

# Billions held in impact investments in Africa

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*The **2016 African Investing for Impact Barometer** shows that investments that seek to combine financial returns with positive social, environmental and/or governance outcomes are flourishing on the African continent. The study identified that more than \$350 billion is committed to investing for impact strategies across nine countries.*

Impact investing has become a key focus for many fund managers on the continent. Just under half of funds surveyed in Southern, West and East Africa are awake to the idea that their assets can not only be used to generate good returns for their clients, but also outcomes that are good for society at large.

Now in its fourth year, the African Investing for Impact Barometer is produced by the Bertha Centre for Social Innovation and Entrepreneurship at the UCT Graduate School of Business (GSB) and provides a snapshot of the growing investing for impact (IFI) market in Africa.

“Of the 1,924 investment funds surveyed across nine key countries, 45% have been identified as implementing one or more IFI strategies, which amounts to \$353,9bn,” says Associate Professor Stephanie Giamporcaro, the director of the publication and annual research project. “This demonstrates the robustness and vitality of African markets.”

For the 2016 barometer six additional countries were added to the three surveyed in previous years – Nigeria, Kenya and South Africa. This allowed for a deeper and wider perspective of professional fund managers’ practices across the East, West and Southern African regions.

“Southern Africa is home to the majority of IFI investments, with \$325.9bn of assets using at least one impact strategy in 2016,” says Giamporcaro. “Fund managers in East Africa reported \$15.4bn of overall assets, and in West Africa another \$12.6bn of assets were deploying at least one IFI strategy.”

At a country level, South Africa remains the country with the largest amount of funds and assets dedicated to IFI. Namibia and Zimbabwe follow well behind in the southern African region.

In East Africa, Kenya dominates Tanzania, Uganda and Rwanda, which have less established financial markets, and in West Africa Nigeria represents the largest IFI assets, well ahead of Ghana.

“Ghana displays a flourishing fund management industry but it is currently less geared towards IFI than its neighbour,” Giamporcaro notes.

The Barometer analysed two distinct categories of professional fund managers: asset managers, and private equity and venture capital firms. It scored their investments according to five internationally recognised investment strategies: ESG (Environmental, Social and Governance) integration; investor engagement; screening (positive and negative); sustainability; and impact investing.

“ESG integration into investment decisions remains the leading IFI strategy employed in these countries,” notes lead researcher and PhD Bertha Centre Scholar Xolisa Dhlamini. “Investor engagement, where an investor uses its shareholder or bondholder status to promote positive change in a company’s behaviour is the next most implemented strategy, while screening, which includes religious and ethical investment practices such as Islamic Finance, remains third.”

Dhlamini adds that asset managers, based predominantly in South Africa, are leading the ESG effort.

“However, they still focus primarily on integrating corporate governance when implementing ESG integration,” he says. “The systematic integration of environmental and social issues still remains a challenge.”

A handful of large fund managers with a pan-African footprint are also showing great improvement in implementing and reporting on their investor engagement strategies, although with varying degrees of consistency.

“Large asset managers such as Old Mutual, Stanlib and Allan Gray, have extensive operational footprints across the three regions,” Dhlamini notes. “Old Mutual is however the only one that discloses IFI strategies at a country-by-country level.”

While impact investing and sustainability themed investments, which involve investing directly in companies promoting sustainability, remain the two least used IFI strategies on the continent, they are showing growth. Together, they represent US\$44bn of the total 2016 IFI assets.

“Sustainability themed investment is more prominent as a strategy in West and East Africa compared to Southern Africa,” Giamporcaro notes. “There was some difference per region, but overall the most popular investment themes were agriculture, infrastructure, energy, healthcare, financial services and investment in SMEs.

“Overall, the African investing for impact industry is consolidating but its actual impact on key impact sectors and ultimately on African citizens who are in the highest need for developmental and impact capital remains a key question, which is important to investigate further”, she adds.

*For more information and to download the full report go to <http://www.gsb.uct.ac.za/impact-barometer>. The Bertha Centre also runs an annual short course on impact investing that will take place this November. For more information go to <http://www.gsb.uct.ac.za/impact-investing>.*

**The Bertha Centre for Social Innovation and Entrepreneurship** is a specialised Centre at the University of Cape Town’s Graduate School of Business (GSB). Established in 2011 in partnership with the Bertha Foundation, a family foundation that works with inspiring leaders who are catalysts for social and economic change and human rights, it has become a leading academic Centre in Africa.

Its mission is to pursue social impact towards social justice in Africa, through teaching, knowledge-building, convening and catalytic projects with a systems lens on social innovation.

In collaboration with the GSB, the Centre has integrated social innovation into the business school curriculum, established a wide community of practitioners and awarded over R6 million in scholarships to students from across Africa.

The Bertha Centre offers scholarships to UCT GSB applicants who would like to complete either the UCT GSB MBA (FT/MOD) or the MPhil in Inclusive Innovation, for more information on this please visit their [website](#).

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