ACKNOWLEDGMENTS

This project was funded with UK aid from the UK Government though the Department for International Development’s Impact Programme. The Impact Programme (www.theimpactprogramme.org.uk) aims to catalyze the market for impact investment in sub-Saharan Africa and South Asia.

The Bertha Center at the University of Cape Town contributed to this report by providing access to their database of active impact investors operating across sub-Saharan Africa.

We would also like to thank Susan Balloch and Giselle Leung from the GIIN for their guidance throughout the research process and contributions to this report. We would further like to thank the tireless Open Capital Advisors (OCA) research team—Neal Desai, David Loew, Rodney Carew, Holden Bonwit, Katie Bach, Sarah Ndegwa, Elijah Ndarua, Joel Muli, Getrude Okoth, and Charles Njugunah—for their work interviewing impact investors, ecosystem players, and entrepreneurs, conducting rigorous data collection under tight timelines.

We would especially like to thank our interview participants. Without their key insights this report would not have been possible. We include a full list of interviewees in the Appendix.

For any questions or comments about this report, please email Rachel Bass at rbass@thegiin.org.

GIIN Advisory Team

Abhilash Mudaliar, Research Manager
Kimberly Moynihan, Senior Associate, Communications
Rachel Bass, Associate, Research

Open Capital Advisors

Annie Roberts, Partner
Nicole DeMarsh, Principal
### COMMON ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFD</td>
<td>Agence Française de Développement (French Development Agency)</td>
</tr>
<tr>
<td>AfDB</td>
<td>African Development Bank</td>
</tr>
<tr>
<td>BIO</td>
<td>Belgian Investment Company for Developing Countries</td>
</tr>
<tr>
<td>BoP</td>
<td>Base of the Pyramid</td>
</tr>
<tr>
<td>CEPGL</td>
<td>Communauté Économique des Pays des Grand Lacs (Economic Community of the Great Lakes Countries)</td>
</tr>
<tr>
<td>COMESA</td>
<td>The Common Market for Eastern and Southern Africa</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>DFI</td>
<td>Development Finance Institution</td>
</tr>
<tr>
<td>DFID</td>
<td>The Department for International Development (United Kingdom)</td>
</tr>
<tr>
<td>EIB</td>
<td>European Investment Bank</td>
</tr>
<tr>
<td>ESG</td>
<td>Environmental, Social, and Governance</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>FMCG</td>
<td>Fast-Moving Consumer Goods</td>
</tr>
<tr>
<td>FMO</td>
<td>Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (Netherlands Development Finance Company)</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GIIRS</td>
<td>Global Impact Investing Ratings System</td>
</tr>
<tr>
<td>GIZ</td>
<td>Gesellschaft für Internationale Zusammenarbeit (German Agency for International Cooperation)</td>
</tr>
<tr>
<td>HDI</td>
<td>Human Development Index</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
</tr>
<tr>
<td>IFAD</td>
<td>International Fund for Agricultural Development</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>LP</td>
<td>Limited Partner</td>
</tr>
<tr>
<td>MDG</td>
<td>Millennium Development Goal</td>
</tr>
<tr>
<td>MFI</td>
<td>Microfinance Institution</td>
</tr>
<tr>
<td>MSME</td>
<td>Micro, Small, and Medium-Sized Enterprises</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>OFID</td>
<td>OPEC Fund for International Development</td>
</tr>
<tr>
<td>OPIC</td>
<td>Overseas Private Investment Corporation (United States)</td>
</tr>
<tr>
<td>PE</td>
<td>Private Equity</td>
</tr>
<tr>
<td>PPA</td>
<td>Power Purchasing Agreement</td>
</tr>
<tr>
<td>PPP</td>
<td>Purchasing Power Parity</td>
</tr>
<tr>
<td>PTA</td>
<td>Preferential Trade Area Bank</td>
</tr>
<tr>
<td>RFP</td>
<td>Request for Proposal</td>
</tr>
<tr>
<td>SACCO</td>
<td>Savings and Credit Co-operative</td>
</tr>
<tr>
<td>SGB</td>
<td>Small and Growing Business</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium-Sized Enterprises</td>
</tr>
<tr>
<td>SOE</td>
<td>State-Owned Enterprises</td>
</tr>
<tr>
<td>TA</td>
<td>Technical Assistance</td>
</tr>
<tr>
<td>UN DESA</td>
<td>United Nations, Department of Economic and Social Affairs</td>
</tr>
<tr>
<td>UNCTAD</td>
<td>United Nations’ Conference on Trade and Development</td>
</tr>
<tr>
<td>USAID</td>
<td>The United States Agency for International Development</td>
</tr>
<tr>
<td>VAT</td>
<td>Value-Added Tax</td>
</tr>
<tr>
<td>VC</td>
<td>Venture Capital</td>
</tr>
<tr>
<td>WASH</td>
<td>Water, Sanitation, and Hygiene</td>
</tr>
<tr>
<td>WHO</td>
<td>World Health Organization</td>
</tr>
</tbody>
</table>

### COMMON TERMS

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early-stage business</td>
<td>Business that has begun operations but has most likely not begun commercial manufacture and sales</td>
</tr>
<tr>
<td>Focus countries</td>
<td>Countries under study wherein non-DFI impact investors are most active, namely Madagascar, Malawi, Mozambique, South Africa, Zambia, and Zimbabwe</td>
</tr>
<tr>
<td>Growth-stage business</td>
<td>Company has a functioning business model, and its current focus is developing new products / services or expanding into new markets</td>
</tr>
<tr>
<td>Mature business</td>
<td>Profitable company with a developed and recognizable brand</td>
</tr>
<tr>
<td>Non-focus countries</td>
<td>Countries covered by the study but that have limited non-DFI impact investor activity, namely Angola, Botswana, Lesotho, Mauritius, Namibia, and Swaziland</td>
</tr>
<tr>
<td>Venture-stage business</td>
<td>Sales have begun but cannot sustain the company’s operations. The business model is still being aligned with the realities on the ground</td>
</tr>
</tbody>
</table>
INTRODUCTION & METHODOLOGY
# TABLE OF CONTENTS

Focus and Scope ........................................................................................................... 2  
Methodology ................................................................................................................. 4  
  Data Collection and Analysis ....................................................................................... 4  
  Non-DFI Impact Investors ............................................................................................ 5  
DFIs ................................................................................................................................. 6  
Demand for Impact Capital and the Broader Ecosystem .............................................. 6  
Report Structure ........................................................................................................... 7  
Appendix: Organizations Interviewed for this Report ............................................. 8
FOCUS AND SCOPE

The impact investing industry has grown in prominence over the last decade, and impact investors globally have developed substantial and particular interest in sub-Saharan Africa. The 2015 impact investor survey from J.P. Morgan and the Global Impact Investing Network (GIIN) showed that more respondents have allocated a portion of their portfolio to sub-Saharan Africa than to any other emerging market, and more plan to increase their portfolio allocation to sub-Saharan Africa than plan to increase allocations to any other geography.¹

Despite strong interest and a growing industry, relatively little research has examined impact investing markets at the country-by-country level. This type of granular information is essential to investors currently operating in a region or considering investments there in the future.

This series of reports, commissioned by the GIIN, seeks to address the lack of data available on impact investing in specific emerging economies. This is the fourth study of a region’s impact investing market and landscape to be published by the GIIN; others have focused on South Asia, East Africa, and West Africa.²


2 These various reports can be downloaded from the GIIN website, https://thegiin.org/knowledge-center.
For the purposes of this report, Southern Africa includes 12 countries: Angola, Botswana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Zambia, and Zimbabwe. For each country, the report examines impact investing capital disbursed to date (by sector, size, and instrument). 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. Further, the report offers analysis of political and economic factors that may inform and influence investment decisions on a country-by-country basis. These circumstances may have changed since initial data collection in mid-2015.

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 measuring social or 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 indirect investments into other impact capital vehicles. Because of their large size and unique nature, this report analyzes DFI activity separately from the activity of other types of impact investors. As discussed in more detail in the Methodology section and in the DFI chapter, only international and regional DFIs have been considered in the report’s analysis, with special attention paid to DFIs local to South Africa, which play a notable role in the impact investing landscape. For the purposes of this report, bilateral and multilateral assistance provided directly to governments has been excluded from the definition of impact investing.

**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.

---

A NOTE ON SCOPE

The definition of impact investing used in this study is based on investor intent to create positive impact. However, the authors recognize that intent can manifest itself in a range of different investment strategies. In particular, due to the unique nature and large size of DFIs, the authors of this report analyzed their activity separately from the activity of other types of impact investors (“non-DFI”), presenting this separate analysis where appropriate.

While there is value in attempting to segment investor portfolios into “impact investments” and “other” types of investments, doing so was not feasible for this study. Many impact investors, including several DFIs, continue to evolve in how they think about their portfolios. Some consider everything they do to be impact investing, while others have begun to segment their activities into buckets. However, most do not publicly indicate which of their investments they consider to be impact investments, and, given that there are many ways to achieve social and/or environmental impact, it would be inappropriate for the research team to segment portfolios for this study. Instead, we segment our analysis by investor type so readers are able to more easily interpret numbers in context.

METHODOLOGY

Data Collection and Analysis

This report presents the first comprehensive study of the Southern African impact investing landscape at a country level. To date, only limited research has mapped impact investing activity in this region to the degree of granularity achieved in this report.

As a result, the report relies heavily on primary research, including more than 60 interviews with local and international impact investors (including DFIs), social enterprises, ecosystem players, and government institutions (see the Appendix for a list of organizations interviewed). The research team also examined publicly available primary information, including analyzing investor documents and reviewing organizational websites and press releases to compile a comprehensive database of impact investing activity across all 12 countries in Southern Africa. This database includes all known impact investment deals as of the time of data collection in mid-2015. Where possible, the report draws on the existing body of research on impact investing 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.
In analyses of the region overall, South Africa is considered separately from the rest of Southern Africa. South Africa is an exceptionally large market for impact investors relative to other markets in the region, accounting for 76 percent of all impact deals in Southern Africa; if grouped together, its relative size would conceal relevant trends across the rest of the region.

The full report includes data regarding the activities of 26 DFIs and 81 non-DFI impact investors across the Southern Africa region; these non-DFI investors manage 92 distinct impact capital vehicles. Each organization was evaluated to determine whether it should be included as an “impact investor” based on its stated goals as gathered from organizational materials and interviews. This report includes only active impact investors—that is, those with existing investments in the countries studied or those actively seeking to place investments in Southern Africa.

Non-DFI Impact Investors

The 92 impact capital vehicles are managed by 81 non-DFI impact investors, who have completed 503 direct investments across the 12 countries covered. This count excludes four indirect investments into impact funds, which are considered separately in order to avoid double counting. For each of these 503 deals, the research team collected the investment target, date, the amount invested, the instrument used, the currency disbursed, and other transaction notes as available. The data include known transaction sizes for 200 direct investments. For the remaining 303 direct investments, the research team used the average transaction value on a fund-specific basis in order to avoid systematically underestimating the amount of impact capital disbursed in the region. The majority of these estimated deals are larger than USD 10 million; therefore, all deals—including those with estimated sizes—are shown in all charts, including those which show the number of deals by deal size, since those charts split all transactions larger than USD 10 million into a single, separate category. To avoid skewing the remaining data, these deal counts exclude transactions made by Business Partners International, who report more than 70,300 transactions over the past 30 years in South Africa and who are considered separately in the South Africa chapter.

---

4 To identify these impact capital vehicles, the research team reviewed 665 vehicles operating across the investing ecosystem in Southern Africa. Of the organizations analyzed, 257 were excluded because they did not meet this report's definition of impact investing. Organizations excluded for this reason were of multiple types, including, among others, commercial investors, government programs or bodies, donor or aid organizations, and ecosystem players. A further 118 organizations were found to be defunct, inactive, or not currently placing capital in Southern Africa. Finally, 84 were excluded because there was insufficient public information to determine their status or operations.

DFIs

The 26 DFIs active in Southern Africa have completed 8,109 disclosed direct investments in the 12 countries covered. Indirect investments into impact funds are considered separately in order to avoid double counting and are excluded from the count of 8,109 direct investments. In total, DFIs have made 77 disclosed indirect investments into impact funds operating in Southern Africa today. This report excludes all bilateral and multilateral government assistance, which is not included in this report’s definition of impact investing.

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 outlining the broader ecosystem supporting both impact investors and organizations receiving or seeking impact capital.

On the ecosystem side, the research team examined 46 individual organizations operating across the 12 Southern African countries, including financial advisors, intermediaries, consultants, professional services firms, incubators, and accelerators.

On the demand side, the research team analyzed the types of organizations both seeking and receiving capital from impact investors in order to better understand both the challenges they face in raising capital and the opportunities they present for impact investors. These organizations ranged from startup and small-to-medium-sized enterprises to larger, more mature companies. They operate across a wide range of sectors, such as financial inclusion, agriculture, energy, and health.

Information on the 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 the general experience of the OCA research team in working closely with social businesses in the region.
This report maps the impact investing landscape in 12 countries across Southern Africa. The Executive Summary provides an overview of key findings across the region, draws comparisons across countries, and summarizes selected aspects of the landscape for each country. As many impact investors operate regionally, this chapter highlights 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 their direct investments and given the prominent role they play in capitalizing impact investing funds currently active in the region. This chapter profiles DFIs’ history, structure, strategy, current operations, and existing investments.

Detailed country chapters follow, each exploring country-specific impact investing activity. These chapters examine each country’s broader economic and investing landscape, as well as detailing the trends, opportunities, challenges, and demand for impact capital in each country.
We extend our sincerest thanks to the following organizations, who contributed their time and expertise for this report:

Adenia Capital
Aga Khan Development Network
Africa Assets
Africa Development Bank
AgDevCo
Agribusiness Incubation Trust
ANDE (The Aspen Network of Development Entrepreneurs)
Anonymous (5)
Ashoka
Atlantic Asset Management
Aurik Investment Holdings
Awethu Project
Banco Nacional de Investimento (BNI Mozambique)
Barclays Bank Zambia
Battery World Group
Bertha Centre for Social Innovation and Entrepreneurship
Bongo Hive
Bushproof
Business Consult Africa
Business Partners International
Cactus Advisors
Cadiz
Clifftop Colony
Delegation of the European Union in Malawi
Delegation of the European Union to the Republic of Zambia and COMESA
Economic Development Board of Madagascar
Edge Growth
Engineers Without Borders
European Investment Bank
Fintrac
Global Environment Fund
Grain Traders Association of Zimbabwe
Greater Good South Africa
GroFin
Idea Lab
Impacto Capital
International Development Corporation (IDC)
International Finance Corporation (IFC)
International Monetary Fund (IMF)
Imani Development
Investisseurs & Partenaires (I&P)
Investment Promotion Centre (CPI Mozambique)
Java Foods
Katunda
Kukula Capital
Lafaza
Leapfrog Investments
Lynton Edwards Stockbrokers
Malawi Investment and Trade Centre
Malawi Mangoes
mHub Malawi
Msasa Capital
Musika
National Empowerment Fund
Northern Farms
One Thousand and One Voices
Pangaea Securities
Private Enterprise Programme—Zambia
Remoggo
Scaling Up Nutrition Business Network
Securico
Simanye
SME Association of Zimbabwe
Strong Eagle
Surrey Group
Takura Capital
TechnoServe
Techzim
Tukula Farms
United Nations Development Programme (UNDP)
USAID Southern Africa
World Bank
Yombwe Investments
Zambia Association of Manufacturers
Zambia Chamber of Small and Medium Business Associations
Zambia Development Agency
Zimbabwe Investment Authority
Zimbabwe National Chamber of Commerce
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.

30 Broad Street, 38th Floor, New York, NY 10004 USA
+1.646.837.7430 | info@thegiin.org | www.thegiin.org