THE LANDSCAPE FOR IMPACT INVESTING IN EAST AFRICA
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LIST OF COMMON TERMS AND ACRONYMS

**AFD | Agence Française de Développement** (French Development Agency)

**AfDB | African Development Bank**

**BIF | Burundian Franc**

**BIO | Belgian Investment Company for Developing Countries**

**BoP | Base of the Pyramid**

**CEPGL | Communauté Économique des Pays des Grand Lacs** (Economic Community of the Great Lakes Countries)

**COMESA | The Common Market for Eastern and Southern Africa**

**CSR | Corporate Social Responsibility**

**DFI | Development Finance Institution**

**DFID | The Department for International Development (United Kingdom)**

**DRC | Democratic Republic of the Congo**

**EAC | East African Community**

**Early-stage business | Business that has begun operations but has most likely not begun commercial manufacture and sales**

**EIB | European Investment Bank**

**ESG | Environmental, Social, and Governance**

**ETB | Ethiopian Birr**

**FDI | Foreign Direct Investment**

**FMCG | Fast-Moving Consumer Goods**

**FMO | Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden NV** (Netherlands Development Finance Company)

**Focus countries | Countries under the study where non-DFI impact investors are most active in. Namely Ethiopia, Kenya, Rwanda, Tanzania, and Uganda**

**GDP | Gross Domestic Product**

**GEMS | Growth Enterprise Market Segment**

**GIIRS | Global Impact Investing Ratings System**

**GIZ | Gesellschaft für Internationale Zusammenarbeit** (German Agency for International Cooperation)

**Growth-stage business | Company has a functioning business model and its current focus is developing new products/services or expanding into new markets**

**HDI | Human Development Index**

**ICT | Information and Communication Technology**

**IFAD | International Fund for Agricultural Development**

**IFC | International Finance Corporation**

**IMF | International Monetary Fund**

**IRIS | Impact Investing and Reporting Standards**

**KES | Kenyan Shilling**

**LP | Limited Partner**

**Mature business | Profitable company with a developed and recognizable brand**

**MDG | Millennium Development Goal**

**MFI | Microfinance Institution**

**MSME | Micro, Small and Medium Enterprise**

**NGO | Non-Governmental Organization**

**Non-focus countries | Countries covered in the study but have limited non-DFI impact investor activity. Namely Burundi, Djibouti, Eritrea, Somalia, South Sudan, and Sudan**

**OFID | OPEC Fund for International Development**

**OPIC | Overseas Private Investment Corporation**

**PE | Private Equity**

**PPA | Power Purchasing Agreement**

**PPP | Purchasing Power Parity**

**PPR | Public-Private Partnership**

**PTA | Preferential Trade Area Bank**

**RDB | Rwanda Development Board**

**RFP | Request for Proposal**

**RWF | Rwandan Franc**

**SACCO | Savings and Credit Co-operative**

**SAGCOT | Southern Agricultural Corridor of Tanzania**

**SDG | Sudanese Pound**

**SGB | Small and Growing Business**

**SME | Small and Medium-Sized Enterprises**

**SOE | State-Owned Enterprises**

**SOS | Somali Shilling**

**SSP | South Sudanese Pound**

**TA | Technical Assistance**

**TIC | Tanzania Investment Centre**

**TZS | Tanzanian Shilling**

**UGX | Ugandan Shilling**

**UN DESA | United Nations - Department of Economic and Social Affairs**

**UNCTAD | United Nation’s Conference on Trade and Development**

**USAID | The United States Agency for International Development**

**VAT | Value-Added Tax**

**VC | Venture Capital**

**Venture-stage business | Sales have begun but cannot sustain the company’s operations. The business model is still being aligned with the realities on the ground**

**WASH | Water, Sanitation, and Hygiene**

**WHO | World Health Organization**
INTRODUCTION & METHODOLOGY
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FOCUS AND SCOPE

The impact investing industry has grown in prominence over the last decade, and impact investors globally have developed significant interest in sub-Saharan Africa in particular. The most recent global impact investor survey conducted by J.P. Morgan and the Global Impact Investing Network (GIIN) shows that more respondents have allocated a portion of their portfolio to sub-Saharan Africa than to any other geography, and more plan to increase allocations to that region than to any other region.\footnote{The Global Impact Investing Network & J.P. Morgan, \textit{Spotlight on the Market: The Impact Investor Survey} (2014), available at http://www.thegiin.org/binary-data/2014MarketSpotlight.PDF.} Despite strong interest from a growing set of impact investors, there has been relatively little research that examines impact investing markets at the country-by-country level. This type of granular information is essential to investors currently operating in the region or considering investments there in the future.

This is the second regional market landscaping study published by the GIIN in a series that seeks to address the lack of data available on impact investing in specific emerging economies. The first such report examined impact investing in South Asia, with a particular focus on Bangladesh, India, Myanmar, Nepal, Pakistan, and Sri Lanka.\footnote{The Global Impact Investing Network & Dalberg Global Development Advisors, \textit{The Landscape for Impact Investing in South Asia} (2015), available at http://www.thegiin.org/cgi-bin/iowa/resources/research/642.html} The present report explores impact investing in East Africa and will be followed by reports on West and Southern Africa, respectively.

FIGURE 1: MAP OF EAST AFRICA

As defined for this report, East Africa includes 11 countries: Kenya, Uganda, Tanzania, Rwanda, Ethiopia, Burundi, Somalia, Djibouti, Eritrea, Sudan, and South Sudan. Due to their relatively active impact investing markets, this report places particular attention on Kenya, Uganda, Tanzania, Rwanda, and Ethiopia (referred to as...
“focus countries”). For each country, the report examines sources of impact capital, investment instruments, sector focus, investment amounts, and disbursements over time. The report also analyzes key trends in the impact investing industry as well as the challenges and opportunities available for both social enterprises and impact investors in each country.

As defined by the GIIN, impact investments are “investments made into companies, organizations and funds with the intention to generate social and environmental impact alongside a financial return.” A commitment to measure social/environmental performance is also considered a hallmark of impact investing. Investors who do not meet this definition have not been included in this report’s analysis.

Development finance institutions (DFIs) are important actors in the impact investing landscape, providing large amounts of capital both through direct impact investments and through impact investing funds. Because of their large size and unique nature, this report presents analyses of DFI activity separately from the activity of other types of impact investors. As discussed in more detail in the Methodology section and the DFI chapter, only international and regional DFIs have been considered in the report’s analysis. Bi-lateral and multi-lateral assistance directly to governments has been excluded from the definition of impact investing for the purposes of this report.

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**FIGURE 2: DEFINITIONS**

**DEVELOPMENT FINANCE INSTITUTION (DFI)**

Government-backed financial institution that provides finance to the private sector for investments that promote development.

**NON-DFI IMPACT INVESTOR**

Organizations or individuals actively making impact investments directly or through funds. This includes family offices, foundations, fund managers, pension funds, and banks, but excludes development finance institutions.

**IMPACT CAPITAL VEHICLE**

A legal entity that holds capital intended for direct impact investments. These include impact funds, foundations, and formal entities used by high-net worth individuals to hold capital. DFIs are not included in this category for this report.

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This report analyzes impact investing activity in eleven countries in East Africa.

20 DFI
There are 20 development finance institutions (DFIs) making investments in the region.

135 NON-DFI IMPACT INVESTORS
There are 135 non-DFI impact investors allocating capital in the region.

186 IMPACT CAPITAL VEHICLES
The non-DFI investors are making investments through 186 known impact capital vehicles.

The research team identified 1,131 TRANSACTIONS for analysis in this report, which are split as follows.

DFI INVESTMENTS
429
DIRECT

NON-DFI INVESTMENTS
107
DIRECT
546
INDIRECT
19
INDIRECT

49 ECOSYSTEM ORGANIZATIONS
The research team identified 49 organizations offering support services for the impact investing industry in East Africa.
METHODOLOGY

Data Collection and Analysis Methods

This report presents the first comprehensive landscaping study of the East African impact investing landscape at a country level. To date, there has been limited research that maps impact investing activity in this region at the degree of granularity achieved in this report.

As a result, the report relies heavily on primary research, which includes more than 60 interviews with local and international investors, social enterprises, ecosystem players, DFIs, and government institutions (see the Appendix for a list of organizations interviewed). The research team examined publicly-available primary information—including investor documents, and organization websites, and press releases—to compile a comprehensive database across all 11 countries in East Africa. Where possible, the report draws on the existing body of impact investing research in the region, as well as available data sets, newspaper articles, and summaries of impact investing activity.

Reflecting the variety of data used, the conclusions and findings in this report are drawn from a mix of sources, including qualitative interviews, experience working in the region, publicly available data and information, and existing research, among others. Where applicable and not prohibited by confidentiality requirements, specific sources have been identified and cited.

This report includes data from 20 DFIs and 186 other impact capital vehicles managed by 135 distinct organizations. Each organization was evaluated based on its stated goals gathered from organizational materials, as well as interviews to determine if it should be included in the sample. Only active impact investors, i.e. those with existing investments in the countries studied, are included in this report.

Non-DFI Impact Investors

The 186 impact capital vehicles are managed by 135 non-DFI impact investors who have completed 546 direct impact investments across the 11 countries covered. This count excludes 19 indirect investments into impact funds, which are considered separately to avoid double counting.

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4 The initial long-list of investment vehicles identified by the research team comprised 665 vehicles operating across the investing ecosystem in East Africa. Of the organizations analyzed, 257 were excluded because they did not meet the definition of impact investing, including commercial investors, government programs or bodies, donor or aid organizations, and ecosystem players, among others. A further 118 were either found to be defunct, inactive, or not currently placing capital in East Africa. Finally, 84 were excluded because there was insufficient public information to determine their status or operations.
Information collected on each of these deals includes the target, date, amount invested, the instrument used, the currency disbursed, and other transaction notes. The data includes known transaction sizes for 314 direct investments. For the remaining 232 direct investments, the research team used the average transaction value on a fund-specific basis to avoid systematically underestimating the amount of impact capital disbursed within the region.

Many of the organizations studied, especially impact investors active in East Africa, operate across sub-Saharan Africa or beyond, with many organizations considering investments globally in both developed and emerging markets. For the purposes of this report, capital committed to East Africa is allocated according to each impact capital vehicle’s internal allocation. Where internal allocations were unavailable, the total capital committed was allocated based on the ratio of the vehicle’s historical deal flow to the region or according to general foreign direct investment flows.

**Development Finance Institutions**

The 20 DFIs active in East Africa have completed 429 disclosed direct investments within the 11 countries covered. Indirect investments into impact funds are considered separately, and excluded from the 429 direct investments. In total, DFIs have made 107 disclosed investments into impact funds operating in East Africa today. This report excludes all bi-lateral and multi-lateral government assistance, which is not included in the definition of impact investing for the purposes of this report.

**Demand for Impact Capital and the Broader Ecosystem**

Beyond the detail provided on impact investors, this report also includes information on the demand for impact capital as well as the broader ecosystem supporting both impact investors and organizations receiving or seeking impact capital.

On the ecosystem side, the research team examined 49 individual organizations operating across the 11 countries under study, including financial advisors, intermediaries, consultants, professional services firms, incubators, and accelerators.

On the demand side, the team analyzed the types of organizations both seeking and receiving capital from impact investors to better understand both the challenges they face in raising capital and opportunities they present for investors. These include organizations ranging from start-up and small-to-medium enterprises to larger, more

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5 To identify the 546 direct investments and 19 indirect investments, the research team considered nearly one thousand total transactions made by investors active in East Africa. The excluded transactions were removed from the sample either because the investor did not meet our definition for impact investing or because the transaction did not occur in East Africa.
mature companies. They operate across a range of sectors, such as financial inclusion, agriculture, energy, and health.

Information on demand for impact investment and the ecosystem to support it was drawn from interviews with entrepreneurs, impact investors, and ecosystem players, as well as from publicly available data, existing research, and general experience working closely with social businesses in the region.

REPORT STRUCTURE

This report maps the impact investing landscape in 11 countries across East Africa. The Executive Summary provides an overview of key findings across the region and includes comparisons across countries as well as country summaries. The Regional Overview chapter provides additional detail and data on the impact investing landscape in East Africa overall. As many impact investors operate regionally, the Regional Overview chapter draws out many of the trends, opportunities, and challenges shared by all countries in the region.

The report includes a chapter focused specifically on DFI activity. As noted earlier, DFIs remain central to the impact investing landscape both through direct investments as well as the prominent role they play in capitalizing impact investing funds currently active in the region. The DFI chapter focuses on their history, structure, strategy, current operations, and existing investments.

Detailed country chapters for each of the focus countries follow. The focus countries—Kenya, Uganda, Tanzania, Rwanda, and Ethiopia—have seen the vast majority of impact investments in the region and each chapter explores country-specific activity in detail. These chapters examine the broader economy and investing landscape as well as the trends, opportunities, challenges, and demand for impact capital in each country.

The report closes with country chapters for each of the non-focus countries—Burundi, Somalia, Djibouti, Eritrea, Sudan, and South Sudan—where there has been limited impact investing activity to date. These chapters describe the activity that has occurred and analyze the factors that have constrained impact investment, as well as what conditions must change in order to improve the outlook for impact investing.
ABOUT THE GLOBAL IMPACT INVESTING NETWORK

The Global Impact Investing Network (GIIN®) is a nonprofit organization dedicated to increasing the scale and effectiveness of impact investing. The GIIN builds critical infrastructure and supports activities, education, and research that help accelerate the development of a coherent impact investing industry. For more information, see www.thegiin.org.

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