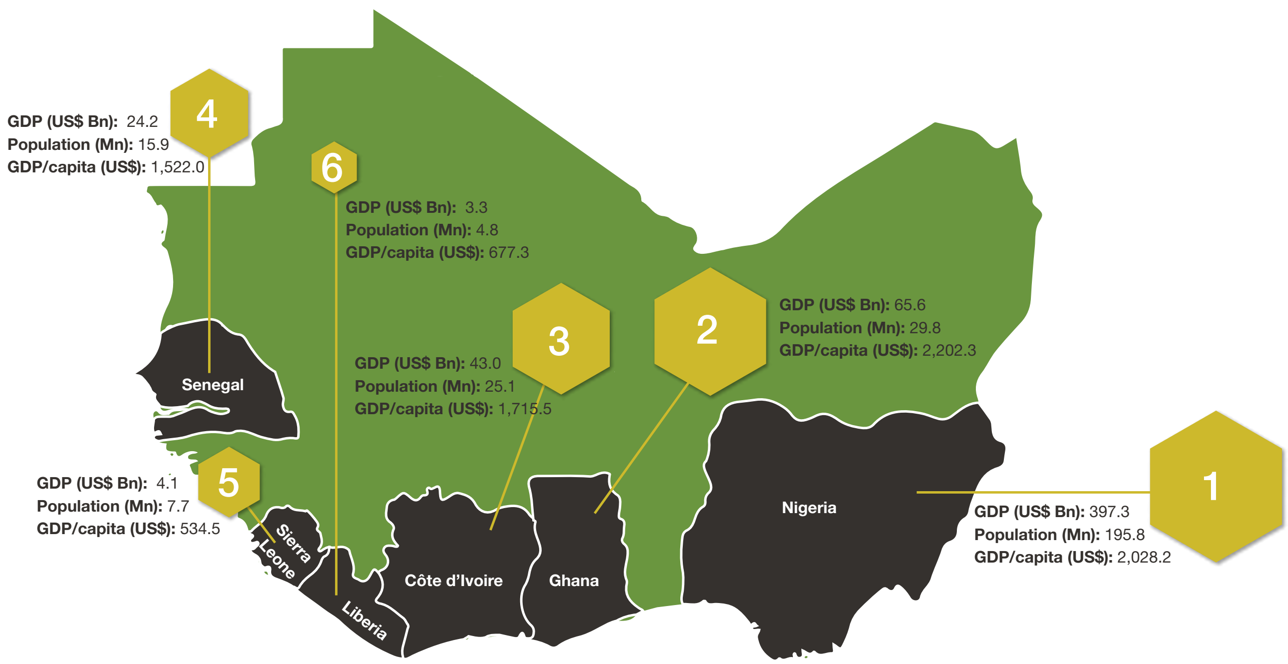
SOCIO-ECONOMIC STATUS IN WEST AFRICA

Over **53%** of the population lives in rural areas with limited access to sanitation, healthcare & electricity

About **60%** of the population *live on less than* US $ 1.25 a day-absolute poverty

Around **30%** of deaths in the region are caused by non-communicable diseases

Figure 1: Economic Overview of the Focus Countries



Focus countries in West Africa

Other countries in West Africa

Bubble size represents economic ranking of the country among the focus countries

Source: World Bank Development Indicators, 2018

[4] Worldometer, 2020

Most West African economies are still largely dependent on commodities—mainly oil and extractives—even though governments are continually attempting to move away from that.

West Africa has experienced a mixed performance in economic growth over the past few years. The region had seen high growth until 2014, but an economic slowdown followed due to the sharp drop in commodity prices and the Ebola crisis in 2016. During this period, –Nigeria, Africa's largest economy and oil exporter, fell into a recession; its gradual recovery between 2017 and 2019, helped by the rebound of oil prices, managed to restore growth in the region. Ivory Coast, Ghana, and Senegal have enjoyed stable economic growth and are projected to be amongst the ten fastest-growing economies globally in 2020-21,[5] with more than 6% growth in their economies in 2019[6]. Liberia and Sierra Leone have been slowly recovering from the Ebola outbreak with economic growth of 0.4% and 5%, respectively, recorded in 2019[7]. The economy of Liberia witnessed a 2.5% decline in 2017[8] due to declining mining exports, rising inflation and currency depreciation. While economic growth rates across the focus countries have been projected to continue increasing in the coming years, the recent Covid-19 global pandemic is expected to affect these projections negatively. Further, although some of the focus countries enjoyed relative political stability and freedom from violence in the last few years, the current surge in Islamist and intercommunal violence in Nigeria and surrounding countries poses a security threat for the region.

West Africa[9] is stagnating in achieving the Sustainable Development Goals (SDGs) as most countries in the region grapple with multiple development challenges.

The West African focus countries are stagnating in achieving the set targets on most SDGs, apart from SDG 13 on climate action where all the countries are on track. Overall, the region is significantly lagging in the achievement of SDG 3 (health), SDG 5 (gender equality), SDG 6 (clean water and sanitation), SDG 9 (infrastructure), and SDG 11 (sustainable cities and communities)[10]. Further, other than Senegal that has achieved one SDG (responsible consumption and production) no other country has been able to achieve any SDGs so far. Nigeria, ranked 43rd in Africa by the SDG index 2019[11], is among the worst performing countries stagnating on twelve SDGs while Ghana, ranked 9th, is among the best performers. Ivory Coast is significantly lagging on six SDGs while Sierra Leone and Liberia, face major challenges in most of the SDGs.

65% OF WEST AFRICAN COUNTRIES ARE DEPENDENT ON COMMODITIES (2013-2017, UNCTAD)

[5] AFDB African Economic Outlook 2020
[6] AFDB African Economic Outlook 2020
[7] AFDB African Economic Outlook 2020
[8] World Bank Development Indicators, 2018
[9] Refers to the entire region (15 countries in total)
[10] 2019 Africa SDG Index and Dashboards Report, SDG Center for Africa and Sustainable Development Solutions Network
[11] Ranking is out of 52 African countries.

Figure 2: SDG Index Ranking and Trends, 2019

SDGs	NIGERIA	GHANA	IVORY COAST	SENEGAL	SIERRA LEONE	LIBERIA
GLOBAL RANK/162 COUNTRIES	159	104	129	124	155	157
AFRICA RANK /52 COUNTRIES	43	9	17	14	35	40
01 NO POVERTY	Major challenges, Decreasing	Challenges remain, Moderately improving	Significant challenges, Moderately improving	Major challenges, Moderately improving	Major challenges, Stagnating	Major challenges, Decreasing
02 ZERO HUNGER	Major challenges, Stagnating	Significant challenges, Stagnating	Significant challenges, Moderately improving	Significant challenges, Moderately improving	Major challenges, Moderately improving	Major challenges, Moderately improving
03 GOOD HEALTH AND WELL BEING	Major challenges, Stagnating	Major challenges, Stagnating	Major challenges, Moderately improving	Major challenges, Moderately improving	Major challenges, Stagnating	Major challenges, Stagnating
04 QUALITY EDUCATION	Significant challenges, Stagnating	Significant challenges, Decreasing	Major challenges, Moderately improving	Major challenges, Stagnating	Major challenges, Moderately improving	Major challenges, Stagnating
05 GENDER EQUALITY	Major challenges, Stagnating	Major challenges, Moderately improving	Major challenges, Stagnating	Major challenges, Moderately improving	Major challenges, Stagnating	Major challenges, Moderately improving
06 CLEAN WATER AND SANITATION	Major challenges, Stagnating	Major challenges, Stagnating	Major challenges, Stagnating	Significant challenges, Moderately improving	Major challenges, Stagnating	Major challenges, Stagnating
07 AFFORDABLE AND CLEAN ENERGY	Major challenges, Stagnating	Significant challenges, Stagnating	Significant challenges, Stagnating	Significant challenges, Stagnating	Major challenges, Stagnating	Major challenges, Stagnating
08 DECENT WORK AND ECONOMIC GROWTH	Major challenges, No information	Significant challenges, Stagnating	Significant challenges, No information	Significant challenges, Moderately improving	Major challenges, Stagnating	Major challenges, Moderately improving
09 INDUSTRY INNOVATION AND INFRASTRUCTURE	Major challenges, Stagnating	Major challenges, Moderately improving	Significant challenges, Moderately improving	Major challenges, Stagnating	Major challenges, Stagnating	Major challenges, Stagnating
10 REDUCED INEQUALITIES	Significant challenges, No information	Significant challenges, No information	Significant challenges, No information	Significant challenges, No information	Challenges remain, No information	Challenges remain, No information
11 SUSTAINABLE CITIES AND COMMUNITIES	Major challenges, Stagnating	Major challenges, Stagnating	Significant challenges, Stagnating	Major challenges, No information	Major challenges, Stagnating	Major challenges, Decreasing
12 RESPONSIBLE CONSUMP-TION AND PRODUCTION	Challenges remain, No information	Challenges remain, No information	Challenges remain, No information	SDG achieved, No information	Challenges remain, No information	Challenges remain, No information
13 CLIMATE ACTION	Challenges remain, On track to achieving SDG	Significant challenges, On track to achieving SDG	Challenges remain, On track to achieving SDG	Challenges remain, On track to achieving SDG	Challenges remain, On track to achieving SDG	Challenges remain, On track to achieving SDG
14 LIFE BELOW WATER	Major challenges, Stagnating	Major challenges, Moderately improving	Major challenges, No information	Major challenges, Moderately improving	Major challenges, Stagnating	Significant challenges, Moderately improving
15 LIFE ON LAND	Challenges remain, Moderately improving	Significant challenges, Stagnating	Significant challenges, Moderately improving	Challenges remain, Moderately improving	Significant challenges, On track to achieving SDG	Significant challenges, Stagnating
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Major challenges, Stagnating	Significant challenges, Stagnating	Major challenges, Moderately improving	Major challenges, Moderately improving	Major challenges, Stagnating	Major challenges, Stagnating
17 PARTNERSHIP FOR THE GOALS	Major challenges, Moderately improving	Significant challenges, Stagnating	Significant challenges, Stagnating	Challenges remain, Moderately improving	Major challenges, Stagnating	Major challenges, On track to achieving SDG

MAJOR CHALLENGES · SIGNIFICANT CHALLENGES · CHALLENGES REMAIN · SDG ACHIEVED · DECREASING · STAGNATING · MODERATELY IMPROVING · ON TRACK TO ACHIEVING SDG · NO INFORMATION

Source: SDG Index and Dashboard

1.2 THE NEED FOR SOCIAL INVESTMENTS IN WEST AFRICA

There has been an increased shift in traditional funding sources for the SDGs in the region, necessitating the blended finance interventions to leverage different capital sources.

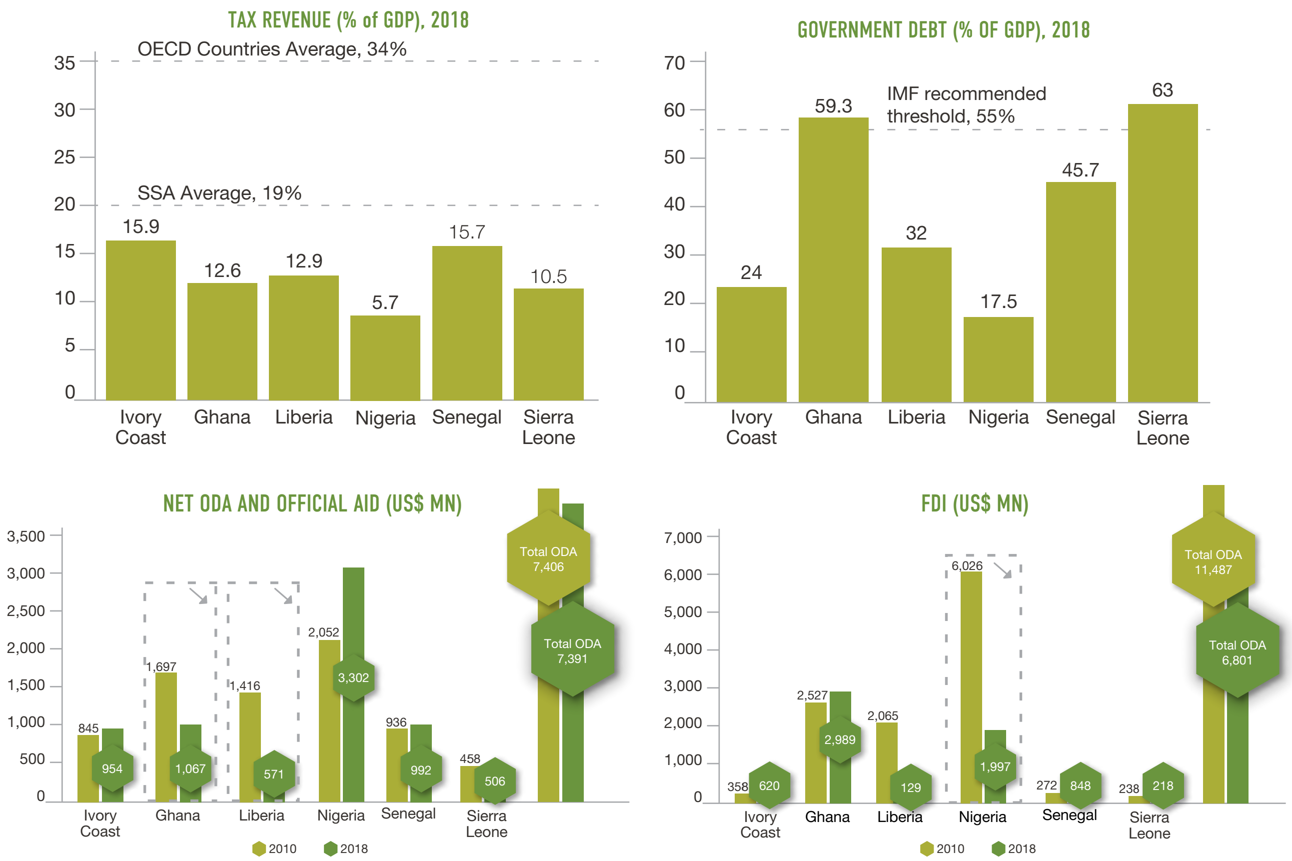
The current public and private financing sources for SDGs-related sectors are inadequate, with a current annual SDG financing gap across Africa estimated to be between US$ 500 billion and US$ 1.2 trillion[12]. Tax revenue that accounts for a significant proportion of financial resources in the focus countries averaged 14.3%[13] of GDP – less than half of the Organization for Economic Co-operation and Development (OECD) country-level of 34%[14] and less than the SSA average of 19%[15]. This, in turn, has resulted in external borrowing with government debt to GDP ratio averaging 40.3% in 2018[16]. The region performs relatively well compared to other regions, with only two of the focus countries surpassing the International Monetary Fund (IMF) recommended threshold for government debt. Official development assistance (ODA) across most of the countries has been steady or increasing, apart from Ghana and Liberia. Foreign Direct Investments (FDI) at the regional level has experienced a substantial decline due to falling commodity prices, high inflation rates, and currency depreciation that some of the countries, particularly Nigeria, have faced.

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

The last decade has seen the evolution of the social investment industry, with some of the mainstream players changing their funding strategies in a bid to drive sustainability and mobilize additional local private and public funds.

Grant making foundations are shifting from supporting only NGOs to providing soft loans and equity capital to social enterprises; governments have established start-up incubation and funding programs, and donors and governments are increasingly providing funds for Technical Assistance (TA). The evolution and growth in the industry over the past 10 years has been driven by various initiatives launched by the government and the private players.

Figure 3: Trends in Traditional Funding Sources



Source: World Bank Development Indicators, OECD Africa Revenue Statistics, Trading economics
NB: Tax Revenue data for Nigeria = 2017, Liberia = 2013, Sierra Leone=2015

[12]The SDG Centre for Africa: Africa 2030 Sustainable Development Goals, 3-year reality check, 2019
[13]World Bank Development Indicators (2018)
[14]Organization for Economic Co-operation and Development (OECD), revenue statistics, 2019
[15]World Band Development Indicators (2018)
[16]World Bank Development Indicators (2018)

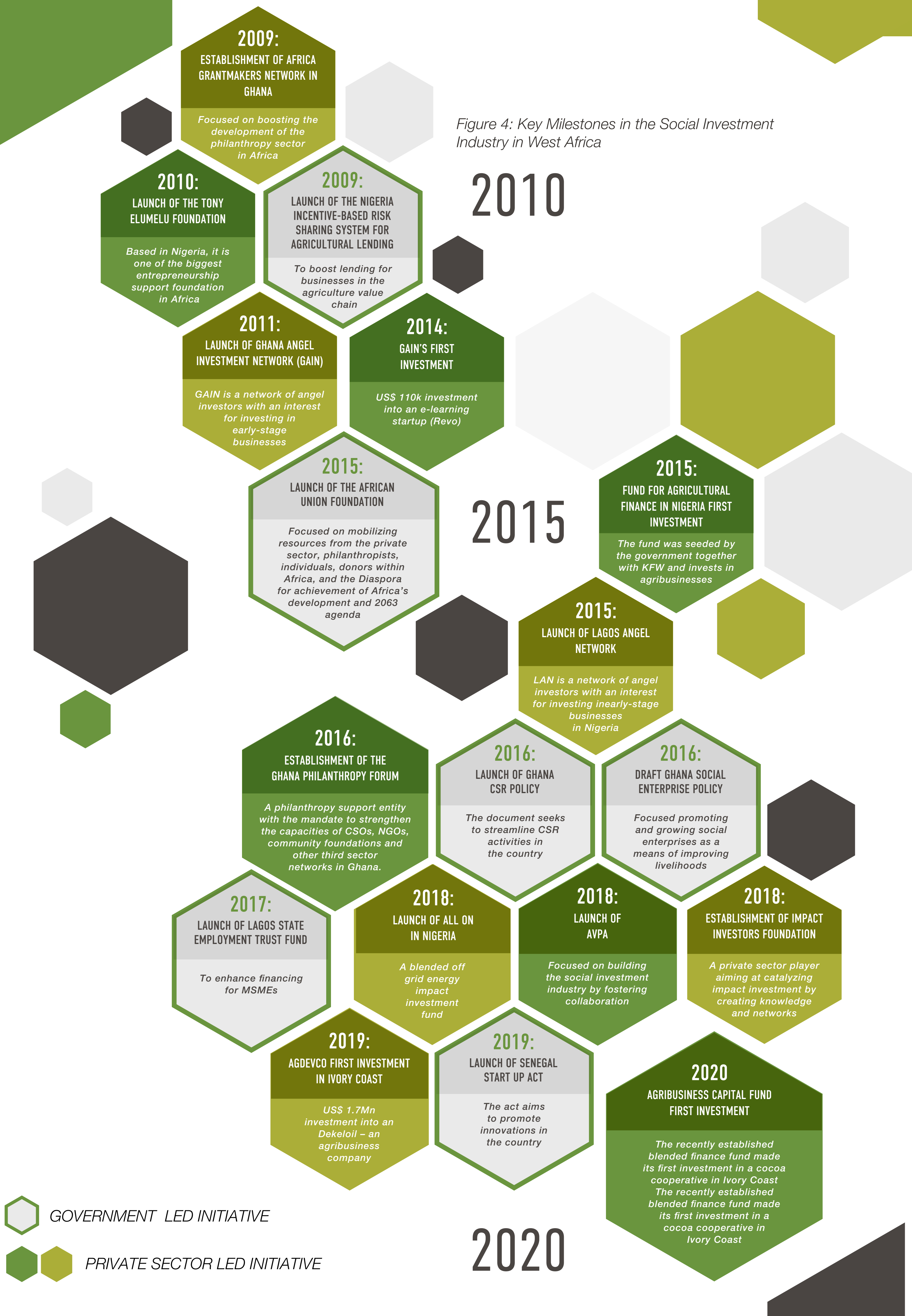


Figure 4: Key Milestones in the Social Investment Industry in West Africa

More advancement in the social investments industry has, however, been witnessed in the Anglophone countries, specifically in Nigeria and Ghana, compared to the Francophone countries. This can be attributed to these countries' efforts in developing the 'philanthropy ecosystem' through initiatives such as establishing sustainable CSR deployment models like corporate foundation, the establishment of philanthropy support institutions, and increased involvement of government in the sector. Key trends witnessed in the social investment space include;

01 *The West Africa region has witnessed an evolution in 'institutional-based giving and investing' influenced by the growing wealth in the region over the last two decades.*

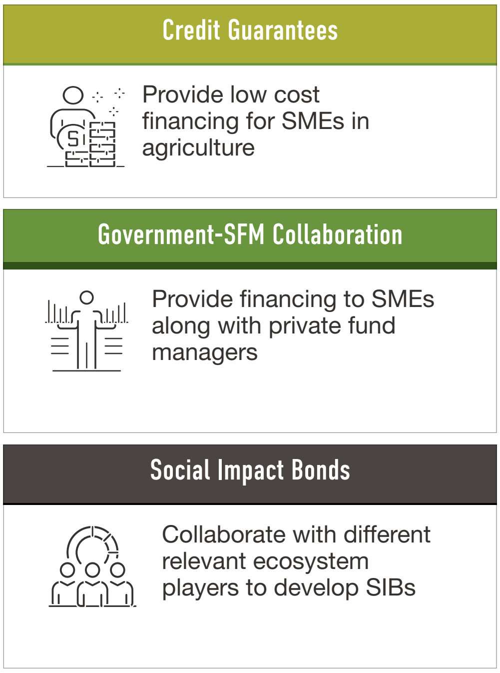
Similar to the rest of Africa, the culture of giving is deep-rooted in West African societies as well—most of which is given informally in the form of support to friends and family. However, with the advancement of ultra-rich individuals in the region, many of them have adopted an institutional form of giving to achieve more scalable and sustainable social returns for their capital. Many of the wealthy individuals in the region have started foundations supporting various social challenges in their respective countries or throughout the region. Billionaires Aliko Dangote and Tony Elumelu are ranked among the top 100 influential philanthropists in the world based on the amount of donations they have provided[17]; they both donated millions of dollars through their foundations in the last decade. In 2018, the Tony Elumelu Foundation's (TEF) Entrepreneurship Program invested US$ 20 million to empower almost 4,000 entrepreneurs. In the same year, Aliko Dangote donated nearly US$ 2.6 million to support displaced persons affected by the Boko Haram crisis in the North-Eastern region of Nigeria[18]. These philanthropists leverage their strong relationships across public, private, and development sectors to drive their mission and use their monies for creating better lives for all.

02 *Governments in the region have been focusing on the 'agriculture sector and Small and Medium Enterprises (SMEs) evident through various innovative funding structures recently launched; there is a need to replicate these innovative models across other sectors as well.*

The role and participation of governments in the social investment space are increasingly becoming evident. Governments are participating in the sector in various ways – starting from providing credit guarantees and low-cost financing for SMEs in the agriculture sector (e.g. Nigeria Incentive based Risk-sharing System for Agricultural Lending (NIRSAL), Nigeria Agricultural Credit Guarantee Scheme Fund (ACGSF), and Ghana Incentive-based Risk Sharing System for Agricultural Lending (GIRSAL)) as a way to de-risk the financial services providers. They are also establishing social investment funds focused on incubation, mentorship, and funding of start-ups (e.g. Lagos State Employment Trust Fund (LSETF) Nigeria, National Entrepreneurship and Innovation Programme Ghana, and GEEP Nigeria). Governments are also collaborating with mainstream social investors e.g. the Ghana Venture Capital Trust Fund (fully funded by the government of Ghana) operates an angel investor network as well as works with private fund managers to deploy financing to SMEs. The General Delegation for Rapid Entrepreneurship (DER) in Senegal has also recently signed a co-investment partnership with GreenTech Capital Partners (a private impact fund manager). Governments are leveraging collaboration with outcome payers to develop innovative funding structures e.g., the proposed Education Outcomes Fund in Ghana.

> *"We are increasingly working with other social investors including donors like UNDP, GIZ and corporates like Access Bank and Visa in various ways including skills development, running hackathons and financing micro and small businesses and startups in the country".*
>
> *Lagos State Employment Trust Fund (LSETF)*

Figure 5: Innovative Structures Leveraged by Government



[17] Nigeria's Aliko Dangote and Tony Elumelu named among the 100 most influential philanthropists in the world, Business Insider, 2018
[18] Nigeria's Aliko Dangote and Tony Elumelu named among the 100 most influential philanthropists in the world, Business Insider, 2018

Figure 6: Spotlight on Ghana VCTF (Government-Led Social Investment Model)

Ghana Venture Capital Trust Fund(VCTF) was established in 2004 through an Act of Parliament to provide financing to SMEs in Ghana. It is funded by the Government of Ghana

FUND STRUCTURE	KEY ACHIEVEMENTS
VCTF works as a 'Fund of Fund' providing capital in the form of debt and equity to SME focused funds.	VCTF was instrumental in the establishment of the Ghana Alternative Market (GAX) launched in 2013. GAX is an alternate listing on Ghana's stock market specifically established for companies with significant growth potential.
The fund also runs technical assistance programmes to train and build capacity of VC fund managers and other investment professionals	In 2014, it launched the Ghana Angel Investor Network (GAIN)- the first angel network in the country- to organise HNWIs in the country to invest in and mentor enterpreneurs.
To date, it has deployed close to US$ 20Mn in 6 funds with about 10 exits so far. Some of the fund managers that VCTF has worked with include: Oasis Capital Ghana Ltd, Mustard Capital Partners, and Gold Coast Fund Management.	VCTF is one of the founding members of Impact Investing Ghana (IIGh) established in 2019 as the national platform for promoting impact investing in Ghana
	It is also working with Ghana's stock exchange to promote the listing of Small and Medium Enterprises

03 *The potential of sustainable corporate social responsibility (CSR) remains largely untapped, with mostly mining and extractive companies at the forefront.*

With no existing working policies and laws on CSR, except in Ghana that has developed and is implementing a CSR Policy, corporate giving remains mostly unstructured for most of the countries. Mining and extractive companies have been the biggest drivers of CSR, with a significant focus on health initiatives delivered through NGOs. Some advancements have, however, been witnessed in recent years including a) the establishment of ecosystem institutions like Centre for CSR West Africa focused on the promotion of CSR agenda b) setting up of grant making and operating corporate foundations deploying funds through NGOs, and social enterprises e.g., Aspire Coronation Trust by Access Bank Nigeria, Proshare Foundation by Proshare Group Nigeria and c) adoption of impact investing by banks e.g., Sterling Bank. The bank has also recently set up Sterling Bank Foundation that intends to operate as a "philanthropy fund manager" – to mobilize and strategically deploy funds from various philanthropic actors. Through this, Sterling Bank Foundation aims to assist and advise philanthropists in the region to collaborate and deploy their capital so that it can create maximum social impact.

04 *Over the last decade, the region has witnessed a significant increase in the number of Gender Lens Investing (GLI) focused funds and philanthropic activities geared towards addressing issues facing women.*

Women account for a large proportion of businesses in the region, with Ghana ranked 2nd after Uganda in the women business ownership rank where women owned 38% of companies in the country in 2019[19]. Yet, women businesses continue to face challenges, particularly in areas of access to finance. According to an IFC study, the financing gap for Women-owned SMEs in developing countries is US$ 1.48 trillion[20]; extrapolating the trend, the financing gap for women entrepreneurs in West Africa is expected to be in billions of dollars. In response to this, over the past five years, the region has witnessed the launch of multiple women-focused funds and initiatives such as Aruwa IDF Fund for Women, GroWoman (by GroFin), Alitheia Capital Fund, and SME.NG Impact Investor. These initiatives are focused on supporting women-owned businesses and/or businesses that provide goods and services to women, and are currently deploying a significant amount of capital in the region. The region has also witnessed a rise in women-focused angel networks like Rising Tide Africa and incubators/ accelerators like *She Leads Africa and She Works Here.* These institutions are providing tailor-made financial and non-financial support to women entrepreneurs. The Women in Africa (WIA) initiative operating in Nigeria also aims to support African Women through specific sectorial capacity building programs leveraging funds mobilized from global philanthropists. The African Women Development Fund is one of the oldest grant making institutions providing grants to NGOs addressing women

[19]Mastercard Index of Women Entrepreneurs, 2019

[20]MSME Finance Gap –Assessment of the shortfalls and opportunities in Financing MSMEs in Emerging markets, IFC

issues. The UN Women, which is active in most of the countries in West Africa, has also been collaborating with other social investors to solve the problems of women entrepreneurs. For instance, in 2016, it united with MasterCard Foundation and Zamani Foundation to drive a campaign increasing identity registration for women in Nigeria. It also collaborated with Mara Foundation in 2014 to provide training, mentoring, and business tools to women entrepreneurs in Nigeria. In July 2020, UN Women, along with AFDB and Impact HER developed transformative policy solutions in West (and Central) Africa to support women-led businesses in the post-COVID-19 era[21]. Such multi-stakeholder engagements can catalyze the required technical and financial support to women entrepreneurs in the region.

Figure 7: How Social Investors Collaborated to Empower Women Traders in Nigeria

PROBLEM

Women contribute a large proportion of the economic activities across the focus countries. Ghana, for example, is ranked among the top three countries with highest percentage of women-owned businesses in the world. Across the countries of focus, just like in most of the other African countries, women face various challenges that limit access to financial services for their individual as well as business needs, despite their high participation in the economy.

SOLUTION

In Nigeria, Diamond Bank (now Access Bank) and the Women's World Banking, supported by Visa and EFinA, partnered to design the BETA (meaning "good" in pidgin English) savings account for low-income self-employed market women who were found to save more than 60% of their earnings. The product was built around delivering services in the market they work, and it had no minimum balance requirements or fees. As an affordable product offering doorstep service, BETA accounts have attracted more than 480,000 new customers to Access Bank since its launch in 2013.

PARTNER ORGANIZATIONS

access | VISA | Women's World Banking | EFInA Enhancing Financial Innovation & Access

Table 1: Sample GLI Focused Funds and their Investment Strategies across Focus Countries

Gender-lens investing strategy	Fund/ Fund Manager Name (year of launch)	LPs	Fund Size (US$ Mn)	Countries	Investment approach	Instruments used
Investing in women-owned or women-led enterprises	Alitheia IDF fund for women (2019)	AFDB & FinDev Canada	75	Nigeria, Ghana	Focuses on women-led SMEs, which have difficulty accessing finance through traditional channels and require support to professionalize and improve operations	Equity
	Grofin (2014)	Shell Foundation, IFC, CDC, FMO, Proparco	36.5	Ivory Coast	Focused on women entrepreneurs from agro-processing, education, healthcare, retail, and financial services to scale their business operations	Debt
	SME.NG Impact Investor (2019)	UN Women, FCMB, Grofin, AGS Tribe	30	Nigeria	Sector agnostic fund supporting women scale their business, get into a new market, and help with succession planning	Debt & Equity
	Janngo Capital Startup Fund (2018)	European Investment Bank	66.2	Ivory Coast	Target women in the tech start-up space, since women talent, is available but the capital opportunity is limited for them	Equity

[21]Policy Brief - Transformative policy solutions to support women-led businesses in Africa in a post covid-19 world, July 2020

Gender-lens investing strategy	Fund/ Fund Manager Name (year of launch)	LPs	Fund Size (US$ Mn)	Countries	Investment approach	Instruments used
Investing in enterprises that offer products and services that significantly improve the lives of women and girls	Palladium Impact Fund 1 (2019)	Currently fundraising (anchored by US$ 5Mn from Palladium)	40	Ghana, Nigeria, Kenya	Prioritizes benefits to women through "economic empowerment and opportunities with agribusiness and off-grid renewable energy businesses	Debt and Quasi-Equity
Investing in enterprises that promote workplace equity (in staffing, management, boardroom representation, and along the supply chain)	Aruwa Capital (2019)	International and West African based family offices and HNWIs	20	Nigeria, Ghana	Rapidly growing companies in the small to lower middle market, businesses that help empower women in society and improve the ratio of women in the workforce	Equity

05 *While several angel investor networks have recently been established to facilitate structured giving by HNWIs, angel investment activity in the region remains limited.*

Many West African HNWIs have businesses in traditional sectors such as oil and gas, telecommunication, banking, and real estate. These HNWIs are often unfamiliar with new and emerging business models used by start-ups; particularly the tech-based models and may therefore shy away from making angel investments into these start-ups. Angel investments in the region are thus largely driven by individuals who do not fall into the ultra HNWI category, with a significantly lower proportion of publicly reported angel investments (US$ 3.2Mn)[22] made relative to the total wealth by HNWIs (US$ 327 Bn in 2018)[23] in the region. More than 20 angel networks have been established across all the focus countries in recent years to tap into the opportunity presented by angel investing. These organized networks bring together individuals to invest in a more structured manner by developing a pipeline for the angels, facilitating syndicated deals, and enabling mentorship and networking between investors and entrepreneurs. These include Lagos Angel Network (considered one of the most active networks in Africa), Ghana Angel Investors Network (GAIN), Dakar Network Angels, and Accra Angels Network.

"In Nigeria, when a company has many investors, it automatically turns into a public company. Thus investing as an angel network through syndicated deals is advantageous to the enterprises".

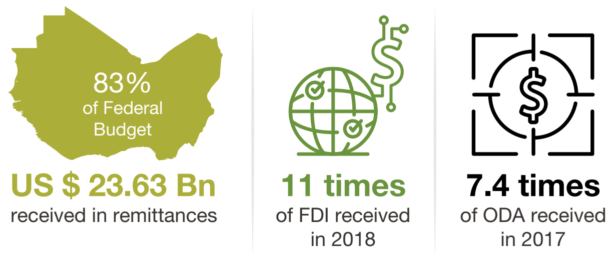
Angel Network in Nigeria

06 *Diaspora remittances in the region remain primarily unstructured, indicating a large untapped potential for raising development finance.*

Remittances are of great significance to most West African countries. In 2018, the region received ***US$ 34Bn***[24] in remittances from its citizens living abroad, which was more than 50% growth from 2008. On average, 75% of the remittances in the region between 2008 and 2018 went to Nigeria[25]. Other significant contributors included Ghana (7%) and Senegal (6%). The West African countries have been leveraging diaspora bonds to raise funds to solve development challenges. In 2017, Nigeria raised its first diaspora fund, which was a total of US$ 300Mn for investment in infrastructure—the bond was oversubscribed by 130%[26]. Ghana is also currently targeting to raise US$ 3Bn for economic development (specifically for infrastructure for agriculture and tourism industries) from its diaspora[27]. However, the COVID-19 pandemic may have significant implications on the number of international remittances to Sub-Saharan Africa, with remittances predicted to decline by 23% in 2020[28].

[22]Intellecap analysis based on publicly disclosed deals
[23]AfrAsia Bank Africa Wealth Report, 2019
[24]World Bank: Migration and Remittances
[25]World Bank: Migration and Remittances
[26]Quartz Africa Article: Nigeria's first ever diaspora bond has raised $300 million
[27]Bloomberg Article: Ghana Targets Its Diaspora for $3 Billion in Investments
[28]The World Bank's Migration and Development Brief

Figure 8: Scale of Diaspora Remittances in Nigeria



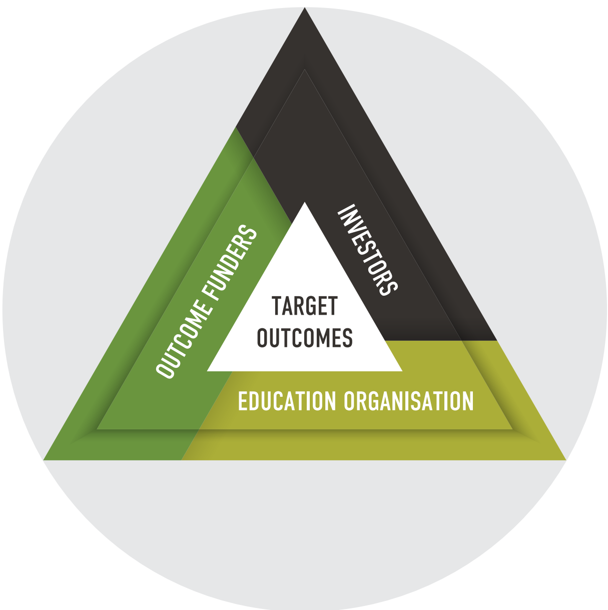
Source: PWC Strength from Aboard – The economic power of Nigeria's Diaspora (2018)

07 *Blended financing mechanisms such as concessional capital, and technical assistance funds are commonly used to catalyze investment in the region.*

The West Africa region account for the second largest share (57%) of blended finance transactions (216 transactions) recorded in the Sub-Saharan Africa (SSA) as per the current Convergence (a global network for blended finance) database.[29] Ghana and Nigeria remain the most preferred investment countries, each accounting for 19% of the total blended transactions in SSA with most of these transactions occurring in the financial services sector. In addition to credit guarantees offered to financial institutions mostly by DFIs, private fund managers have also succeeded in raising concessionary capital and/or Technical Assistance (TA) funds from donors, DFIs, and international foundations. Initiatives such as Catalyst Fund, and Africa Enterprise Challenge Fund (AECF) operating in several African countries, including Nigeria, provide catalytic funding to un-tested early-stage innovative business models in a bid to build the pipeline of investable businesses that can attract follow-on investments from private fund managers for their growth and scale. All On and the United States African Development Foundation (USADF) have also collaborated to invest blended capital (grants and debt) to indigenous energy start-ups in Nigeria. Additionally, the region has started exploring the development of outcomes bond with Ghana currently in the process of designing an Education Outcomes Bond. Further exploration of impact bonds and their potential to solve development challenges in the region is necessary.

57%
West Africa's share of blended finance transactions (216 in total) recorded in the Sub-Saharan Africa (SSA) region to date – second highest in the region.[32]

Figure 9: Envisioned Structure of the Africa & Middle East Education Outcomes Fund (EOF)



THE GOVERNMENT
through the Ministry of Education helps set the objectives and co-fund outcomes to enhance learning

INVESTORS
will provide upfront capital at risk to support education organisations

EDUCATION ORGANISATION
innovative and find context-specific solutions to help children and youth learn

OUTCOME FUNDERS
pay only for results after they have been achieved ensuring better value for money and alignment. The bond will leverage aid, philanthropy, and corporate CSR Contributions to fund education outcomes

The Africa & Middle East Education Outcomes Fund (EOF) is an initiative of the Global Steering Group (GSG) that intends to to pool $1 billion of public funds, aid, philanthropy, and corporate CSR contributions to repay investors investing to improve education outcomes in several Africa and Middle East Countries. Ghana is one of the initial pilot countries for the initiative with the target to support over 100,000 out of school children into mainstream education over 4- 6 years. At the time of this research, the bond was in the design phase and specific details on the partners, outcomes and return expectations were not available

[29] Convergence: Blended Finance transactions in Sub-Saharan Africa, 2020; total proportion across the regions is more than 100% since some deals are implemented across multiple SSA regions and counted in each region.

Some of the blended finance/catalytic financing structures across key development sectors in the region are outlined in the table below.

Table 2: Blended Finance/Catalytic Financing Structures across Key Development Sectors

Types of Initative	Example Of Initiative And Type Of Investor Involved	Outcomes Achieved
Challenge / TA funds	**Catalyst Fund – Financial inclusion** The fund is an accelerator that seeks to support fintech start-ups in India, Mexico, Kenya, South Africa and Nigeria with grant funding and TA support to facilitate follow on investments from impact funds. It is an initiative of ***BMGF*** (family foundation), ***JP Morgan Chase $ Co.*** (Investment bank), along with ***Rockefeller Philanthropy Advisors*** (Philanthropy advisors) and ***DFID*** (Donor) launched in 2016. BMGF and JP Morgan Chase were the initial investors in the accelerator. Rockefeller Philanthropy Advisors is providing fiscal sponsorship to the fund. DFID brought in additional funding of US$ 20 Mn in 2020 to support 30 additional start-ups.	Fund 1 backed 25 fintech companies between 2016 and 2019. These companies went on to unlock follow on capital of close to US$77Mn Launched in 2020, fund 2 seeks to support 30 fintech companies across the focus countries.
	The Nigeria Off-Grid Energy Challenge – Energy This is a US$ 100Mn challenge fund to provide ***financial as well as non-financial (TA) support*** to enterprises in Off-Grid energy space in Nigeria. The challenge is a joint venture between ***All On*** (Fund manager) and ***U.S. African Development Foundation*** (Donor) where USADF provides each of the selected energy enterprises US$50,000 ***in grant seed capital*** while All On provides US$50,000 in ***convertible debt***. In addition to funding, the winners also receive technical assistance from USADF's local Nigerian technical partner ***Diamond Development Initiatives*** (DDI) and governance support from All On. ***The Rockefeller Foundation has supported the initiative with an additional US$ 3Mn in TA funds.***	16 companies have so far been selected and supported through the 2018 and 2019 editions of the challenge.
Financial + Non-financial (TA) fund	**Fund for Agricultural Finance in Nigeria (FAFIN) – Agriculture** Established in 2014, the US$ 66Mn fund seeks to provide equity and quasi-equity investments and TA to agribusinesses Social investors involved in the fund include; ***Sahel Capital*** (Fund Manager),***Ministry of Agriculture and Rural Development*** (Government), ***Nigerian Sovereign Investment Authority*** (Government),***KFW*** (DFI), ***CDC*** (DFI). Sahel Capital is the fund manager for FAFIN. The fund received seed funding from KFW and the government of Nigeria through the Ministry of Agriculture and the Sovereign Investment Authority. It received additional funding from CDC to invest in agribusinesses.	The fund has so far invested in 7 companies.

Types of Initative	Example Of Initiative And Type Of Investor Involved	Outcomes Achieved
Guarantee Scheme	**Nigeria Incentive-Based Risk Sharing System for Agriculture Lending (NIRSAL) – Agriculture** Launched in 2013, NIRSAL is a US$500 million Non-Bank Financial Institution established to de-risk financing for the agribusiness value chain. NIRSAL is wholly-owned by the government through the ***Central Bank of Nigeria (CBN).*** NIRSAL provides risk-sharing, technical assistance, and insurance to partner banks for on-lending to borrowers. FSPs provide direct lending to borrowers in the agribusiness sector against guarantee (up to 75%) given by NIRSAL. Some of its partner financial institutions include; Access Bank, UBA, Wema Bank, Standard Chartered, Jaiz Bank (FSPs)	Through the support provided, NIRSAL has helped to facilitate US$ 270Mn (105Bn) credit to over 250,000 customers in the sector since 2013.
Non-profit impact investment fund	**Medical Credit Fund – Healthcare** Established in 2009, it is a non-profit impact investment fund and a part of the PharmAccess Group that provides loans in partnership with local financial institutions primarily to private health clinics and pharmacies across Sub-Saharan Africa and particularly in Ghana and Nigeria in West Africa. The Fund is managed by PharmAccess group. PharmAccess, through the fund, offers pre-and post-technical assistance support to its investees as well as to the banks with which it co-invests. In 2018, the fund partnered with the Lagos State Government to launch the ***'Access to Finance'*** and ***'Medical Equipment Leasing Schemes'*** to finance private facilities to access health equipment. The fund has also partnered with PharmAccess Foundation to provide TA to the potential borrowers (health facilities, pharmacies).	Since its inception, the Medical Credit Fund has disbursed 2,930 loans to 1,446 health SMEs in Ghana, Kenya, Liberia, Nigeria, Tanzania, and Uganda. A total of US$ 50Mn was disbursed by the end of 2018, of which 33% was deployed in the focus countries.
Blended investment Fund	**African Urban Sanitation Investment Fund (AUSIF) – Water, Sanitation and Hygiene (WASH)** Established in 2018, the program builds on the partnership between the Gates Foundation, the African Water Facility, and the African Development Bank started in 2011 that seeks to mobilize public and private investments for sanitation. This is an initiative of the ***Africa Water Facility, Bill and Melinda Gates Foundation*** (Family foundation), and ***AFDB (***DFI). The Gates Foundation committed US$ 14.5Mn grant funding for the design and structuring of the fund and to prepare urban sanitation projects in 19 countries in Africa for over 4 years, from 2018 to 2021. AFDB has committed US$ 500Mn to the fund. The fund is managed by Africa Water Facility and is supporting initiatives in Senegal, Ghana, Ivory Coast, and Liberia, among other African countries.	The program is currently undertaking feasibility studies for the establishment of sanitation projects in the focus countries.
Pooled funding	**Global Partnership for Education (GPE) – Education and leadership** GPE offers different types of grants to support education in partner countries (including all the focus West Africa countries) and globally. It supports the pooling of more finances from other sources (donors and DFIs) through the GPE Multiplier. These grants are available to countries that can mobilize at least US$3 in new and additional external financing for every US$1 from the GPE. Further, GPE supports partner countries in the development and implementation of education sector plans.	Increased number of children completing schools in the focus countries. US$ 5.3Bn has been globally deployed since 2003

08 *Fundraising through technology-based crowdfunding and peer-to-peer platforms has been increasing over the years.*

In 2016, West Africa accounted for 41%[30] of the total funds raised in Africa through crowdfunding and peer-to-peer platforms. Nigeria accounted for the largest proportion of these funds, with over US$ 35Mn raised in the same year - approximately 20% of the total market in Africa[31]. *The region experienced a close to 240% year on year growth between 2013 and 2016, with a total of US$ 103.4Mn raised over the period[32].* Some of the crowdfunding platforms existing in the region include KIVA, Global Giving, Naijafund, and FarmCrowdy, and these have mainly focused on raising funds for health, agriculture, and business funding. Most of the funds in the region (and Africa broadly) have been raised through platforms based outside Africa.

Table 3: Summary of Key Social Investments Trends across Focus Countries

TREND	NIGERIA	GHANA	IVORY COAST	DETAILS
Participation of government in social investments				In Nigeria and Ghana, governments have set up schemes to both support and advance financing for social enterprises/start-ups. Governments are also offering guarantee schemes to enhance the funding, mostly for the SME and agriculture sectors. Furthermore, the government of Ghana is promoting angel investing through GAIN, which is an initiative of VCTF. Minimal government-driven social investment programs have been witnessed in Ivory Coast.
Rise of organised angel investments by HNWIs				Angel networks, such as Lagos Angel Network (LAN), Ghana Angel Investors Network (GAIN), Rising Tide Africa (all-female angels network) Ivoire Business Angels, are bringing together HNWIs and entrepreneurs for more structured angel investing. More networks have been set up in Ghana and Nigeria, with more activity witnessed in the two countries.
Presence of corporate foundations and sustainable corporate programs				Corporate foundations have been set across the three deep dive countries. However, the investment activities of these foundations remain largely grant-based and/or one-off programs. More sustainable strategies have however, been adopted by foundations in Nigeria than the other two countries.
Presence of blended finance transactions/ initiatives and use of catalytic funds				Innovative finance structures like SIB/DIBs are almost non-existent or in the early stages of development in the region. Impact funds, however, raise low risk/low-cost capital to de-risk the commercial capital. There also exist initiatives like AECF, Catalyst Fund, providing catalytic capital as well as government guarantee mechanisms.
Presence of locally funded impact funds				Most impact funds across the countries continue to rely on international funding. A few funds in the region e.g. however, Sahel Capital has managed to leverage local capital for TA.
Presence of philanthropy infrastructure building organisations				More support philanthropy organisations have been established in Nigeria compared to the other two countries. While some of these institutions mentioned having a regional focus; they are constrained by resources and thus mostly implement initiatives in Nigeria.
Innovative structures of raising diaspora funds				Nigeria has already leveraged diaspora bonds to raise funds to finance infrastructure programs. Ghana is also planning to launch a similar bond.
Presence of technology-based crowdfunding and peer-to-peer platforms				Nigeria and Ghana have a significant proportion of crowdfunding platforms leveraged to raise funds for various 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

[30] Cambridge Centre: The 2nd Annual Middle East & Africa Alternative Finance Industry Report, 2018
[31] Cambridge Centre: The 2nd Annual Middle East & Africa Alternative Finance Industry Report, 2018
[32] Cambridge Centre: The 2nd Annual Middle East & Africa Alternative Finance Industry Report, 2018