avpa AFRICAN VENTURE PHILANTHROPY ALLIANCE

THE LANDSCAPE FOR SOCIAL INVESTMENTS IN EAST AFRICA

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AAVISHKAAR GROUP

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ABBREVIATIONS AND ACRONYMS

ABAN	African Business Angel Network
AcT	Accountability in Tanzania
ADRA	Adventist Relief Agency
AECF	Africa Enterprise Challenge Fund
AFD	AgenceFrançaise de Développement (French Development Agency)
AFDB	Africa Development Bank
AGF	African Guarantee Fund
AKF	Aga Khan Foundation
AMI	African Management Institute
ANDE	Aspen Network of Development Entrepreneurs
ASDSP	Agricultural Sector Development Support Programme
ASSEK	Association of Startup and SMEs Enablers of Kenya
AUM	Assets Under Management
AVPA	African Venture Philanthropy Alliance
AVPN	Asian Venture Philanthropy Network
AWDF	Africa Women Development Fund
BDS	Business Development Support
BMGF	Bill and Melinda Gates Foundation
Bn	Billion
BTVET	Business, Technical, and Vocational Education and Training
BUILD	Better Utilization of Investments Leading to Development
CBHI	Community-based Health Insurance
CBK	Central Bank of Kenya
CBO	Community Based Organization
CDC	CDC Group plc
CESRA	Center for Social Responsibility and Accountability
CFO	Chief Finance Officer
CGAP	Consultative Group to Assist the Poor
CHAK	Christian Health Association of Kenya
CPI	Corruption Perception Index
CRS	Catholic Relief Services
CSI	Corporate social investor
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
CURAD	Consortium for Enhancing University Responsiveness to Agribusiness Development
DANIDA	Danish International Development Cooperation
DCED	Donor Committee for Enterprise Development
DEG	Deutsche Investitions- und Entwicklungsgesellschaft
DFC	U.S. International Development Finance Corporation
DFI	Development Finance Institution
DFID	Department for International Development
DGF	Democratic Governance Facility

DGGF	Dutch Good Growth Fund
DIB	Development Impact Bond
DRK	Draper Richards Kaplan Foundation
DSP	Deal Share Platform
E4D/SOGA	Employment and Skills for Eastern Africa
EAAG	East Africa Association of Grant Makers
EAPN	East Africa Philanthropy Network
EASEN	East Africa Social Enterprise Network
EAV	Energy Access Ventures
EAVCA	East Africa Venture Capital Association
EEP	Economic Empowerment Program
EGF	Equity Group Foundation
EIB	European Investment Bank
ESHIP	Ethiopia Sanitation and Hygiene Improvement Programme
ESO	Ecosystem Support Organisations
ESPJ	Education and Skills for Productive Jobs Program
ETBAN	Ethiopian Business Angels Network
EU	European Union
EUR	Euros
EVPA	European Venture Philanthropy Association
F2F	Farmer to Farmer
FBO	Faith Based Organizations
FCO	Foreign and Commonwealth Office
FCS	Foundation for Civil Society
FDI	Foreign Direct Investments
FEI	Facility for Energy Inclusion
FI	Financial Institution
FiKA	Financial Knowledge for Africa
FMCG	Fast-Moving Consumer Goods
FMO	Netherlands Development Finance Company (Dutch Development Bank)
FS	Financial Services
FSD	Financial Sector Deepening
FSDA	Financial Sector Deepening Africa
FSP	Financial Service Provider
GAIN	Ghana Angel Investor Network
GAX	Ghana Alternative Market
GCF	Green Climate Fund
GDP	Gross Domestic Product
GIIN	Global Impact Investing Network
GIIRS	Global Impact Investing Ratings System
GIZ	Deutsche Gesellschaftfür Internationale Zusammenarbeit
GLI	Gender Lens Investment
GMT	GracaMachel Trust
GoC	Government of Canada
GoK	Government of Kenya
GPE	Global Partnership for Education
GSF	Global Sanitation Fund

HDI	Human Development Index
HIV	Human Immunodeficiency Virus
HNWI	High Net Worth Individuals
HQ	Headquarter
HR	Human Resources
IBM	International Business Machines Corporation
ICT	Information and Communications Technology
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IIGh	Impact Investing Ghana
IMM	Impact Measurement and Management
IMR	Infant Mortality Rate
IRIS	Impact Reporting and Investment Standards
IRS	Internal Revenue Service
KAIN	Kampala Angel Investors Network
KCB	Kenya Commercial Bank
KCDF	Kenya Community Development Foundation
KEPSA	Kenya Private Sector Alliance
KfW	KreditanstaltFürWiederaufbau (German Development Bank)
Kg/Ha	Kilograms per Hectare
KNBS	Kenya National Bureau of Standards
KSHIP	Kenya Sanitation and Hygiene Improvement Programme
KYEOP	Kenya Youth Employment Opportunities Project
LP	Limited Partner
MCF	MaterCard Foundation
MCISE	Moroccan Centre for Innovation and Social Entrepreneurship
MFI	Microfinance Institution
MMR	Maternal Mortality Rate
Mn	Million
MNC	Multinational Company
MSEA	Micro and Small Enterprises Authority
MSME	Micro Small Medium Enterprises
MTP	Medium Term Plans
NCCK	National Council of Churches in Kenya
NEET	Not in education, employment or training
NGO	Non-Governmental Organisation
NHIF	National Hospital Insurance Fund
NSDS	National Skills Development Strategy
NSSF	National Social Security Fund
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OOPE	Out of Pocket Expenditure
OPIC	Overseas Private Investment Corporation
PASA	Partners for Seed in Africa
PBO	Public Benefit Organization
PCP	Pearl Capital Partners Uganda
PE	Private Equity

PPE	Personal Protective Equipment
PPP	Public Private Partnership
PSG	Priority Skills for Growth
PWD	Persons with Disabilities
PYD	Positive Youth Development
RAIN	Rwanda Angel Investors Network
REACT	Renewable Energy and Adaptation to Climate Technologies
RRDB	RemitPlus Rwanda Diaspora Bond
S4DA	Sport for Development in Africa
SACCO	Savings and Credit Co-operative
SCA	Sudden Cardiac Arrest
SCF	Social Capital Foundation
SDG	Sustainable Development Goals
SE	Social Enterprise
SE4All	Sustainable Energy for All
SESOK	Social Enterprise Society of Kenya
SFM	Sustainability aligned fund manager
SFSA	Syngenta Foundation for Sustainable Agriculture
SGB	Small and Growing Business
SHOFCO	Shining Hope for Communities
SIB	Social Impact Bond
SIDA	Swedish International Development Agency
SIFA	Social Investment Focused Agenda
SII	Social Impact Incubator
SME	Small and Medium Enterprise
SPO	Social Purpose Organisation
SSA	Sub-Saharan Africa
STEP	Sustainable Training and Education
TA	Technical Assistance
TAAT	Technologies for African Agriculture Transformation Program
TAIN	Tanzania Angel Investors Network
TB	Tuberculosis
TECC	Tanzania Entrepreneurship and Competitiveness Centre
TVET	Technical and Vocational Education and Training
U.S	United States
UCMB	Uganda Catholic Medical Bureau
UGX	Ugandan Shilling
UHC	Universal Health Coverage
UMATA	UsafiwaMazingira Tanzania
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children’s Fund
UOMB	Uganda Orthodox Medical Bureau
US$	United States Dollar

USADF	United States African Development Foundation
USAID	United States Agency for International Development
USAID-DIV	United States Agency for International Development - Development Innovation Ventures
VAT	Value Added Tax
VBAN	Victoria Business Angel Network
VC	Venture Capital
VC4A	Venture Capital for Africa
VCTF	Ghana Venture Capital Trust Fund
VETA	Vocational Education and Training Authority
VLSA	Village Level Savings Associations
WASH	Water and Sanitation
WFP	World Food Programme
WHO	World Health Organisation
WIA	Women in Africa
WSSCC	Water Supply and Sanitation Collaborative Council
YEDF	Youth Enterprise Development Fund
YEE	Youth Economic Empowerment
YEG	Youth Enterprise Grant Programme
YES	Youth Entrepreneurship Support

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

The following AVPA team members contributed to this report:

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The U.S. African Development Foundation (USADF) is an independent U.S. government agency established by Congress to invest in African grassroots organizations, entrepreneurs and small and medium-sized enterprises. USADF's investments promote local economic development by increasing incomes, revenues and jobs, and creating pathways to prosperity for marginalized populations and underserved communities. Utilizing a community-led development approach, USADF provides seed capital and local project management assistance improving lives and impacting livelihoods while addressing some of Africa's biggest challenges around food insecurity, insufficient energy access, and unemployment, particularly among women and youth.

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

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

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

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

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FOREWORD

The United States African Development Foundation is supporting AVPA to facilitate the streamlining and increased flow of financial, human, and intellectual capital in Africa for maximum social impact. It is critically important to first understand the current state of social investing if AVPA is to be strategic in how future social investments should be deployed. USADF supported AVPA to carry out a landscape study to better understand social investment across East, West and Southern Africa. Understanding the breadth of current investments will help drive strategies and plans for future investors, donors, foundations, and public sector financers. As a U.S. government agency that is committed to Africa across an evolving spectrum from development assistance to development finance, USADF is constantly looking for ways to partner with corporations and governments that are interested in the business growth of Africa. USADF has carved a niche in creating partnerships that highlight our interest in looking for new ways to deploy grant capital. This landscape study provides us with a number of approaches to do this.

Over the last decade, corporations are giving back to their communities in increasingly sophisticated ways, establishing foundations and venture funds, investing in supply chains, and creating shared value. The concept of shared value, in particular, helped give USADF a framework to collaborate with the private sector. Private foundations and family trusts support both non-profit organizations and for-profit enterprises working in a variety of social sectors – from education and healthcare to energy and agriculture. Many are beginning to explore innovative approaches such as impact investments and blended finance as well.

USADF uses a results-based development model that maximizes funding from corporate social investors and public funding sources to achieve sustainable economic growth opportunities for enterprises throughout Africa. For example, USADF established a partnership with Citibank to invest in the next generation of aspiring African business leaders through the provision of seed capital, funds management and business support services. The funding is linked to technical support that will launch each business into the future.

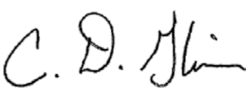
More innovation and collaboration amongst social investors is needed if African countries are to close the enormous Sustainable Development Goals (SDG) financing gap. To achieve any one SDG will require investors and philanthropists, enterprises and non-profits, governments, and donors to work together. We must be more creative in our investment structures, unconventional in our partnerships and celebrate all financing models. Investors are not coming to Africa because of impact alone – they also want a return. To close the significant SDG financing gap, USADF is constantly exploring the boundaries of how we use philanthropic investment capital to change the mandate and, in some instances, the objective of investors, by taking on the 1st loss layer, thereby creating investable opportunities through blended finance investments. This is why USADF wants to be part of this dialog and is supportive of the efforts of AVPA.

Impact investment has grown enormously in Africa over the last decade, with private fund managers, angel investors, venture capitalists, bilateral donors, governments, and development finance institutions deploying billions in impact-oriented funding in major markets and sectors. However, a significant mismatch persists between the current structure of impact capital and the needs of social enterprises and non-profits operating across the continent. Because of this asymmetry of supply and demand, there is lot of competition for these types of deals, and so more tailored finance, patient capital, catalytic capital, local capital, and non-financial capital is needed. The time has come to push the boundaries of social finance by exploring new combinations of investment and philanthropic capital sourced from both local and international funders.

Traditions of community and faith-based philanthropy are strongly rooted in African cultures. Diaspora remittances are the largest source of social funding in many African countries. Recent years have seen the introduction of diaspora bonds to fund large development projects. What if impact capital could be sourced from the 140,000+ high net worth individuals who live on the continent and structured in similar ways? How about streamlining and accelerating the diaspora remittances? For example, USADF has established a new partnership with the National Basketball Players Association Foundation to accelerate investments back in Africa by diaspora professionals and increase social and economic impacts for communities still struggling to address some of the basic human needs.

What if impact investors could partner with faith-based organizations and community foundations to deploy social services deep into rural areas? What if blended finance could solve the infamous missing middle? What if a portion of the philanthropic funds given away in Africa – by friends, families, neighbors, community leaders, and businesses – could be structured as venture philanthropy to catalyze private investment or achieve a small financial return? How much further could we stretch our social ambitions? Where could we reach? USADF is developing innovative ways of capital deployment, including recoverable grants and blended finance, and with initiatives like these led by AVPA, more institutions can expand and deepen their collaboration for increased social and economic impact.

We at USADF believe this report will contribute to a better understanding of the social investment ecosystem in Africa so that investors, philanthropists and policymakers can use their capital and influence to create the greatest impact possible across Africa.



C.D. Glin
President and CEO, US African Development Foundation

INTRODUCTION

Africa enters the last 10 years of the Sustainable Development Goals (SDGs) facing significant challenges, made all the more difficult by the COVID-19 crisis. The continent needs an estimated $500billion - $1.2 trillion annually between now and 2030 to meet its SDG financing gap. Our traditional sources for social investment financing, namely aid and government funding, are under increasing pressure and are unlikely to fill this gap. The next decade is a critical period that needs special attention if Africa is to stay abreast with global development rates and sustainably improve the quality of life of its citizens. This challenge demands a good understanding of the social investment landscape, identification of the key players,highlighting proven interventions and financing models, sharing lessons learnt and unpacking barriers to the growth of effective social investing, amongst other things.

The African social investment landscape encompasses a continuum of investors ranging from philanthropists to impact funds and other mainstream private players such as corporates, PE/VC funds and debt providers. Social investors deploy grants, debt or equity, and all seek social returns with varying expectations of financial returns. Traditionally they have operated within their respective fields, with little collaboration or co-investment across these silos. With Africa facing an inadequate supply of social investment capital, we need to turn to the global financial and capital markets for the investments required to close the funding gap. This will require increased and sustained collaboration amongst these investors. Policy across the continent also varies widely in supporting the growth of this sector and some reforms will be required if we are going to stimulate increased deployment of capital by social investors.

This social investment mapping landscape study was done over an eight-month period, across 18 countries in Africa – six each in East, West and Southern Africa. It maps the current lay of the land in this space, to demonstrate what is currently happening, who are the key players, what are their current approaches to investing, what challenges are they facing, what opportunities do they see, etc. In line with AVPA's mission of increasing the flow of capital into social investments in Africa, the study not only gives us insights into the current state of the social investment landscape, but also provides a baseline against which we can track future progress and key trends that will influence the increased flow of capital into social investments in Africa. We hope that this study can stimulate increased collaboration amongst non-traditional social investing partners (philanthropists and private sector investors) and adoption of innovative finance approaches that would mobilise enough capital from the $250 trillion global private capital markets to finance the SDGs between now and 2030.

The study also identifies programmatic intervention opportunities where AVPA can strengthen the ecosystem, increase collaboration and enable social investors deploy more capital effectively across the continent. These will include trainings, thought leadership programs, virtual sessions and convenings, additional research opportunities, the Deal Share Platform, Gender Platform and Policy Forums that AVPA hopes to partner with others in delivering. AVPA hopes to repeat this study every 1-2years to track trends and add to the body of knowledge within the ecosystem. AVPA will also continue to leverage its global network of sister organizations – European Venture Philanthropy Association (EVPA), Asian Venture Philanthropy Network (AVPN) and LatImpacto in South America – to accelerate Africa's learning by keeping African social investors connected to their global peers for transfer of best practices and co-investment opportunities.

AVPA remains ever grateful to our donors to the study: USADF, The Rockefeller Foundation, an anonymous donor and Social Capital Foundation for making this study possible;and to our consulting partners, Intellecap for the work they did in carrying out the study. We hope you find it useful and please reach out to us if you have any questions or opportunities for collaboration.

Dr Frank Aswani
CEO, AVPA

EXECUTIVE SUMMARY

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

East African countries have made progress on some Sustainable Development Goals (SDGs), including Climate Action and Responsible Consumption and Production, but face significant development challenges that counter the region's advancement towards many of the goals.

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

SDGs	KENYA	UGANDA	TANZANIA	RWANDA	ETHIOPIA	SOUTH SUDAN	
GLOBAL RANK/162 COUNTRIES	125	140	128	126	135	N/A (Not ranked)	
AFRICA RANK /52 COUNTRIES	12	18	16	12	21	52	
02 ZERO HUNGER	Major challenges →	Major challenges →	Major challenges ↗	Major challenges →	Major challenges ↗	Major challenges —	Worst Performing SDGs
03 GOOD HEALTH AND WELL BEING	Major challenges ↗	Major challenges ↗	Major challenges →	Major challenges ↗	Major challenges ↗	Major challenges →	
07 AFFORDABLE AND CLEAN ENERGY	Major challenges →	Major challenges →	Major challenges →	Major challenges ↗	Major challenges →	Major challenges —	
09 INDUSTRY INNOVATION AND INFRASTRUCTURE	Major challenges ↗	Major challenges ↗	Major challenges →	Major challenges ↗	Major challenges →	Major challenges —	
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Major challenges →	Major challenges →	Major challenges →	Major challenges →	Major challenges →	Major challenges →	
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	SDG achieved —	Challenges remain —	Challenges remain —	SDG achieved —	Challenges remain —	Data not available —	Best Performing SDGs
13 CLIMATE ACTION	Challenges remain ↑	SDG achieved ↑	SDG achieved ↑	SDG achieved ↑	Challenges remain ↑	Challenges remain ↑	

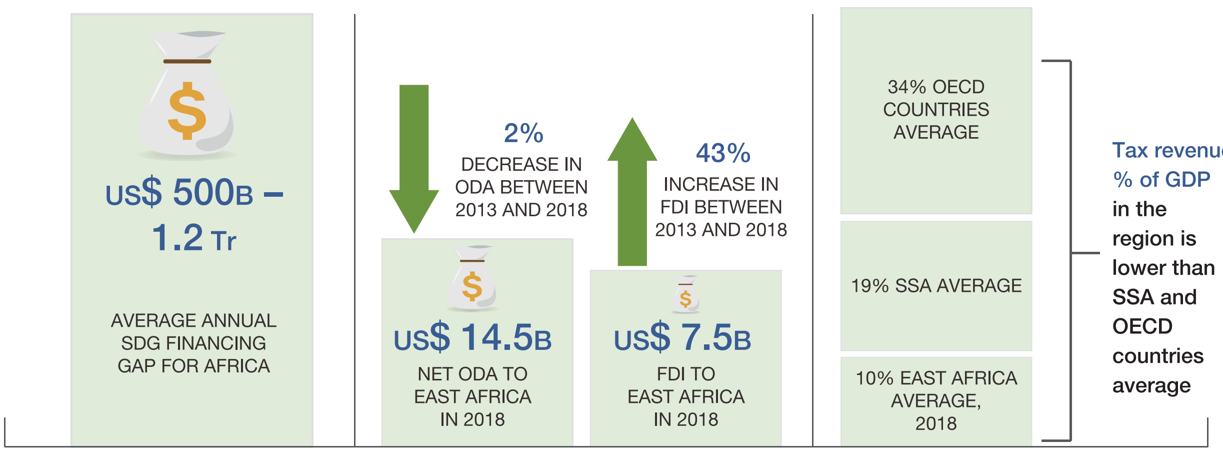
MAJOR CHALLENGES · SIGNIFICANT CHALLENGES · CHALLENGES REMAIN · SDG ACHIEVED · DATA NOT AVAILABLE · ↓ DECREASING · → STAGNATING · ↗ MODERATELY IMPROVING · ↑ ON TRACK TO ACHIEVING SDG · — NO INFORMATION

Source:SDG Index and Dashboard

THE SDG FINANCING GAP IN THE REGION IS SIGNIFICANT, CURTAILING THE EFFORTS TOWARDS ACHIEVEMENT OF THE SDGS

INTERNATIONAL SOURCES OF FUNDING REMAIN DEFICIENT

FURTHER, INADEQUATE TAX REVENUE AND HEAVY EXTERNAL BORROWING LIMIT PUBLIC SPENDING CAPACITY ON THE SDGS



NB: East Africa refers to the 6 focus countries

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

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

This report maps the landscape of social investments in East Africa with a deep dive focus on Kenya, Uganda and Tanzania, and a high-level assessment of Rwanda, Ethiopia and South Sudan. It analyses strategies used by various international and domestic social investment capital providers.

The study leveraged concurrent triangulation, which is a mixed-method approach involving collection and analysis of qualitative and quantitative information from secondary and primary sources. The data and information leveraged was collected through four key sources, a) literature review/desktop research from existing publications on the industry, b) interviews with 51 industry stakeholders, c) transaction/deal mapping from online databases such as Crunchbase, Baobab Insights and Candid/Foundation as well as websites of the different social investors and, d) 18 online surveys received from social investors in the region.

2. EVOLUTION OF THE SOCIAL INVESTMENT INDUSTRY IN EAST AFRICA

The social investment industry in the focus countries has evolved over the past 10 years, with many milestones being achieved. The government, as well as the private sector, have been at the forefront of launching initiatives aimed at promoting the growth of the industry.

2009: LAUNCH OF THE ANDE EAST AFRICA CHAPTER

Made up of organizations working to support small and growing businesses (SGBs) throughout the region

2003: ESTABLISHMENT OF THE EAST AFRICA PHILANTHROPY NETWORK (EAPN) IN KENYA

Formerly the East Africa Association of Grantmakers. Focus on bringing together trusts and foundations in the East Africa region with the aim of promoting organized philanthropy.

2012: Introduction of Public Benefit Organization (PBO) Bill, Kenya

Enacted in 2012 to provide for the regulation, establishment and operation of Public Benefit Organisations (PBOs) in Kenya

2010

2003: ESTABLISHMENT OF SAFARICOM FOUNDATION IN KENYA

Safaricom is one of the leading corporate foundations supporting initiatives in health, education and economic empowerment

2013: ESTABLISHMENT OF EAVCA IN KENYA

Represents the private equity industry in East Africa and provides a voice for industry players to raise awareness and engage on regional policy matters

2015: LAUNCH OF THE AFRICAN UNION FOUNDATION

Focused on mobilizing resources from the private sector, philanthropists, individuals, donors within Africa, and the Diaspora for achievement of Africa's development and 2063 agenda

2015

2014: ESTABLISHMENT OF THE AFRICA PHILANTHROPY FORUM IN TANZANIA

Seeks to promote networking and collaboration among social investors

2014: LAUNCH OF KENYA, UGANDA AND TANZANIA NATIONAL PHILANTHROPY FORUMS

Increase recognition of philanthropy and demonstrate the contribution of philanthropy to national development, to enhance constructive and organized dialogue and explore strategies of consolidating and organizing the philanthropy

2015: LAUNCH OF THE SOCIAL INVESTMENT FOCUSED AGENDA (SIFA) KENYA

Leverages private resources from the corporate sector and foundations, and align them towards Vision 2030, Kenya's national development plan

2015: US$ 19MN INVESTMENTS INTO M-KOPA SOLAR KENYA

Investment into M-Kopa one of the major Pay as you go innovation in the energy sector in the region. The investment was led by Generation Investment Management to support scale up of the company

2015: LAUNCH OF VIKTORIA BUSINESS ANGELS NETWORK KENYA

A network of angel investors with an interest in investing in early stage businesses

2015: LAUNCH OF SDG FORUM KENYA

A platform on the 2030 agenda for SDGs that provides space for structured and coordinated Civil Society Organizations (CSOs) engagement

2018: LAUNCH OF AVPA IN KENYA

Focused on building the social investment industry by fostering collaboration

2017: LAUNCH OF THE SOCIAL ENTERPRISE SOCIETY OF KENYA (SESOK)

Kenya's umbrella body for social enterprises in all sectors of the economy

2019: LAUNCH OF THE ASSOCIATION OF STARTUP AND SMES ENABLERS OF KENYA (ASSEK)

Brings together and supports interest of organisations supporting the development and growth of startups and SMEs

2020

Figure 2: Key Milestones in Social Investment Industry in East Africa

GOVERNMENT LED INITIATIVE

PRIVATE SECTOR LED INITIATIVE

3. EMERGING TRENDS IN EAST AFRICA SOCIAL INVESTMENT INDUSTRY

The social investment industry in the region has evolved in the last decade, driven by several emerging trends. Notably, the region has witnessed increased activity by the regional corporate social investors driving large social projects.

Table 1: Summary of Key Social Investments Trends across Countries

TREND	KENYA	UGANDA	TANZANIA	DESCRIPTION
Institutionalised giving and investing by East African philanthropists				Overall, individual philanthropy in the region remains mostly unstructured and private, with only a few active family foundations identified as part of this research. The region has,however, witnessed an increase in institutional philanthropy driven by the strengthening of networks and philanthropy forums in the region. However, institutionalised philanthropyinitiatives have primarily been concentrated in Kenya.
Rise of angel investments through organized structures by HNWIs				There has been a rise in angel investor networks established in the region in recent years, driving angel investments. These networks bring together High Net Worth Individuals (HNWIs)/ angels and entrepreneurs for structured networking. Our research identified that over 60% of the angel networks in the region exist in Kenya and Uganda.
Collaboration between governments and the philanthropy sector				While the government and philanthropy sector have been collaborating, witnessed particularly in Kenya, more such initiatives are needed. In Kenya, the government plays an active role in the National Philanthropy Forum as well as inthe Social Investment Focused Agenda (SIFA) initiative.
Sustainable and innovative approaches to corporate social giving				An increasing number of social investment arms of corporates (foundations, funds, and accelerators/incubators) are being set up in the region, with most of these operating in Kenya. Corporate foundations, particularly in the banking and ICT sectors, have been actively supporting long-term initiatives in the health, education, and entrepreneurship space. While some of the Kenya-headquartered corporate foundations operate across the region, CSR activities in Tanzania and Uganda remain mostly unstructured.
Usage of innovative and blended finance mechanisms				The region tops the SSA region in the number of blended finance structures that have leveraged blended capital innovatively from different capital providers across the risk-return spectrum. Innovative structures such as SIB/DIBs have been launched in Kenya, Uganda and Ethiopia to address various social issues.
Usage of diaspora funds for supporting national development agenda				The potential for diaspora funds in financing social challenges remains untapped, with only a few innovative structures developed in the region. Kenya is currentlydeveloping a diaspora green bond to facilitate investments forthe Big Four agenda.
Adoption of Gender Lens Investing (GLI)				Investors in the region have started to embed GLI in their investment strategies and provide both financial and non-financial support for women.
Collaboration between international and local social capital providers				Collaborations, in the form of long-term and strategically aligned initiatives, have been witnessed between international and local capital providers to amplify their respective impact, e.g., the partnership between MasterCard Foundation and Kenya Commercial Bank (KCB) to scale up the Tuajiri program.

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

High activities with increasing number of players

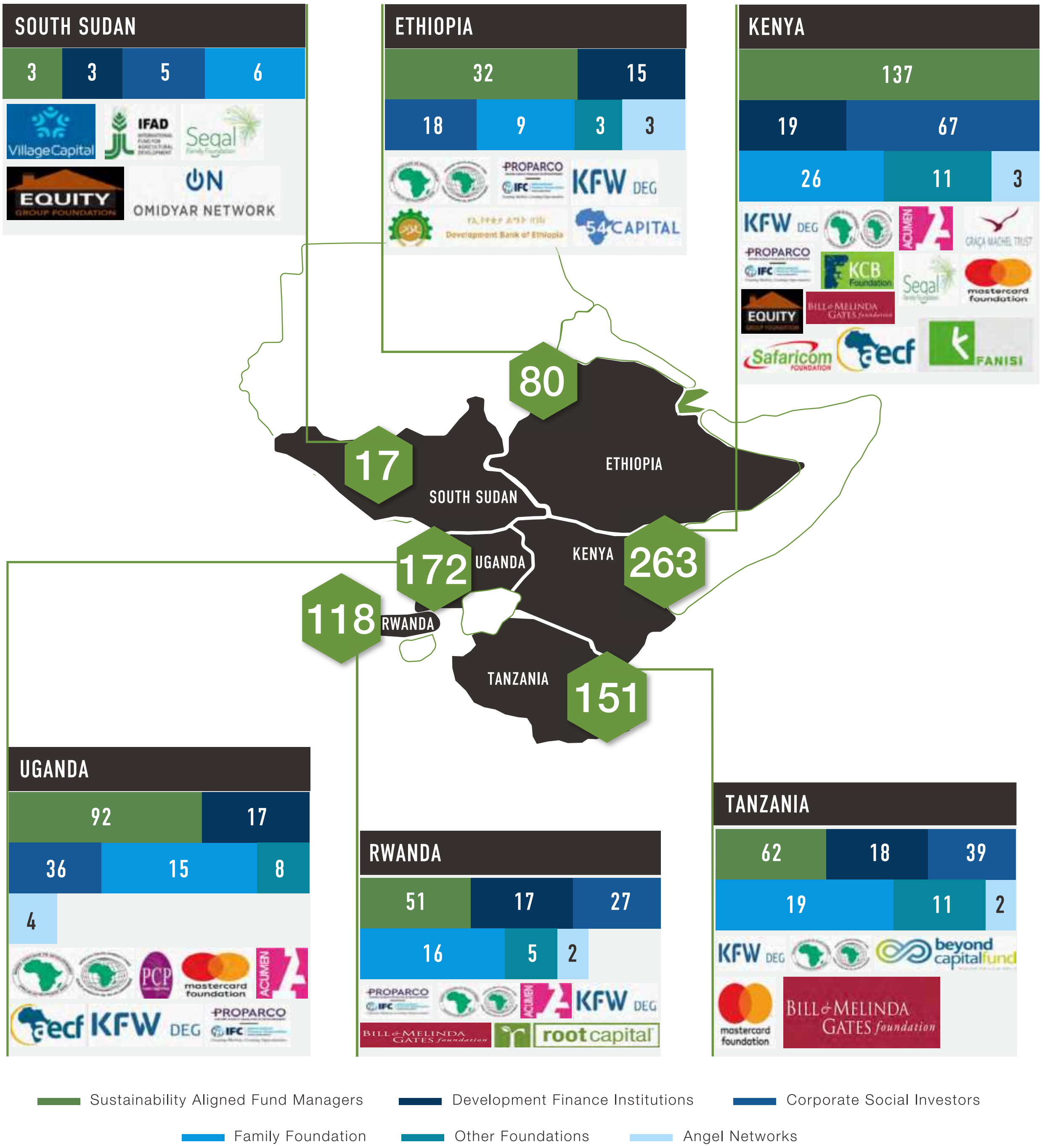
Moderate activities and number of players witnessed

Minimal to no activities witnessed

4. SUPPLY OF SOCIAL INVESTMENT IN EAST AFRICA

A highly diverse group of social investors is actively deploying capital in East Africa, with over 317[1] social investors identified by the research. The majority of social investment capital deployed in East Africa continues to come from international sources. However, activity by corporate social investors headquartered in the region is also on the rise.

Figure 3: Overview of Key Social Investors in the Region



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

[1] List not exhaustive

DEVELOPMENT FINANCE INSTITUTIONS (DFIs):

- DFIs were among the largest provider of impact capital in the focus countries between 2015 and 2019, primarily investing in growth to mature stage sustainable businesses that have the capacity to absorb large amounts of capital.
- DFIs deployed their capital largely into the financial services sector in the form of guarantees and lines of credit to financial institutions. The second-largest chunk of DFI capital went into renewable energy generating and distributing projects and businesses.
- DFIs mostly made direct investments into businesses with debt dominating the total capital deployed.

Figure 4: Summary of DFI activities 2015-2019

12 DFIS INVESTED US$ 6.6BN IN 326 DEALS BETWEEN 2015-2019

TRANSACTION SIZE
The average deal size was US$ 21Mn

SECTOR
Financial services, energy and agriculture are the top 3 sectors accounting for 78% of total capital

INSTRUMENTS
60% of the DFI capital deployed through debt

COUNTRY FOCUS
The DFIs have deployed capital in all the focus countries; 46% of which was deployed in Kenya

TECHNICAL ASSISTANCE
DFIs usually set aside TA Funds to support investees

IMPACT MEASUREMENT
DFIs use standard IMM metrics and tools such as IRIS and GIIRS. These are also customized to suit specific requirements. DFIs usually publish impact results

SUSTAINABILITY ALIGNED FUND MANAGERS (SFMs)[2] :

- SFMs mostly deployed their capital into sustainable and commercially viable businesses in the region, focusing on technology-driven enterprises in the energy, financial services and health sectors.
- While most SFM deals (45%) focused on early-stage enterprises, the largest proportion of capital (86%) was deployed into later-stage enterprises reflecting the ‘missing middle’ challenge in the region.
- Kenya remained the most preferred destination for SFM investments; Rwanda has, however, started to receive increased focus from SFMs owing to the favorable business environment and economic growth witnessed in the country.

Figure 5: Summary of SFM activities 2015-2019

US$ 1.5BN DEPLOYED BY SFMs IN 217 DEALS

TRANSACTION SIZE
The average deal size was US$ 6.7Mn; 86% of the capital deployed in deals more than US$ 5 Mn

SECTOR
Energy, Financial services, and Health are the top 3 sectors accounting for 86% of total capital

COUNTRY FOCUS
66% of the SFM country capital was deployed in Kenya; SFMs have shown increased focus in Rwanda

TECHNICAL ASSISTANCE
Most of the SFMs in the region work with TA providers and through their own staff to provide TA services to their investees

IMPACT MEASUREMENT
SFMs mainly leverage standard metrics and tools customized to suit specific requirement of the investee company and sector, some also use investee’s KPIs

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

CORPORATE SOCIAL INVESTORS (CSIs)[3] :

East African CSIs[4]

- East African regional corporates deployed capital mostly through their operating foundations. These foundations support long-term development projects in collaboration with NGOs and academic institutions. However, some corporates in the region had also recently launched their impact funds and accelerator programs for supporting social enterprises.
- Education, health, and economic empowerment were key focus areas for East African corporate social investors.
- The region also witnessed increased collaboration between the regional and international CSIs, over the last few years, for the development and scale-up of various social programs.

Figure 6: Summary of East African CSIs' activities 2014-2019

US$ 382.7 MN DEPLOYED BY THE EAST AFRICAN CSIs IN 69 TRANSACTIONS

TRANSACTION SIZE
The average deal size was US$ 5.5Mn; larger transactions observed in the education sector

SECTORS
67% of capital deployed to the education sector, 17% towards economics empowerment and 9% in the health sector

RECIPIENTS
66% of the CSI capital was deployed through academic/research institutions, 13% NGO/CBOs, and 11% through social enterprises.

INSTRUMENTS
Largerly grants and donations. however, debt and equity have also been deployed to enterprises

IMPACT MEASUREMENT
Mostly leverage internal tools and KPIs with customization based on standard frameworks such as the SDGs

North American and European CSIs[5]

- North American and European CSIs operating in the region have been deploying grants and addressing social causes through both direct and programmatic interventions working with governments, NGOs and collaborating with other social investors.
- Capital deployed by these CSIs focused largely on enhancing youth employment, promoting governance, and developing the agriculture and health sectors.

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

US$ 561MN DEPLOYED BY THE TOP 5 NORTH AMERICAN CSIs

TRANSACTION SIZE
The average deal size was US$ 5.5Mn; with higher deals size in in programmatic intervations e.g. the Young Africa Works initiative by the MasterCard Foundation.

SECTORS
63% of capital was deployed towards entrepreneurship and economics empowerment initiatives.

INSTRUMENTS
Mostly grants deployed to the NGOs and programmatic interventions implemented by goverment agencies, NGOs and other startegic partners.

Other international CSIs

- While we believe there are some Asian and Latin American CSIs active in the region, these could not be comprehensively covered during this research due to limited data available on their activities. This presents a key area for future research. Some of the active Asian CSIs in the region include Toyota and Huawei making impact in the energy and ICT sectors respectively.

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

FAMILY FOUNDATIONS:

East African family foundations[6]

- Giving by East African philanthropists remains mostly undocumented; however, some philanthropists have established their operating foundations to deploy grants and support various social initiatives. Some of the forward-looking East African family foundations were identified as pioneers for entrepreneurship development in the region through their support to incubation programs.
- Most East African-based family foundations have deployed funds towards essential services provision, particularly in health and education.

Figure 8: Summary of East African family foundation activities (2012-2019)

US$ 22.17MN DEPLOYED BY THE EAST AFRICAN FAMILY FOUNDATIONS IN 27 TRANSACTIONS

TRANSACTION SIZE
The average transaction size was US$ 0.27Mn, with higher deal size observed in donations towards health sector.

SECTORS
Education is the main sector accounting for 45% of family foundation transactions.

RECIPIENTS
Academic research centers and NGOs are the main recipients accounting for 37% and 26% of family foundations transactions respectively

INSTRUMENTS
Largerly grants and donations. however, debt and equity have also been deployed to enterprises

IMPACT MEASUREMENT
Mostly leverage internal tools to collect and measure impact data

North American and European family foundations[7]

- Funding from family foundations headquartered in North America and Europe was largely grant-based, focused on health interventions, and was largely deployed through NGOs and government agencies.
- However, a shifting trend was observed in the strategies of these family foundations; many of them are now supporting more sustainable solutions and adopting impact investment strategies providing financial support directly to social enterprises in the form of debt and equity.

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

US$ 710.4MN DEPLOYED BY THE NORTH AMERICAN FOUNDATIONS IN 708 GRANTS

TRANSACTION SIZE
The average deal size was US$ 1.0Mn

SECTORS
43% of the grant capital was deployed toward health initiatives

INSTRUMENTS
Mostly grants deployed to the NGOs and programmatic interventions in the region. However, some foundations also engage in debt and equity transactions

Other international family foundations

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

[6] Family foundations headquartered in East Africa

[7] Family foundations headquartered in North America and Europe

ANGEL INVESTORS:

- Although angel investing in the focus countries is still nascent, there is a substantial growth with most of the angel networks operating in the region established in the last 3-4 years.
- Angels preferred investing in non-social sectors such as e-commerce, consumer goods (clothing, accessories), and information technology.

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

US$ 6.6MN DEPLOYED IN 27 ANGEL DEALS

TRANSACTION SIZE The average transaction size was US$ 0.35Mn;	***SECTOR*** Only 44% of the investments identified were in SDG aligned sectors	***INSTRUMENTS*** Largely equity investments in the early stage enterprises
COUNTRY FOCUS A significant proportion (59%) of the angel investments focused on Kenya.	***TECHNICAL ASSISTANCE*** Angel Networks support both enterprises and investors by proving business linkages, networking, mentorships, and capacity building.	***IMPACT MEASUREMENT*** Most Angels do not focus on impact measurement

BILATERAL AND MULTILATERAL DONORS:

- Donors accounted for the largest social capital deployment in the region (US$ 14.5Bn in 2018), deployed through multi-year programmatic interventions primarily implemented by NGOs and government agencies.
- The largest portion of the donor funding was directed towards health (30%), agriculture (25%), and education (9%) initiatives.
- Major donors in the region are undergoing significant transitions because of the push from their governments, necessitating the need for innovative strategies to blend more capital.
- Donors are also increasingly supporting the development of the entrepreneurial ecosystem through the provision of catalytic TA funds.

FAITH-BASED GIVING:

- Faith-based giving is deeply rooted in the region driven by the Christian and Islamic religious organisations active in the region for decades.
- The faith-based organisations (FBOs) are actively involved in health, education, water, economic empowerment and emergency relief initiatives.

Table 2: Characteristics of Social Investors Active in the Region

Social Investor Category	Capital Scale (US$)*	Type of Capital deployed	Patient Capital?	Innova-tive Finance?	Risk Tolerance	Geographic Reach	Dominant Sectors	Potential for Social Impact
Development Finance Institutions (DFIs)	Billions	Equity Debt Guarantees Grants	LIMITED	Yes	Low	**Moderately concentrated** (Kenya, Uganda, Tanzania, Rwanda, Ethiopia, major cities)	Financial Services, Energy, Agriculture and Food	• Large capital base can be used to catalyse more innovative finance structures in more sectors • Longer term financing to cover short-term financing by private investors
Sustainability Aligned Fund Managers (SFMs)	Hundreds of Millions	Equity Debt	LIMITED	LIMITED	Low	**Moderately concentrated** (Kenya, Uganda, Tanzania)	Financial Services, Energy, Health	• Through engagement with grantmakers using innovative finance structures and co-investments to de-risk their investments.
Family Foundations (North America and Europe HQ)	Hundreds of Millions	Grants Debt Equity	Yes	Yes	Medium - High	Across all countries	Agriculture and Food, Education, Health, Economic Empowerment/Entrepreneurship/SMEs	• Large and flexible capital base, can drive innovative finance e.g. payment of outcomes for DIB; • De-risking of private impact investments into social enterprises in the region e.g. through TA funds.
Family Foundations (East Africa HQ)	Tens of Millions	Grants Debt	Yes	No	Medium - High	**Concentrated** (Mainly Kenya, Tanzania)	Health, Education	• Limited capital but opportunity to lead local venture philanthropy practice; • Partnerships with international funders.
Corporate Social Investors (North America and Europe HQ)	Hundreds of Millions	Grants Debt	Yes	LIMITED	Medium - High	**Moderately concentrated** (Kenya, Uganda, Tanzania)	Economic Empowerment/Entrepreneurship/SMEs, Health, Agriculture and Food	• Potential to mainstream impact through corporate sustainability.
Corporate Social Investors (East Africa HQ)	Tens of Millions	Grants Debt	Yes	LIMITED	Medium - High	**Moderately concentrated** (Kenya, Uganda, Tanzania)	Economic Empowerment/Entrepreneurship/SMEs, Health, Agriculture and Food	• Potential to mainstream impact through corporate sustainability.
Faith-based giving	Hundreds of Millions - Billions	Grants	Yes	No	Medium - High	Deep into rural areas in all countries	Health, Education	• Large capital base and geographic reach, enormous catalytic capital potential.
Angel investors	Millions	Equity	No	LIMITED	High	**Moderately concentrated** (Kenya, Uganda)	Financial Services, E-commerce, Real Estate, Logistics	• Supporting early-stage commercial social enterprises.
Government Schemes	Hundreds of Millions	Debt Guarantees	LIMITED	Yes	Medium	**Moderately concentrated** (Kenya, Uganda, Tanzania)	Agriculture and Food	• Large capital base, can be leveraged for innovative finance like SIBs.
Bilateral and Multilateral Donors	Billions	Grant Debt	Yes	Yes	Medium - High	Across all countries	Health, Education, Agriculture and Food, Water and Sanitation (WASH)	• Large capital base can be used to catalyse more innovative finance structures in more sectors e.g. in the form of DIB.
Diaspora remittances	Billions	Bonds	LIMITED	LIMITED	Low - Medium	Across all countries	Energy, Infrastructure	Large capital base, looking at innovative structured finance, especially in highly intensive sectors.

Billions · Hundreds of Millions - Billions · Hundreds of Millions · Tens of Millions · Millions

LIMITED Limited · Yes · No · High · Medium - High · Medium · Low - Medium · Low

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

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

*Capital Scale = range of capital deployed annually in the region as a group

5. DEMAND FOR SOCIAL INVESTMENT IN EAST AFRICA

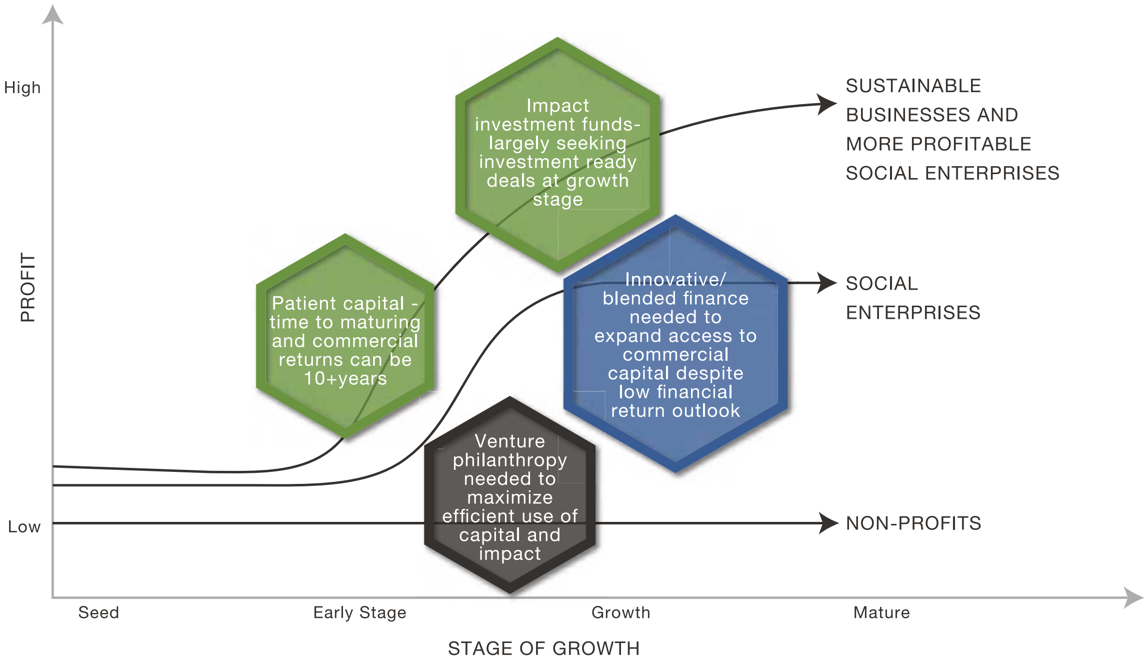
The supply of social investment capital in the region is not well aligned to demand from social enterprises and impact businesses.

- A significant financing gap exists at the early stage, with many social investors focusing on enterprises with established business models and a good track record.
- The well-known "missing middle" financing gap persists throughout the region, despite widespread recognition and serious attempts to reduce it. This gap affects start-ups and social enterprises seeking post-seed growth capital, as well as small and medium enterprises (SMEs)—those considered too small or risky for commercial investors and banks, yet too big to be catered to by microfinance institutions (MFIs) or grantmakers.
- Addressing these gaps requires catalytic funding and innovative instruments to de-risk and attract private investments. More patient growth capital is needed for scalable early-stage businesses that do not qualify for pure-play equity.

Non-profit organisations are seeking more local capital and sustainable operating models, as international grant funding declines.

- Most non-profit organisations in the region rely heavily on grant capital from bilateral donors and international foundations, which has been dwindling due to political changes in Western countries and shifting strategies away from grant-making toward impact investment.
- This trend could substantially hinder non-profit operations in the region and their provision of essential activities in many social sectors and communities where enterprises often find it difficult to operate profitably.
- More effort is needed to explore the potential of venture philanthropy and other innovative financing models to leverage local capital, improve the efficiency of non-profit operations, and secure sustainable funding.

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



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

The mobile money revolution has placed East Africa on the global map, giving rise to innovative business models that leverage digital technology to solve social challenges.

The launch of M-Pesa in Kenya in 2007 began a technological revolution that has given rise to innovative business models in sectors such as financial services, agriculture and healthcare. This coupled with the entrepreneurial spirit in the region has placed the region on the global map when it comes to innovation.

Start-up funders in the region favoured agriculture, healthcare, energy, and financial inclusion sector, with a strong bias toward fintechs.

An analysis of the SFM deals in the region shows that the largest number of deals (34%) were made into innovations and business models focused on solving financial inclusion challenges. Financial technology companies (Fintechs) have increasingly leveraged the high penetration of mobile money to facilitate access to quick loans and savings products for both business-to-business (B2B) and business-to-consumer (B2C) payments.

While the number of innovative business models established has been increasing, funding has been consistently flowing into only a few enterprises.

Top 10 companies in the region attracted over 69% of the total funding by SFMs, with 20% of the deals made in these companies. Investors have particularly shown interest in solar-based energy innovators such as M-Kopa, Solar Now, Greenlight Planet, and Azuri technologies; fintech companies such as Tala and Bitpesa; and agriculture market places such as Twiga, popularly referred to as "investor darlings".

The East Africa region has a significant proportion of expatriate founded and led enterprises;consequently, more funding in the region has gone to these enterprises at the cost of locally founded enterprises.

Compared to the West Africa region, East Africa has a higher number of expatriate enterprises, with 37% of Kenyan enterprises' founded/co-founded by foreigners, compared to 10% in Ghana and 5% in Nigeria.[8] In 2019, enterprises managed by local founders in Kenya only secured 6% of the total funding, while expat-founded start-ups received 88%[9] of the sum.

While the social enterprise and start-up ecosystem in the region has been undergoing unprecedented growth, key challenges hinder its full potential.

The research identified key challenges facing social enterprises and start-ups across the East African countries classified into three categories; ecosystem level, supply-side and demand-side challenges.

Figure 12: Challenges faced by Social Enterprises and Start-ups in East Africa

SUPPLY SIDE CHALLENGES	DEMAND SIDE CHALLENGES
Preference for funding international funders: The largest proportion of commercial capital in the region has been deployed into enterprises founded and managed by expatriates.	***Informality in early-stage businesses:*** An average of 66% of companies across the focus countries in the region are informal. This affects the ability to attract funding from investors as formal registration is a critical and mandatory requirement for fundraising for most financiers and investors.
Inadequate funding for early-stage and growth-stage businesses: Many start-ups and SMEs are still locked out of financing as investors focus on established post-revenue enterprises that are commercially viable.	***Human capital gaps:*** The social enterprises lack adequate skills to run the businesses limiting their growth potential. Further, due to resource limitations, most of the SEs cannot hire affordable talent and provide continuous training to their staff.
Unfavourable credit terms from traditional capital sources: Most start-ups and SEs have access to limited traditional financing options due to the high-interest rates, and strict underwriting and collateral requirements.	
Limited opportunities for women entrepreneurs: Women owned enterprises face unique challenges, ranging from social to financial barriers which limit their growth.	

ECOSYSTEM LEVEL CHALLENGES
Unfavourable business environment: Aside from Rwanda, the other focus rank unfavourably in the corruption perception and ease of doing business rank, indicating bureaucracies and challenges in the business and investment environment.
Lack of overarching frameworks for registering social enterprises: The social enterprise landscape is still nascent in the region with limited regulations guiding registrations of SES. Currently, the SEs are either registered as for-profit or as non-profit organisations.
Limited access to investors and information on investment opportunities: Most early-stage enterprises particularly locally owned, do not have access to investors, thus remain unaware of most investment opportunities. Further, most enterprises do not have required knowledge to understand and evaluate the investment instruments that would work best for their businesses.
High concentration of the support providers in the urban areas: Most ecosystem support organisations operate from the main cities with limited capacity building support services for enterprises outside these cities.

[8] Timon and Briter Bridges: Compensation Study, 2019 – 778 startups across 4 African countries were analysed as part of this study

[9] WerTracker: Expat Bias – Kenya Start-up Scene

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

Civil Society Organisations (CSOs) in the region performed poorly in the financial viability score, which indicates limited funding for CSO activities.

The CSO sustainability index measures the performance of CSOs in seven key dimensions, including the legal environment, organization capacity, financial viability, advocacy, service provision, sectoral infrastructure, and public image. CSOs across most focus countries in the region scored lowest[10] on the financial viability indicator- this can be attributed to the decline in foreign donor funding and insufficient local philanthropy and fundraising models to fill the gap.

With decreasing funding from international sources, non-governmental organisations (NGOs) are increasingly adopting alternative revenue-generating models.

Donors, international foundations, and international NGOs contributed the largest proportion of the financial resources for local NGOs and accounted for more than 80% and 95% of the total NGO funding in Kenya and Uganda, respectively. With the changing patterns of international funding, NGOs have been exploring other sources of income. The main models adopted include internal activities for revenue generation such as hosting events, charging for their services and membership fee), and crowdfunding models (running fundraising campaigns on local as well as internationally-based crowdfunding platforms).

NGOs/CSOs, across the countries, face several challenges linked to their financial and technical capacity.

The challenges are summarized into three categories as follows;

Figure 13: Challenges Faced by non-profits in East Africa

SUPPLY SIDE CHALLENGES	DEMAND SIDE CHALLENGES
Overreliance on international funding: Most funding for the NGOs comes from international sources, which has been decreasing. Further, the international funding tend to lead to a regional trend of 'mission-drift' in NGOs, with some projects failing to reflect on-ground realities where international donors drive project strategies.	***Human capital challenges:*** Given the inadequate administrative funding received by the NGOs, they are largely unable to hire and retain talent and mostly rely on independent project-based consultants and volunteers, resulting in challenges in building the institutional knowledge.
Restricted funding: Funding has majorly been to programmatic interventions with low funding to address capacity building needs of the NGOs.	***Poor public perception:*** Across the countries, there is an increasing perception of lack of transparency and accountability, financial mismanagement, and weak accounting of funds by the NGOs.
	Technical capacity constraints: Most of the funding provided to NGOs is directed towards project implementation with limited funding focusing on capacity building of the staff on technical skills

ECOSYSTEM LEVEL CHALLENGES
Unfavorable legal and regulatory environment: While meant to enhance the effectiveness of the industry, some of the regulations introduced by the local governments hinder the operations of the NGOs. This ranges from costly reporting requirements to bureaucracies in attaining eligibility for tax exemptions by the NGOs.
Lack of impact measurement mechanisms among the local NGOs: Most local NGOs do not collect impact data for their projects – unless it is a requirement by the donors. This is due to the lack of adequate understanding of impact measurement concepts and knowledge of impact data utilization for decision-making.

[10] FHI 360/USAID CSO Sustainability report, 2018

6. ENABLING ENVIRONMENT FOR SOCIAL INVESTMENTS IN EAST AFRICA

The guiding framework for social investments and philanthropy remains fragmented, with multiple laws and authorities governing the sector. The region, however, boasts of a high number of ecosystem support providers, including incubators, accelerators, service providers, and financial intermediaries. These Ecosystem Support Organisations (ESOs) mainly focus on supporting early-stage enterprises, with a dearth of quality and affordable support providers for the growth stage and mature enterprises. Further, the region has inadequate ESOs offering strategic advisory services for the philanthropy sector.

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

ECOSYSTEM CATEGORY	KENYA	UGANDA	TANZANIA	DESCRIPTION
POLICY AND REGULATORY ENVIRONMENT				
Policies and regulations				None of the focus countries in the region has an established overarching framework and policies for philanthropy, and registration of philanthropic organisations remains cumbersome and bureaucratic. Further, social enterprises are not recognised in any legal framework, while tax incentives for the sector remain inadequate.
ECOSYSTEM SUPPORT TRENDS FOR SOCIAL ENTERPRISES AND START-UPS				
Incubators and early-stage support				There is a growing number of incubators largely concentrated in Kenya.Most incubators, however, face capacity and funding challenges limiting their sustainability. Furthermore, most are sector-agnostic and thus offer generic support to enterprises. Support is also mainly concentrated in the main cities.
Accelerators and capacity-builders				Limited support exists for growing businesses/SMEs with a few affordable accelerators and TA providers operating across the countries.International donors and foundations mostly provide funding for TA with co-financing from enterprisesare also becoming popular.
Networks and platforms				There are several growing and well-established networking platforms in the region e.g. ANDE, ASSEK,Ashoka, and Kenya SDG Forum. Most of these Networks work across the region.
Knowledge and research				Data and information on the social investments industry particularly philanthropic, corporate and faith-based giving in the region, remain scatteredand inaccessible. Few organisations are working to build the knowledge base for the sector.
ECOSYSTEM SUPPORT TRENDS FOR NON-PROFITS				
Philanthropy forums, networks, and membership organisations				The research identified a few philanthropy networks operating across the region. These include; East Africa Philanthropy Network, Africa Philanthropy Forum, Kenya SDG Forum, andAfrican Venture Philanthropy Alliance. These platforms create avenues to build and disseminate sector-specific knowledge and mobilize resources.
Strategic philanthropy advisors				There are very few ESOs offering strategic support and advisory services to philanthropists on the deployment of funds and other alternative innovative finance structures that can be adopted to maximize impact through the grants deployed.
IMPACT MEASUREMENT AND MANAGEMENT				
Impact measurement and management (IMM) standards, tools and frameworks				The definition and measurement of impact remain varied amongst various social investors operating in the region with investors using multiplestandards, frameworks, and tools. SFMs, DFIs and international foundations mainly use global IMM frameworks. Most local social capital providers have developed their own IMM tools and metrics.26% of the investors interviewed leveraged global standardized metricswhile another 26% customised metrics for each investment.

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

High activities with increasing number of players

Moderate activities and number of players witnessed

Minimal to no activities witnessed

7. RECOMMENDATIONS AND OPPORTUNITIES FOR INDUSTRY STAKEHOLDERS

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

Table 4: Summary of Key Recommendations

	Recommendations for SI stakeholders	Priority Level
Recommendations to catalyze diverse and innovative pool of social capital	Enhancing collaboration among the stakeholders across the risk-return spectrum	High
	Promoting education and awareness on effective philanthropic practices	High
	Strengthening the role and engagement of the government in the social investment sector:	Medium
	Promoting the use and supply of catalytic capital	High
	Enhancing the use of innovative blended finance instruments	Medium
	Lowering the cost of matchmaking and conducting due diligence	Low
	Building capacity of fund managers	Low
Recommendations to empower organizations delivering social change (demand side players)	Developing new TA funding strategies to build investible locally founded pipeline	Medium
	Developing interventions to support human resources (HR) needs of enterprises	Low
	Promoting alternative funding models for NGOs/CSOs	Medium
	Establishing of a technical assistance toolkit and embedded capacity building for NGOs	Low
Recommendations to develop enabling environment and infrastructure	Bridging the broken link among the incubators, accelerators, and impact investors	Medium
	Improving the legal and regulatory frameworks	Medium
	Focused mobilisation and deployment of philanthropy funds	High
	Data building and development of knowledge tools	High
	Enhancing impact measurement and management	Medium
	Developing a blueprint to harness local sources of capital and diaspora funds of capital	High

7.1 RECOMMENDATIONS TO CATALYSE DIVERSE AND INNOVATIVE POOL OF SOCIAL CAPITAL

- **Promoting education and awareness of effective philanthropic practices:** More engagement is needed to create awareness amongst the philanthropic community and corporates on methodologies and tools for venture philanthropy. This could be achieved by establishing "philanthropy advisors" to support social investors in the effective deployment of philanthropy and catalytic funds in the region; organizing structured events bringing together different players; and introducing innovative finance training programs in the universities and training institutions across the region.
- **Strengthening the role and engagement of the government in the social investment industry:** Across the focus countries, governments have developed funding schemes for various population segments such as women and youth that social investors also target. The limited collaboration was, however, observed between governments and other social investors, with each working independently. Hence, there is a need to develop collaboration structures to drive more impact.
- **Promoting the use and supply of catalytic capital:** In the wake of a changing funding landscape globally, there is a need to leverage more catalytic capital in the region. Donors and international foundations are well-positioned to catalyse impact capital e.g., by providing credit or first loss default guarantees to cover the downside risk for commercial lenders lending to development sectors and in the early stage and "missing middle".

- **Increasing the use of innovative blended finance instruments:** Blended finance instruments and innovative structures such as Social and Development Impact Bonds (SIBs/DIBS) have increasingly been used as a new model to leverage funding from the private sector to fund development projects, especially in social sectors such as health, education, and youth employment.
- **Lowering the cost of matchmaking and conducting due diligence:** Lower ticket deal transactions are not attractive for most investors due to the high due diligence costs. Thus investors mostly deploy capital in the form of large ticket sizes that cannot be absorbed by most social enterprises. This cost could be lowered through a cost-sharing approach among the investors and the sharing of the due-diligence data. Further, development partners could subsidize the costs incurred by the private investors to conduct due diligence on small social enterprises and facilitate matchmaking.

7.2 RECOMMENDATIONS TO EMPOWER ORGANISATIONS DELIVERING SOCIAL CHANGE

- **Developing new TA funding strategies to build an investible pipeline of locally founded businesses:** While many technical assistance initiatives exist to support early-stage entrepreneurs, new strategies are still needed to move the needle on early and missing middle stage finance, especially for local founders. Venture philanthropists and foundations can help fill this gap by funding TA facilities linked to finance and through blended structures.
- **Developing interventions to support human resources (HR) needs of enterprises:** Financial constraints prohibit early-stage enterprises from hiring the right talent or up-skill their current talent. In order to build the HR capacities of enterprises, social investors could develop interventions such as subsidizing HR costs of enterprises or supporting ESOs that specifically run leadership and management programs.
- **Advocating for alternative funding models for non-profits:** With the declining donor funding to NGOs/CSOs, new and innovative funding models need to be leveraged to raise and attract more funding to support NGO/CSO activities. The organizations can explore several funding models leveraging internal sources (consultancy fees, asset building, membership fee, among others) and external sources (crowdfunding, microfinance, incubation, among others).

7.3 RECOMMENDATIONS TO DEVELOP ENABLING ENVIRONMENT AND INFRASTRUCTURE

- **Improving the legal and regulatory frameworks:** Governments in the region need to put in place key regulatory frameworks that attract various investors to the sector. Some key proposed regulations in the East Africa countries include the development of a “Start-up Act”; establishment of CSI policies and laws,and introduction of favorable tax incentives for social investments.
- **Focused mobilisation and deployment of philanthropy funds:** There is potential for“philanthropy advisors/ managers” who can mobilise and deploy philanthropy funds in line with the objectives of the philanthropists. Such players can also be leveraged to raise awareness on venture philanthropy practice, ensuring a balanced portfolio between philanthropy and venture philanthropy. They can also advise on co-investment opportunities for philanthropists and promote engagement between them and impact investors to drive the development of blended finance funds.
- **Data building and knowledge tools:** The disparate sources of data on the different social investment approaches observed across the region make it difficult to drive collaboration. Thus, continuous research on the sector and establishing a data portal bringing together different investors can enhance more partnerships and provide data-backed evidence on success models, identifying additional opportunities for strategic interventions amongst key social investors.
- **Enhancing impact measurement and management:** While most of the investors in the region measure impact, there is a need for standardization of impact measurement approaches, using models that are (a) relevant to the context in various African countries; (b) affordable and accessible to social investors operating at smaller transaction sizes; (c) relevant to core business operations for companies; and (d) relevant to strategic development and operational efficiency for non-profits.
- **Developing a blueprint to harness diaspora funds:** Despite the massive amounts of diaspora funds coming into the region, the potential for structured deployment of these funds has not been fully exploited, with only a few diaspora bonds issued mainly for infrastructure projects. There is thus a need to develop a blueprint for harnessing diaspora funds.

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INTRODUCTION AND OVERVIEW OF THE RESEARCH

1.1 BACKGROUND AND MOTIVATION OF THE STUDY

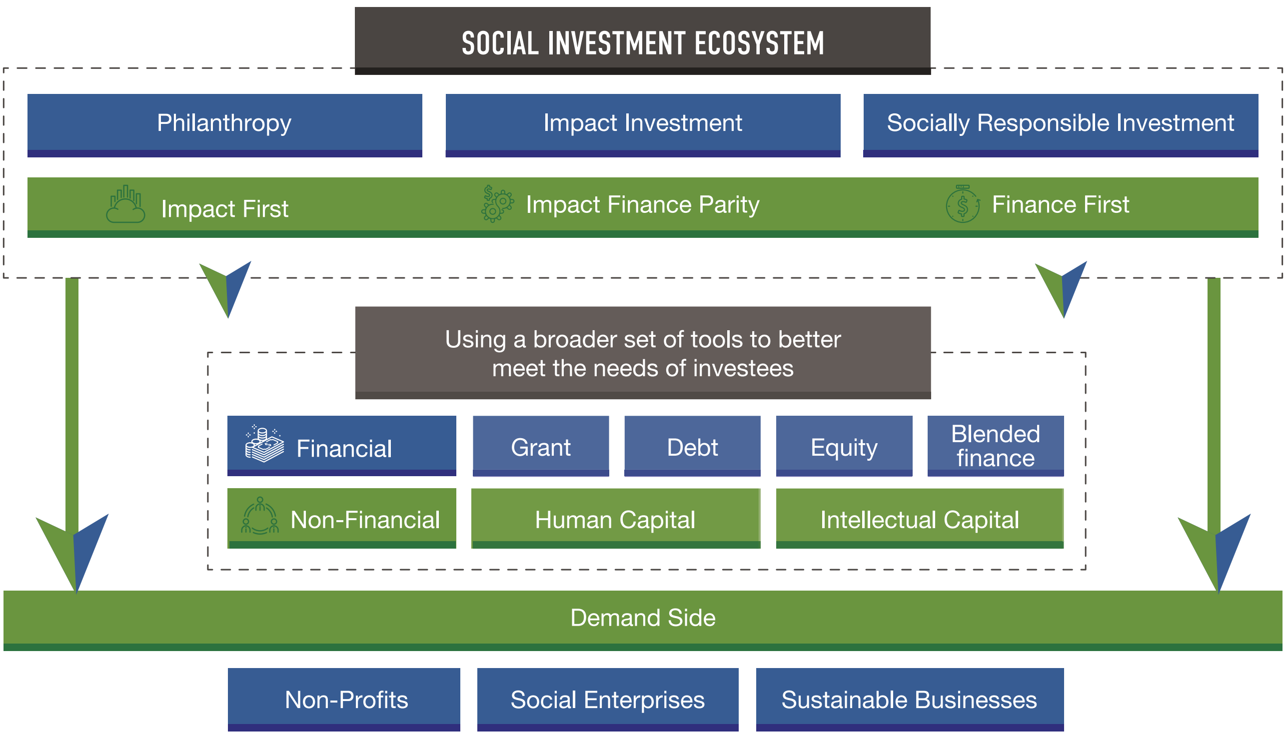
Strategic mobilization of private capital to supplement public and development capital for financing social issues has become a significant focus for countries worldwide.

At the current level of both public and private investments in the Sustainable Development Goals (SDGs) related sectors, developing countries face an average annual funding gap of US$ 2.5 trillion[1] with an estimated gap between US$ 500 billion and US$ 1.2 trillion[2] for Africa. The private sector is a critical catalyst in the attainment of the SDG goals, given that the sector commands a vast amount of financial as well as non-financial resources. Consequently, this has resulted in increased collaboration amongst various investors to design innovative and blended financial instruments to fund social sectors and solve development challenges.

Social investment has been gathering momentum across the world.

Social investment is an umbrella term that brings together diverse categories of funders aiming to achieve social and/or environmental impact. Broadly, social investments include financial and non-financial support deployed via venture philanthropy, impact investing (with a focus on investing for impact), and socially responsible investing. Social investment methodologies have proven to be a powerful strategy to create sustainable and scalable social and environmental impact by enabling diverse social investors to collaborate for a more significant impact on the achievement of the SDGs. Collaboration across different types of capital and investment strategies is needed, referred to as the “continuum of capital”.

Figure 1: Continuum of Social Capital



Adopted from Asia Venture Philanthropy Network (AVPN)

[1] United Nations Development Operations Coordination Office: Unlocking SDG Financing – Good practices from early adopters, 2018
[2] The SDG Centre for Africa: Africa 2030 Sustainable Development Goals, 3-year reality check, 2019

This report seeks to provide insights into the current state of social investing in East Africa. It is part of a series of three reports, where the other two focus on the state of social investing in West Africa and Southern Africa.

The report maps the activities by a diverse pool of social investors across the East Africa region and highlights opportunities to increase the impact of capital flowing into SDG-related areas. It also provides an assessment of the stakeholders requiring social capital, such as social enterprises, non-profit organisations, and the ecosystem enablers in the social investment sector. The study further makes recommendations on the potential for collaboration amongst diverse funders to scale impact which essential to achieve the SDGs.

Table 1: Key Definitions Used in the Study

DEFINITIONS ADOPTED	DEFINITION IN CONTEXT
Social investment is an umbrella term for financial and non-financial capital deployed according torigorous investment principles to generate positive social and environmental impact, with varying financial return expectations.	• Social investment 'capital' takes various forms: financial (grants, debt, equity, blended finance), intellectual and human capital. • Social investment includes many different investment strategies with in the fields of philanthropy, impact investment, and sustainable and responsible corporate investments.
Philanthropy, as the donation of capital to promote human welfare, is deeply rooted in the cultural traditions of Africa. Across the continent, philanthropic giving takes many forms at both the individual and institutional levels.	• Venture philanthropy builds on the philanthropic tradition by introducing a high-touch engagement and long-term approach where by a philanthropist provides tailored financial and non-financial support with a focus on maximising, measuring and managing social impact. Generating positive impact isthe priority for venture philanthropists. • 'Long-term, high-touch engagement, and non-financial support' are provided to a grantee or investee to maximize social impact, and/or strengthen organizational resilience. • 'Tailored financing' implies customizing financing based on investee needs, and can take the form of grants, debt, equity or blended finance,deployed with philanthropic intent to social enterprises or non-profits.
Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.[3]	• Impact investments are made by a wide variety of investors, via diverse asset classes, with financial return expectations that vary from preservation of capital to market-rate returns. • Increasingly across Africa, impact investors are drawing on philanthropic grant capital to establish innovative financing vehicles and transactions. Catalytic capital, blended finance and hybrid financing are important tools through which to crowd more private sector capital into investments that achieve social and environmental impact.
Socially responsible investment is investments made into sustainable businesses that promote ethical and socially conscious themes. While social returns are important, financial returns are often the primary concern for socially responsible investors.	• 'Sustainable businesses' are businesses that have a minimal negative impact, or potentially a positive effect on the environment, society, and the economy. • Corporates throughout Africa are increasingly adopting sustainable business models that create shared value for the corporate, society and the environment. Many large corporates are also establishing foundations and other programs to facilitate institutional social investments.
Social enterprises are businesses with a primary focus on achieving social or environmental impact in a financially sustainable manner. In Africa, social enterprises often employ technology and innovation to address critical needs for the 'bottom of the pyramid'	• 'For-profit' social enterprises focus on generating social and environmental impact, with financial profits often reinvested into the social mission. • 'Bottom of the pyramid' social enterprises usually target the low-income population that lacks access to critical services. • 'Critical needs sector' seeks to address challenges in critical social sectors such as education, health, water and sanitation, agriculture, and financial inclusion.

[3] As defined by the Global Impact Investing Network.

DEFINITIONS ADOPTED	DEFINITION IN CONTEXT
Sustainable businesses are growth to mature stage for-profit companies seeking to achieve financial sustainability alongside social and environmental impact.	• 'For-profit' businesses whose primary focus is to generate financial returns. • 'Growth to mature stage' businesses that have existed for a number of years and have shown potential for continued growth and scale.

1.2 REPORT STRUCTURE AND SCOPE

The research analyses social investment trends and activities, over the last five years (2015-2019), in three deep dive countries i.e. Kenya, Uganda and Tanzania.

The report also touches on key social investment activities in Rwanda, Ethiopia and South Sudan. The various categories of social investors and non-financial capital providers included in this study are highlighted in the table below.

Table 2: Archetypes of stakeholders (financial & non-financial) included in the study

ARCHETYPES OF SOCIAL INVESTORS	
Investor Categories	**Description**
Bilateral and Multilateral Donors	Donors are government-led development assistance agencies that deploy public funds, traditionally in the form of grants, to support an international development agenda. These organizations can be bilateral when funded by one government or multilateral when funded by multiple governments such as the United Nations agencies. The report covers both multilateral and bilateral donors.
Development Finance Institutions (DFI)	DFIs are specialized development banks or their subsidiaries set up to finance economic development projects in developing countries. These organizations are usually majority-owned by national governments and source their capital from national or international development funds. The report covers multilateral, bilateral, and national DFIs.
Corporate Social Investors (CSIs)	Corporate social investors (CSIs) are vehicles/programs set up, funded, and closely linked to a corporate; these include corporate sustainability programs, corporate foundations, corporate impact funds, and accelerator/incubator programs. The study considered activities of both regional and international corporate social investors operating in the region.
Family Foundations	Family foundations deploy capital for charitable purposes through a dedicated endowment, often funded and controlled from a single source such as a wealthy family or individual. The study considered activities of regional and international family foundations.
Faith-Based Giving	Faith-based giving is backed by religious institutions carrying out philanthropic social programs which are implemented through faith-based organisations (FBOs)
Sustainability Aligned Private Fund Managers	These are private fund managers (including venture capital funds, private equity funds, debt funds, blended finance funds, incubators, and accelerators) deploying capital raised from limited partners (LPs) into sectors contributing to achieving the SDGs in the region.
Angel Investors, HNWIs	Angel investors and high-net-worth individuals (HNWIs) deploy their capital typically into new or small business ventures with the expectation of financial return as a priority. Angel investors are also organised into 'angel networks' that deploy capital on behalf of these angels.
Government	These are schemes funded and financed by the national, local, or regional government independently or jointly with the private sector, DFIs, donors, etc.

ARCHETYPES OF NON-FINANCIAL CAPITAL PROVIDERS	
Categories	**Description**
Incubators	'Incubators' provide business advisory and mentoring support in the early stages to incubate innovative ideas into sustainable business models.
Accelerators	'Accelerators' provide specially designed programs to help entrepreneurs grow and scale sustainable for-profit businesses.
Professional Service Firms	'Professional service firms' provide professional strategic and business consulting support to enterprises and non-profits. Such support includes business development services that help develop business models, financial strategies, and scale-up strategies, as well as financial management advisory, tax, legal, human resources, amongst others.
Academia/ Research Institutions	These are institutions focused on producing relevant sector research, policy advocacy, or other academic resources.
Network/ Association	An industry association or convening network bringing together various stakeholders in the social investment Industry.

The report is organised in six chapters. In Chapter 1, the report introduces the reader to the motivation of the research and the methodology used.Chapter 2 provides an overview of the social investment landscape in East Africa, including the demographic and socioeconomic context, an overview of key players in the social investment sector, and the evolution of social investment at national and regional levels. An in-depth examinationof the different categories of social investors active in the region, and their investment strategies and trends are provided in Chapter 3. The findings and viewpoints from the social enterprises and non-profit organisations that form the demand side players are laid out in Chapter 4. An assessment of the enabling ecosystem, including regulation and business support services, is provided in Chapter 5. And finally, Chapter 6 provides recommendations for the social investment sector going forward.

1.3 METHODOLOGY ADOPTED (DATA COLLECTION AND ANALYSIS)

The report presents both qualitative and quantitative insights generated from secondary and primary research sources.

The study leveraged concurrent triangulation, which is a mixed-method approach involving a collection of qualitative and quantitative information from structured interviews and ongoing secondary research.

a) ***Literature review/ desktop research –*** Secondary research was undertaken at the onset of the research to (i) provide an understanding of the macroeconomic and demographic context of the focus countries and identify key development gaps/challenges facing these countries, (ii) evaluate existing research on the social investment industry and outline key research gaps, and, finally (iii) compile a list of active players in the supply, demand and ecosystem level to be engaged for primary research. The data gathered helped shape the primary research tools e.g., questionnaires and discussion guides.

b) ***Stakeholder interviews –*** The report relies heavily on insights from one-on-one interviews conducted with 51 stakeholders in the region, including social investors such as DFIs, international foundations, local foundations, and impact investors; demand-side players including social enterprises and non-governmental organizations (NGOs); and ecosystem enablers such as incubators, accelerators, professional service providers/firms, research and academia. These interviews aimed to collect both quantitative (investment activity data), and qualitative information on investment deployment strategies of different investors, partnerships established, key challenges facing the investors, and their perception of the industry. Further, interviews with the demand side players were conducted to identify critical financial and non-financial needs, while interviews with ecosystem enablers provided insights on the type of support offered to the sector and key gaps in organizational support.

c) ***Transaction mapping through online sources –*** Publicly available transaction/deal data was collected from individual websites of social investors as well as social enterprises. Besides, data was leveraged from three online deal platforms i.e. Crunchbase, Baobab Insights and Candid/Foundation Centre to aggregate disclosed deal information.

d) ***Quantitative online survey –*** Online surveys were conducted to gather quantitative information such as investment deals from various social investors. Eighteen survey responses were received for East Africa through online surveys.

The research team synthesized all the information gathered through desktop research and primary interviews to derive regional and country insights on key social investment trends, drivers of social investment activity and uncover gaps across the supply, demand and ecosystem levels of the sector. The analysis presented provides a baseline for the social categories particularly local providers that need to be explored further in detail. The research team would like to emphasise that while the data collected is non-exhaustive, it sufficiently provides directional guidance for the trends reported in this section.

Table 3: Summary of data source and transactions mapped for each investor category

Investor	Data sources
Development Finance Institution (DFI)	The research team collected the transaction data by bilateral and multilateral DFIs froma)websites of DFIs and b)primary interviews with DFIs. The team mapped a total of 326 direct, indirect (fund of funds) and programmatic transactions made by 12 DFIs in the region between 2015 and 2019. The funding data for these 326deals have formed the basis of analysis for this section.
Sustainability Aligned Private Fund Managers (SFM)	This research mapped 364 transactions made by SFMs in SDG focused sectors in the region between 2015 and 2019. However, funding data for only 217 deals was publicly available; these deals have formed the basis of analysis for this section. The researchers collected this transaction data from a)websites of SFMs as well as businesses in which investments were made b)two online deal platforms i.e. CrunchBase and Baobab Insights and c)online surveys and interviews with SFMs.
Corporate Social Investors (CSIs)	This section provides an analysis of East African, North American, European and Asian corporate social investors (CSIs) active in the region. The research singled out the North American CSIs due to prominent activities in the region as well as data availability compared to other international CSIs.The insights presented in this section rely on interviews with CSIs as well as transaction data collected through resources mentioned below: a) ***East Africa-headquartered CSIs –*** The transaction data reported in this section were collected from a) websites of corporates and corporate foundations for publicly available data on their activities in social investment space b) Recent publication by the *Bridgespan Group* on large scale giving by African philanthropists c) interviews with corporates and corporate foundations from the region, d) EAPN Data Portal, and e)other verified press releases and news articles. The researchers were also able to map 69 transactions (donations/grants/debt) by corporate social investors between 2014 and 2019. b) ***North America-headquartered CSIs –*** The grant data presented were collected from a) websites of foundations b) interviews with foundations and c) online database - *Foundation Centre* which aggregates funding activity by top US and non-US based foundations.
Family Foundations	This section provides an analysis of East African, North american other family foundations active in the region. Similar to CSI, the research singled out the North American family foundations due to prominent activities in the region as well as data availability compared to other international family foundations.The insights presented in this section rely on interviews with family foundations as well as transaction data collected through resources mentioned below: a) ***East Africa-headquartered family foundations:*** The data reported in this section are collected from a) publicly available data on websites of local family foundations on their activities in social investment space b) recent publication by the Bridgespan Group on large scale giving by African philanthropists c)interviews with local family foundations from the region d)the East Africa Philanthropy Network (EAPN) Data Portaland e) other verified press releases and news articles. The researchers were able to map 27 transactions (donations/grants/debt) by local family foundations/trusts between 2012 and 2019. The period for this stakeholder category was extended in order to build a more comprehensive database that can be leveraged to draw key insights and trends.

Investor	Data sources
	b) ***North America-headquartered family foundations:*** The data presented were collected from a) websites of foundations b) interviews with foundations and c)online database – Foundation Centre that aggregates funding activity by top US and non-US based foundations.
Multilateral and Bilateral Donors	Total ODA data was derived from World Bank Development Indicators and specific donor websites. The researchers also aggregated close to 17,000 transactions in the region from donor websites (actual amounts spent) which informed the trend analysis for this section.
Angels and Angel Networks	This section covers the activities of the angel investors active in the social investment space. The transaction data were collected from a)interviews with the angel networks in the region, b)publicly available information on the angel network's websitesand c) two online deal platforms i.e. CrunchBase and Baobab Insights. A total of 27 angel investment deals were identified.

1.4 RESEARCH LIMITATIONS

The following are key limitations of the study:

- ***Secondary data availability –*** The research focused on countries with a nascent social investment industry where limited research had been conducted. Hence, access to secondary data was limited.
- ***COVID-19 crisis –*** The Covid-19 pandemic resulted in organizations shifting focus to managing the situation. Thus, some critical stakeholders were unable to participate in research activities.
- ***Willingness to share information –*** Philanthropic and social investment activities, particularly those carried out by East African family foundations across the region are often kept private. Thus, some organizations were reluctant to disclose information.
- ***Non-exhaustiveness of transaction/deal data –*** The report covers a wide variety of social investors currently investing in the region. Therefore, it should be mentioned that the transaction/deal data presented in the report are non-exhaustive as they only include publicly disclosed transactions. However, the researchers are still confident that the deal data and quantitative information collected sufficiently provide directional guidance for the trends reported in this research.

02

02

THE SOCIAL INVESTMENT LANDSCAPE IN EAST AFRICA

2.1 DEMOGRAPHIC AND SOCIO-ECONOMIC TRENDS IN THE REGION

High economic growth, coupled with a growing population in the East Africa region, makes it a favourable destination for social investments.

At a regional[4] level, East Africa has recorded the fastest economic growth in Africa in the past decade. Economic growth in the entire region was estimated to be 5.0% in 2019[5]. Although there were projections of continued growth in the coming years, the current COVID-19 pandemic is expected to slow down this growth.
Most of the focus countries have contributed to this growth with Rwanda, Ethiopia, and Tanzania projected to be amongst the ten fastest-growing economies globally in 2020-21[6]. South Sudan saw an accelerated economic growth from 0.5% in 2018 to 5.8% in 2019[7], mainly due to the increase in oil production following the peace agreement in 2018. As of March 2020, the entire East African region's population was estimated at 444 million[8], with about 67% residing in the focus countries of this study, i.e. Kenya, Uganda, Tanzania, Ethiopia, Rwanda, and South Sudan. The large population presents a significant consumer base for various goods and services.

GDP and Population growth, 2019

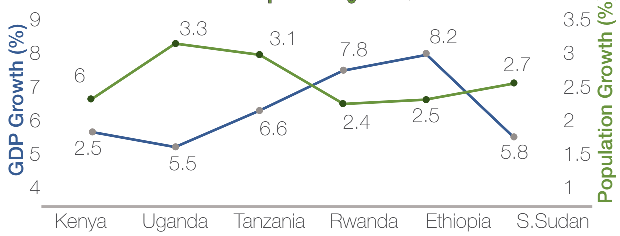
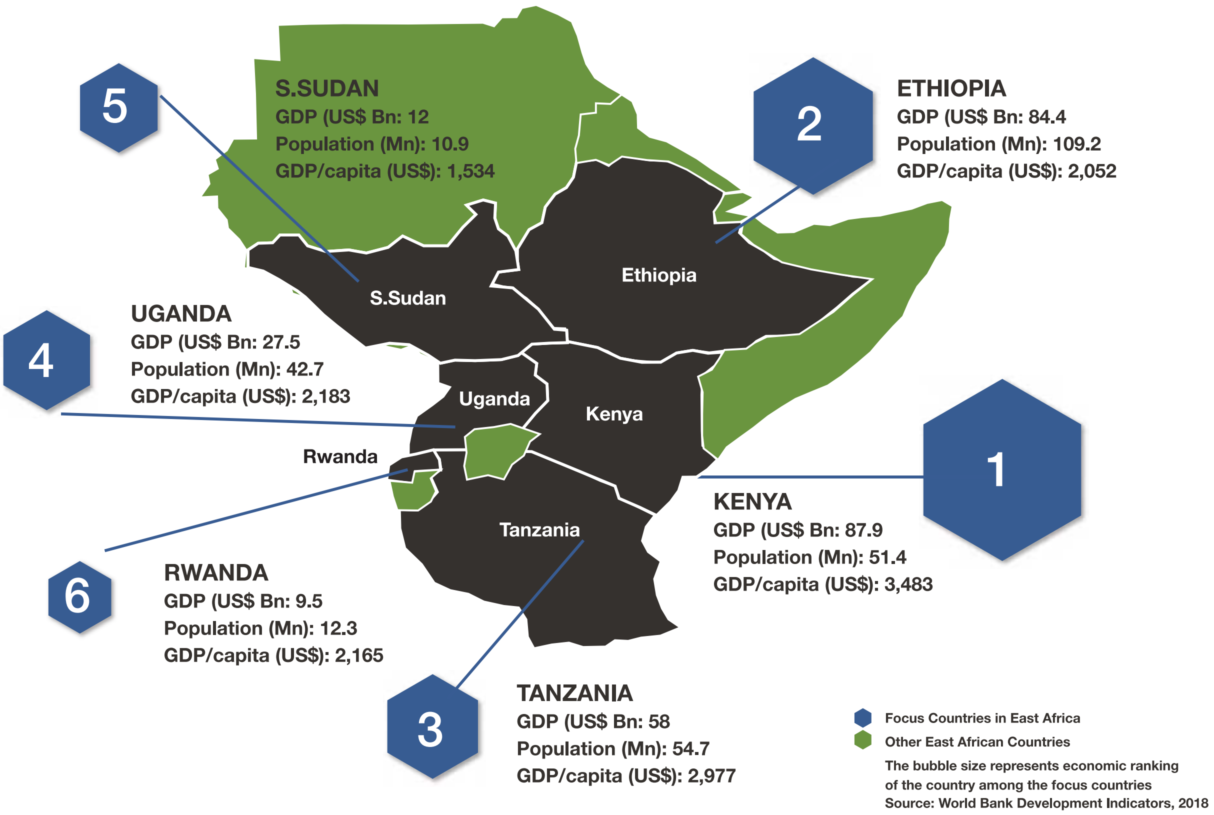


Figure 2: Economic Overview of the Focus Countries



[4] Refers to the 13 countries in the region: Burundi, Eritrea, Ethiopia, Djibouti, Sudan, Tanzania, Uganda, Rwanda, Comoros, Kenya, Seychelles, Somalia and South Sudan

[5] AFDB African Economic Outlook 2020

[6] AFDB African Economic Outlook 2020

[7] AFDB African Economic Outlook 2020

[8] Worldometer, 2020

Political instability and insecurity in some countries in the region, however, hinder the attainment of full economic potential.

While some countries such as Uganda, Tanzania, and Rwanda enjoyed political stability in the past decade, some countries still grappled with instability and security threats. Kenya, for instance, has suffered several terrorist attacks from the Al-Shabab terrorist group and post-election volatilities. South Sudan is also just recovering from political infighting and violence, which has plagued the country since 2013. High insecurity and instability harm the economy with a slowdown of the business environment, thus lowering levels of capital flowing in the economies.

East Africa faces significant development challenges that counter the region's advancement towards the Sustainable Development Goals (SDG) agenda.

Figure 3: SDG Rating and Trends

SDGs	KENYA	UGANDA	TANZANIA	RWANDA	ETHIOPIA	SOUTH SUDAN
GLOBAL RANK/162 COUNTRIES	125	140	128	126	135	N/A (Not ranked)
AFRICA RANK /52 COUNTRIES	12	18	16	12	21	52
01 NO POVERTY	Significant challenges, stagnating	Significant challenges, stagnating	Major challenges, stagnating	Significant challenges, stagnating	Significant challenges, on track to achieving SDG	Major challenges, decreasing
02 ZERO HUNGER	Major challenges, stagnating	Major challenges, stagnating	Major challenges, moderately improving	Major challenges, stagnating	Major challenges, moderately improving	Major challenges, no information
03 GOOD HEALTH AND WELL BEING	Major challenges, moderately improving	Major challenges, moderately improving	Major challenges, stagnating	Major challenges, stagnating	Major challenges, moderately improving	Major challenges, stagnating
04 QUALITY EDUCATION	Significant challenges, stagnating	Significant challenges, stagnating	Major challenges, stagnating	Major challenges, stagnating	Major challenges, stagnating	Major challenges, stagnating
05 GENDER EQUALITY	Significant challenges, moderately improving	Major challenges, stagnating	Significant challenges, moderately improving	Challenges remain, moderately improving	Major challenges, stagnating	Major challenges, stagnating
06 CLEAN WATER AND SANITATION	Major challenges, stagnating	Major challenges, stagnating	Major challenges, stagnating	Significant challenges, stagnating	Major challenges, stagnating	Significant challenges, stagnating
07 AFFORDABLE AND CLEAN ENERGY	Major challenges, stagnating	Major challenges, stagnating	Major challenges, stagnating	Major challenges, moderately improving	Major challenges, stagnating	Major challenges, no information
08 DECENT WORK AND ECONOMIC GROWTH	Challenges remain, moderately improving	Significant challenges, on track to achieving SDG	Significant challenges, moderately improving	Significant challenges, moderately improving	Significant challenges, no information	Major challenges, no information
09 INDUSTRY INNOVATION AND INFRASTRUCTURE	Major challenges, moderately improving	Major challenges, moderately improving	Major challenges, stagnating	Major challenges, moderately improving	Major challenges, stagnating	Major challenges, no information
10 REDUCED INEQUALITIES	Significant challenges, no information	Challenges remain, no information	Challenges remain, no information	Significant challenges, no information	Challenges remain, no information	Significant challenges, no information
11 SUSTAINABLE CITIES AND COMMUNITIES	Significant challenges, stagnating	Major challenges, decreasing	Major challenges, stagnating	Major challenges, no information	Major challenges, stagnating	Major challenges, decreasing
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	SDG achieved, no information	Challenges remain, no information	Challenges remain, no information	SDG achieved, no information	Challenges remain, no information	Data not available, no information
13 CLIMATE ACTION	Challenges remain, on track to achieving SDG	SDG achieved, on track to achieving SDG	SDG achieved, on track to achieving SDG	SDG achieved, 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, moderately improving	Data not available, no information	Major challenges, moderately improving	Data not available, no information	Data not available, no information	Data not available, no information
15 LIFE ON LAND	Significant challenges, decreasing	Significant challenges, stagnating	Significant challenges, stagnating	Challenges remain, stagnating	Challenges remain, stagnating	Challenges remain, moderately improving
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Major challenges, stagnating	Major challenges, stagnating	Major challenges, stagnating	Major challenges, stagnating	Major challenges, stagnating	Major challenges, stagnating
17 PARTNERSHIP FOR THE GOALS	Significant challenges, stagnating	Major challenges, stagnating	Major challenges, stagnating	Major challenges, moderately improving	Major challenges, stagnating	Major challenges, no information

MAJOR CHALLENGES | SIGNIFICANT CHALLENGES | CHALLENGES REMAIN | SDG ACHIEVED | DATA NOT AVAILABLE | DECREASING | STAGNATING | MODERATELY IMPROVING | ON TRACK TO ACHIEVING SDG | NO INFORMATION

Source: SDG Index and Dashboard

Moderate progress has been made to improve access to essential services (SDG 1 to SDG 9) for most of the East African countries. The region's SDG ranking of 53.5 is slightly lower than the Sub-Saharan Africa (SSA) regional score of 53.8.[9] On average, most of the countries in the region still face significant challenges in achieving the SDG targets. The region notably lags in achieving SDG 3 (health), SDG 9 (infrastructure), and SDG 16 (peace and strong institutions) where all the countries significantly lag. Moderate progress has also been achieved in SDG 2 (zero hunger) and 7 (clean energy) with 85% and 77% of East African countries, respectively, reporting facing significant challenges in achieving the targets[10].
Furthermore, 69% of the countries reported difficulty in achieving SDG 4 (education), 11 (sustainable cities and communities), and 17 (global partnerships). Kenya and Rwanda are among the top performers in the region, both ranked 12th in Africa; the two countries have achieved one and two SDGs respectively. South Sudan is among those performing poorly; the country lags in 11 SDGs and is ranked 52nd in Africa. Ethiopia is also lagging in 10 of the SDGs and none of the SDGs achieved. Uganda and Tanzania have both achieved one SDG each but report significant challenges in nine and eleven SDGs respectively.

Traditional funding for social causes in the region remains inadequate. This creates a need to enhance collaboration among local, international, public, and private social capital providers to make better use of available capital.

46%

Increase in FDI in the region (2013-2018)

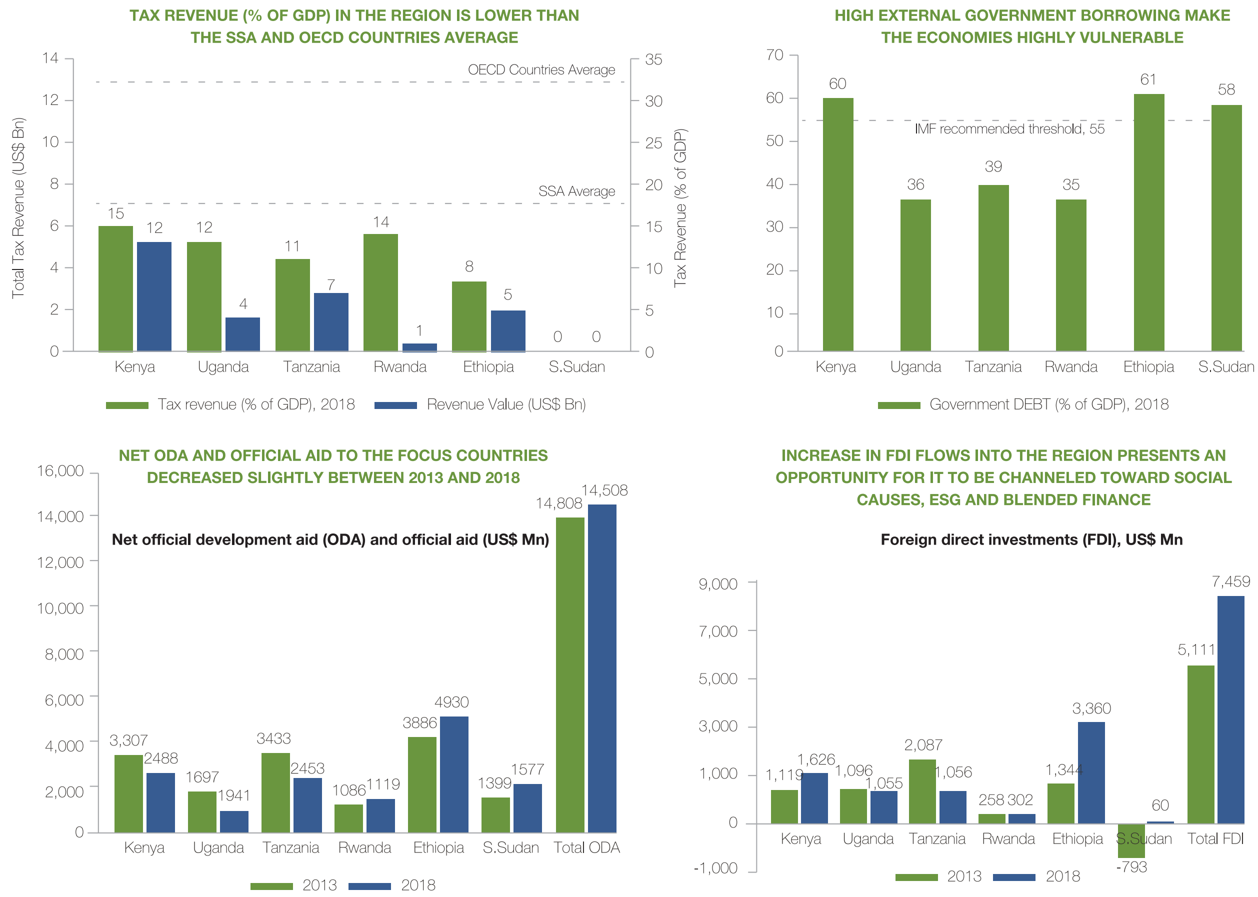
2%

Decrease in ODA in the region (2013-2018)

Tax revenue, which accounts for a large proportion of financial resources available for social investment in the focus countries, averaged 12.5%[11] of GDP in 2018, less than half of the Organisation for Economic Co-operation and Development (OECD) country-level of 34%[12] and less than the SSA average of 19% in the same year. This has contributed to an increase in external borrowing, which led

2.2 THE NEED FOR SOCIAL INVESTMENT IN EAST AFRICA

Figure 4: Trends in Traditional Funding Source



Source: World Bank Development Indicators, OECD Africa Revenue Statistics, Trading economics.
NB: Tax Revenue data for South Sudan, not available; Net ODA South Sudan = 2011 & 2018, and FDI data = 2012 & 2018

[9] Sustainable Development Report, 2019
[10] 2019 Africa SDG Index and Dashboards Report, SDG Center for Africa and Sustainable Development Solutions Network
[11] World Bank Development Indicators, 2018
[12] OECD: Revenue Statistics, 2019

to a high government debt to GDP ratio (averaging 48%[13] in 2018 in the focus countries). The official development assistance (ODA) in the focus countries has remained largely constant, with a slight decrease of 2% between 2013 and 2018. Foreign direct investments (FDI) into the focus countries have however, been increasing over the last five years. The FDI experienced a 46% increase over the same period, despite a 39% decline in FDI globally.[14] The increase in FDI in the region can be primarily attributed to interests in the infrastructural development plans, natural resources, and extractive industry, including the discovery of oil and gas in the region.

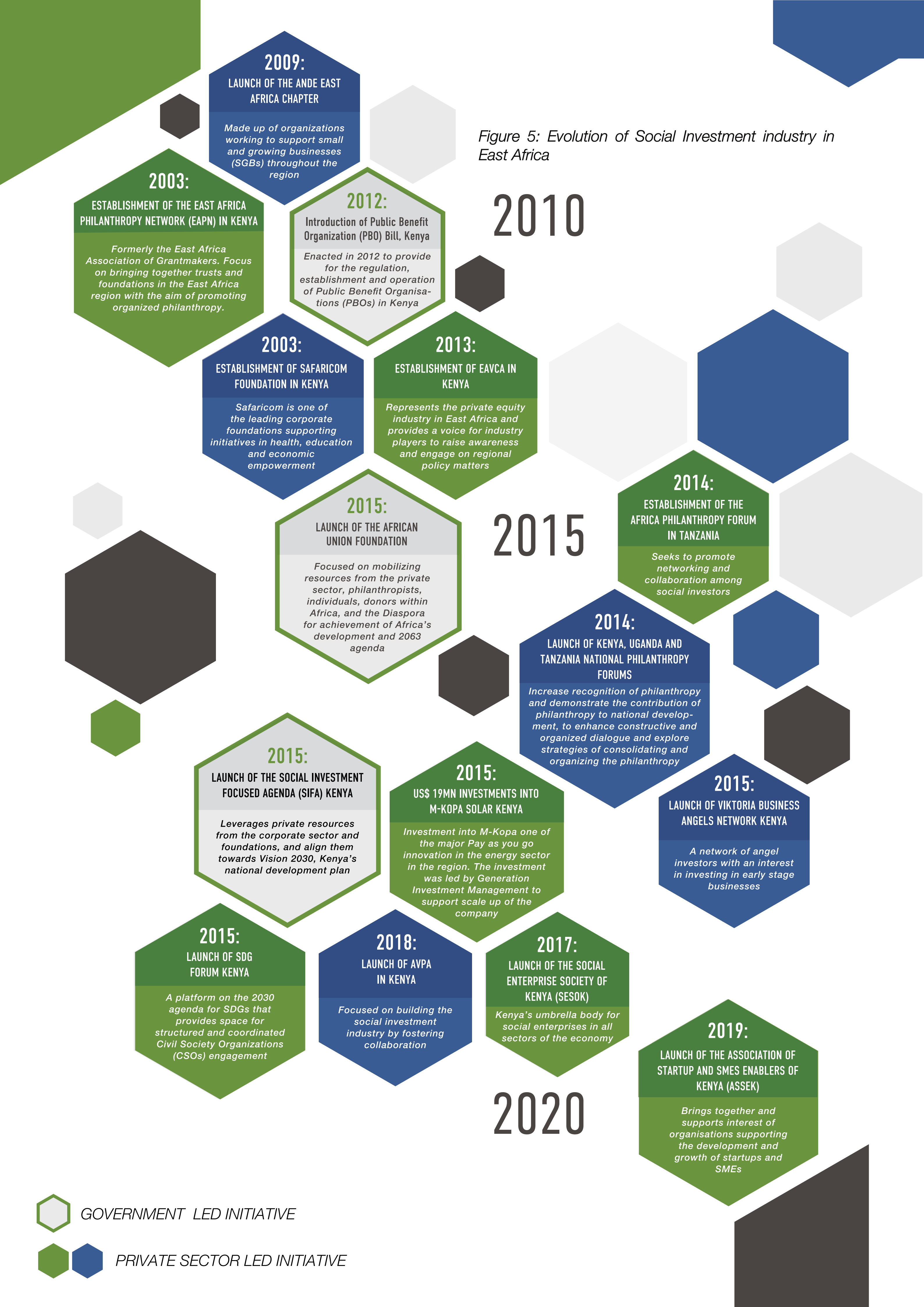
2.3 EVOLUTION AND TRENDS IN THE SOCIAL INVESTMENT INDUSTRY AT A REGIONAL AND NATIONAL LEVEL

The social investment industry in the focus countries has evolved over the past 10 years, with many milestones achieved.

The government, as well as the private sector, have been at the forefront of launching initiatives aimed at promoting the growth of the sector. Some of the shifts in the industry include increased launch of sustainability programs by corporates e.g. Safaricom, Kenya Commercial Bank (KCB), and Equity Bank; the launch of initiatives to promote capacity development of social enterprises; and the establishment of national forums to promote philanthropy. The governments have also been at the forefront in creating an enabling ecosystem for the industry, establishing dialogue for private sector engagement, and introducing policies and regulations.

[13] IMF Data: Government debt (% of GDP)
[14] World Bank Development Indicators, 2018

Figure 5: Evolution of Social Investment industry in East Africa



01 *Institutional philanthropy in East Africa is becoming more vibrant with the strengthening of networks and philanthropy forums.*

Philanthropy in East Africa comprises of faith-based, individual, community, family and corporate philanthropy. The philanthropy space is growing in East Africa, especially in Kenya, Uganda and Tanzania, driven by ecosystem support organisations which have focused on strengthening policy advocacy and government engagement. East Africa Philanthropy Network (EAPN), formerly 'East Africa Association of Grant Makers (EAAG)', established in 2003, was one of the first philanthropy networks on the continent. The network has regional chapters across Kenya, Uganda, and Tanzania with active participation by the philanthropists in the National Philanthropy Forum networks established in these countries. EAPN has brought together various trusts and foundations from across the region through the national philanthropy chapters to promote indigenous philanthropy.

operational in the country. Some of these foundations have deployed a significant amount of capital. For instance, Safaricom Foundation invested US$ 4.3Mn[19] to various health, education, and economic empowerment initiatives in 2019; Equity Group Foundation has spent US$ 723Mn[20] to date on entrepreneurship and education while KCB Foundation has spent US$ 10Mn[21] to date across several East African countries. Furthermore, some corporates are establishing their investment vehicles e.g. the Safaricom Spark Venture Fund (US$ 1Mn), and the Johnson and Johnson venture fund that invests in impact-focused enterprises. Corporate foundations are increasingly working with other social investors to scale up their interventions. The MasterCard Foundation is, for example, working alongside KCB Foundation to scale up the Tujiajiri Program while the Government of Kenya is supporting the Equity Group Foundation in the scale-up of the Wings to Fly education program.

Ecosystem institutions, established to advance the CSR agenda in the region, such as the Center for Social Responsibility and accountability (CESRA) in Kenya, CSR

Figure 6: Spotlight: East Africa Philanthropy Network (EAPN) - Regional Network

The EAPN (formerly East Africa Association of Grant Makers) was established in 2003 and brings together Trusts and Foundations in the East Africa region with the aim of promoting philanthropy.

COMPOSITION	KEY ACHIEVEMENTS
The association has about 52 full member organizations and over 200 members associated with the Network.	Facilitated the creation of national philanthropy forums in Kenya, Uganda and Tanzania that bring together stakeholders to discuss strategic issues.
The member categories include; Corporate Foundations, Family Foundations, Community Foundations, Faith Based organizations, and International organizational with local presence in East Africa.	Launched the East Africa Philanthropy Portal– an online platform that would regularly capture and analyze reliable data on philanthropy organizations in East Africa (Kenya, Uganda, and Tanzania.

02 *Corporates foundations in the region are driving the social investment space, establishing partnerships with other social investors to deliver sustainability programs*

Corporates in East Africa are increasingly moving away from ad-hoc based CSR to a more strategic and sustainable investment approach. In 2016, corporate giving in Kenya was dominated by institutions in the manufacturing, ICT and banking/finance sectors.[17] In Tanzania, oil and gas, mining, and professional services companies are the major players in corporate giving. Since the establishment of the Safaricom Foundation in Kenya in 2003, more corporates, particularly in the banking sector, have followed suit, launching operating foundations to deliver on their sustainability and social investing agenda. Corporate foundations account for 21%[18] of all foundations currently

Africa, and Beyond Profit (Kenya), are playing a pivotal role in the advancement of corporate sustainability.

03 *Governments in the region, particularly in Kenya, are enhancing collaboration and engagement with philanthropy stakeholders.*

Governments have been supporting the activities of the philanthropy sector and leveraging their potential in implementing the National Development Agenda and the SDGs. For example, in Kenya, there have been a lot of philanthropy-government collaborations, majorly in the area of education and health e.g. the Government of Kenya (GoK) has been working with Equity Group Foundation to enhance secondary education financing. Such collaboration has been boosted by initiatives such as the Social Investment Focused Agenda (SIFA) driven by the Office of the Deputy Vice President. In 2016,

[17] Yetu Initiative: Corporate Philanthropy in Kenya, 2017
[18] OECD netFWD (2017), Bringing Foundations and Governments Closer: Evidence from Kenya
[19] Safaricom: Sustainable Business Report, 2019
[20] Equity Group Foundation Website
[21] KCB Foundation Annual Report, 2018

SIFA worked with other philanthropy actors to launch the Guidelines for Effective Philanthropic Engagement in Kenya, which seek to reduce the barriers and challenges around collaboration, thus enhancing the philanthropy sector. Furthermore, the government has launched programs such as the Women's Enterprise Fund and the Uwezo Fund to support social investing in women and youth enterprises.

SPOTLIGHT: SOCIAL INVESTMENT FOCUSED AGENDA (SIFA)

Launched in 2015, SIFA is a public private partnership forum co-ordinated by the Deputy President's office and Kenya Private Sector Alliance (KEPSA) with the primary objective of promoting the alignment of corporate and philanthropic social investments with the Sustainable Development Goals and Vision 2030

Figure 7: Spotlight: Centre for Social Responsibility and Accountability (CESRA)

SPOTLIGHT: CENTRE FOR SOCIAL RESPONSIBILITY AND ACCOUNTABILITY (CESRA)

- What is CESRA? The Centre for Social Responsibility and Accountability (CESRA) is one of the leading organisations in Kenya formed with a vision to create a community of socially responsible businesses and non-profits.
- What is its mandate? CESRA supports companies and the non-profit sector in adapting sustainability, accountability and general responsibility to the communities they serve. It also provides various services such as monitoring and the evaluation for grants as well as reviewing progress, training and building the members' capacity though sharing helpful resources, accreditation of Seals of Excellence (a voluntary accreditation program for both corporates and charitable organisations), and review of products and services at both charitable and corporate levels. Additionally, CESRA has organised several events and initiatives such as the CSR Awards, working with various companies to show their CSR commitments.

04 *Individual and family philanthropy in the region remains largely unstructured; more HNWIs are however, shifting to angel investing.*

As demonstrated by the low numbers of family foundations in the region, most High Net worth Individuals (HNWIs) in the region prefer to keep their philanthropic activities discreet and informal. In the absence of enabling regulatory frameworks and incentives supporting individual philanthropic activities, many HNWIs in the region tend to steer away from institutionalised strategic philanthropy. This trend could be related to fears around attracting the scrutiny of individual wealth from regulators as well as the general public. Nonetheless, the region has witnessed a rise in the number of angel investor networks established in recent years indicating increased acceptability of the concept amongst HNWIs. The angel investing trend is specifically observed in young business leaders who have exposure to the concept because of their international pedagogy, as well as their interest in participating in new innovative forms of business ventures.

05 *East Africa has recorded the largest share of blended finance transactions across the continent; many investors in the region are leveraging concessional capital, blended finance, and technical assistance facilities to deploy their capital.*

Many investors have backed innovative finance mechanisms to unlock the flow of commercial capital toward scalable sectors, which include leveraging blended finance such as concessional debt and equity, guarantees, and embedment of technical facilities in investments. As per the current Convergence (a global network for blended finance) database, technical assistance funds account for 39% of the blended finance transactions recorded in the Sub-Saharan Africa (SSA) region[22] with the East Africa region accounting for the largest share (65%) of the total transactions (216 transactions) recorded in the continent[23]. Kenya, Uganda, and Tanzania have been the most preferred investment countries, each accounting for 32%, 22%, and 21% of the total transactions respectively[24]. Financial services, energy, and agriculture are the preferred sectors for blended transactions in East Africa. Impact fund managers over the years have leveraged guarantees, especially from the DFIs, to deploy their capital in riskier but potentially scalable sectors and geographies. IFC SME Venture Fund, for instance, has leveraged blended finance, especially in larger projects finance, using concessional funding as a form of low-cost capital to the investees. Initiatives, such as AfDB's Africa Investment Forum, and Convergence have also been established to promote the use of blended finance among social investors.

The East Africa region account for the largest share (65%) of blended finance transactions (216 in total) recorded in the Sub-Saharan Africa (SSA) region to date.

[22] Convergence: Blended Finance transactions in Sub-Saharan Africa, 2020
[23] Convergence: Blended Finance transactions in Sub-Saharan Africa, 2020
[24] Convergence: Blended Finance transactions in Sub-Saharan Africa, 2020

Figure 8: Spotlight: African Development Bank - Blended Finance Approach

SPOTLIGHT: AFRICAN DEVELOPMENT BANK - BLENDED FINANCE APPROACH

African Development Bank (AfDB) is one of the DFIs in the region that is actively engaging in blended finance transactions and promoting the use of blended finance among the DFIs. AfDB established, the Africa Investment Forum, as an innovative marketplace dedicated to advance projects to bankable stages, raising capital, and accelerating the financial closure of deals. The Bank considers blended finance as a viable instrument to de-risk and mobilize large-scale private capital flows, and has invested in various blended finance structures such as the African Guarantee Fund and the Africa Local Currency Bond Fund. AGF is a public-private partnership designed and funded by the AfDB in partnership with the governments of Denmark and Spain, with a mandate of facilitating access to finance for SMEs; providing financial guarantees to financial institutions to stimulate financing to SMEs and unlock their potential to deliver inclusive growth in the region.

The table below outlines some of the blended finance/catalytic financing structures across crucial development sectors in the region.

Table 4: Blended Finance/Catalytic Financing Structures across Key Development Sectors

Types of Initative	Example Of Initiative And Type Of Investor Involved	Outcomes Achieved
Financial + non-financial (TA)/ challenge funds	**Renewable Energy and Adaptation to Climate Technologies (REACT) – Energy** REACT is implemented by AECF which uses a challenge fund model where funding is awarded through competitions. The REACT window provides patient risk capital (grants, interest free loans) to businesses with potentially transformative climate change solutions seeking to scale and create social impact. AECF is funded by multiple donors including; the Consultative Group to Assist the Poor (CGAP), Danish International Development Cooperation (DANIDA), Department for International Development (DFID), Government of Canada (GoC), Swedish International Development Agency (Sida).	US$ 161Mn has been committed to REACT in the past 6 years, with investments in 77 companies implementing innovative business models that provide increased access to clean energy, financial services and climate smart solutions for the rural poor across sub Saharan Africa; with over 32 companies across East Africa.
	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$ 20Mn 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$77Mn Launched in 2020, fund 2 seeks to support 30 fintech companies across the focus countries.
Green Bonds	**Kenya's Green Bond program - Energy** In 2017, the Government of Kenya, in conjunction with FMO, IFC and other private sector players (Kenya Bankers Association, Nairobi Securities Exchange, and Climate Bonds Initiative) launched the Kenya's Green Bond programwhich aims to promote financial sector innovation by developing a domestic green bond market..	The bond raised about US$ 43Mn accounting for 85% subscription in 2019.

Types of Initative	Example Of Initiative And Type Of Investor Involved	Outcomes Achieved
Social Impact Bond/Development Impact Bond	**Village Enterprise Development Impact Bond for Poverty Alleviation – Livelihoods** Launched in 2017, the DIB intends to improve income levels of the extreme poor in East Africa (Kenya and Uganda) through the Village Enterprise's microenterprise development program for the extreme poor, known as a Graduation program. The program helps entrepreneurs launch and run a business, increase household income and savings, and improve standards of living. The outcome funders for the DIB include; Development Innovation Ventures from the United States Agency for International Development (USAID-DIV), DFID, and an anonymous philanthropic fund while the lead investor was Delta Fund.	To date, Village Enterprise has started over 48,000 businesses and trained over 185,000 people and impacted the lives of nearly 940,000 individuals.
Non-profit impact investment fund	**Medical Credit Fund – Healthcare** Established in 2009, Medical Credit Fundis a non-profit impact investment fund and a part of the PharmAccess Group which provides loans in partnership with local financial institutions primarily in small and medium-sized healthcare facilities in Africa and currently focuses on Kenya, Uganda and Tanzania in East Africa. The fund has an innovative capital structure, blending catalytic first loss capital, technical assistance grants, and debt financing as well as support to banks with which it co-invests. The fund has also partnered with governments on various fronts especially through insurance schemes (NHIF). Medical Credit Fundhas contributed to the NHIF covers in Kenya and Tanzania and the development of innovative health insurance models such as the M-Tiba currently used in the countries.	It has successfully served the SME sector and built partnerships with local commercial banks, and jointly extended 4,583 loans to healthcare providers, totalling over US$ 80.3 million in Africa since inception.
Pooled funding	**Global Sanitation Fund (GSF), Kenya, Uganda, Tanzania and Ethiopia - Water, Sanitation and Hygiene (WASH)** GSF is an an initiative of the Water Supply and Sanitation Collaborative Council (WSSCC). The GSF funds and supports community-led sanitation programmes across 13 developing countries including Kenya, Uganda, Tanzania and Ethiopia by working with a diverse network of stakeholders that include households, local governments, community-based organisations, NGOs, academic institutions and local entrepreneurs. GSF funds are pooled from the various members (donors, development institutions and governments) of WSSCC.	Since its establishment in 2008, the GSF has committed over US$117 million to programmes in the 13 countries of focus. The GSF has funded various WASH programmes in the region such as Ethiopia Sanitation and Hygiene Improvement Programme (ESHIP), Kenya Sanitation and Hygiene Improvement Programme (KSHIP), and Usafi wa Mazingira Tanzania (UMATA).
	Global Partnership for Education (GPE) – Education and leadership GPE offers different types of grants to support education in partner countries (including all the focus East Africa	The number of children completing schools in the focus countries have increased. US$ 5.3Bn has been deployed since 2003 globally.

Types of Initative	Example Of Initiative And Type Of Investor Involved	Outcomes Achieved
	countries) and globally. GPE supports pooling of more finances from other sources (donors, and DFIs) through the GPE Multiplier. These grants are available to countries that can mobilise at least US$3 in new and additional external financing for every US$1 from the GPE Multiplier. Furthermore, GPE supports partner countries in the development and implementation of education sector plans.	
Blended investment fund	**Yield Uganda Investment Fund– Agriculture** Established in 2017, Yield Uganda is managed by Pearl Capital Partners. The fund is supported by the European Union through International Fund for Agricultural Development (IFAD) and the National Social Security Fund Uganda (NSSF) and focuses on funding agribusinesses with equity, semi-equity and debt. Non-financial support to the portfolio companies is also provided through the Business Development Support (BDS) facility financed by the EU and implemented by IFAD.	Since June 2019, the fund has deployed over US$ 20 million in investments and is managed by the Pearl Capital Partners Uganda (PCP).

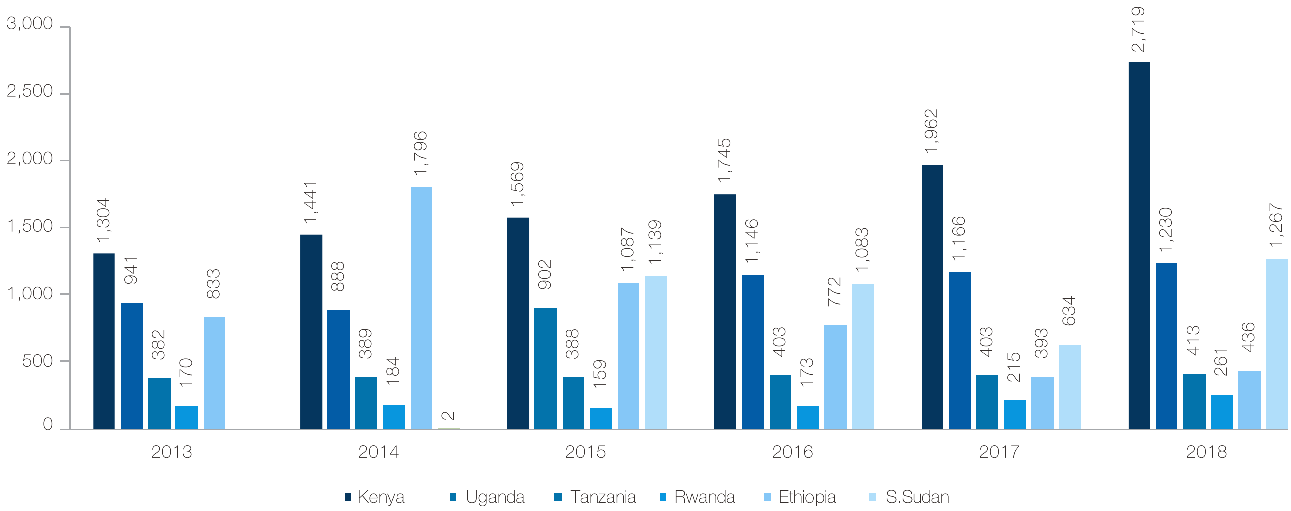
06 *The potential for diaspora funds in financing development challenges remains largely untapped with only few innovative structures developed in the region.*

The diaspora is a vital source of funding for a wide range of social and development initiatives in the region. East African countries received a total of US$ 17.4[25] Bn from their citizens living abroad between 2013 and 2018, with Kenya accounting for 62% of this amount. Other significant beneficiaries in the same period were Uganda, South Sudan, and Tanzania, receiving 36%, 16%, and 14% of the total remittances, respectively[26]. Remittance outpaced foreign direct investments over the same period to become the largest source of external financing in the region. Diaspora funds, despite being mostly private (to friends and family), are increasingly becoming an essential driver of social investment. For instance, Kenya is in the process of issuing a diaspora green bond to facilitate investments into the "big four agenda", including investments into affordable housing, healthcare facilities such as cancer centres and agribusinesses. The US$ 50Mn RemitPlus Rwanda Diaspora Bond (RRDB-1), launched in 2019, seeks to provide affordable housing for the Rwanda population. Furthermore, in 2019, DFID and BROXX (a pay-as-you-go solar company) launched an initiative that would enable Rwandans in the Diaspora to purchase solar-powered appliances for the families and friends over time.

Remittances was the largest source of external financing in East Africa between 2013- 2018 outpacing FDI

Figure 9: Remittances in the Focus Countries (US$ Mn), 2013-2018

REMITTANCES HAVE BEEN INCREASING YEAR ON YEAR IN MOST OF THE FOCUS COUNTRIES



Source: World Bank

[25] Trade Mark East Africa
[26] Trade Mark East Africa

07

Although capital deployed to women-owned or women-led businesses is still relatively limited, more investors in the region are adopting Gender Lens Investing (GLI) in their investment decisions.

Investors are increasingly embedding gender lens investing (GLI) in their investment strategy to provide much needed financial and non-financial support for women. Some of these strategies include directly investing in women-owned or women-led enterprises, targeting women as beneficiaries of investments, or promoting workplace equity for women by investing in such businesses. Since many women-owned businesses are usually at very early stages, some funds have also adopted the strategy of reducing their minimum ticket sizes so that they can have more women businesses in their portfolio. Some of the funds and foundations that have already included GLI in their strategy and advocate for the same include OPES-LCEF, AlphaMundi, Root Capital (Women in Agriculture Initiative), African Enterprise Challenge Fund, Graca Machel Trust. The GMT, for instance, advocates for providing innovative capital and supports women-owned or led and women-focused enterprises to scale their businesses through debt, quasi-equity, and financially innovative solutions[27].

Table 5: Sample GLI Focused Funds across the Focus Countries

Gender-lens investing strategy	Fund/ Fund Manager Name (Year of Launch)	LPs	Size (US$ Mn)	Geography focus	Investment Approach	Invest-ments Used
Investing in enterprises that offer products and services that significantly improve the lives of women and girls	Root Capital (Women in Agriculture Initiative) (2012)	IKEA Foundation Investing in Women, Landry Family Foundation, and Wagner Foundation		Kenya, Rwanda, Uganda, Ghana Senegal	The initiative focuses on transforming the lives of rural women in agriculture. It aims to strengthen businesses that are committed to the rise of women in agriculture	Debt and grants
	Palladium Impact Fund 1 (2019)	Currently fundraising (anchored by US$ 5Mn from Palladium)	40	Ghana, Nigeria, Kenya	Prioritises benefits to women through "economic empowerment and opportunities with agribusiness and off-grid renewable energy businesses."	Debt and quasi-equity
Investing in women-owned or women-led enterprises	Grofin (GroWoman) (2014)	FMO, Norfund Proparco, Dutch Good Growth Fund (DGGF), Shell Foundation, IFC, CDC	36	Kenya, Uganda, Rwanda, Tanzania, Nigeria, South Africa, Senegal, Ghana, and Ivory Coast	GroWoman – a gender lens investment initiative that aimed at ensuring more women entrepreneurs could access the financing and support they needed to succeed. It has invested in nearly 120 women-owned businesses.	Debt

[27] https://gracamacheltrust.org/womens-investment-funds/

Gender-lens investing strategy	Fund/ Fund Manager Name (Year of Launch)	LPs	Size (US$ Mn)	Geography focus	Investment Approach	Invest-ments Used
Investing in women-owned or women-led enterprises	2X Invest2Impact (2019)	FinDevCanada, CDC, Proparco, OPIC, the MasterCard Foundation Graça Machel Trust	Targets to raise US$ 3Bn by 2020	Ethiopia, Kenya, Rwanda, Tanzania, and Uganda	A challenge fund providing access to funding to help develop women-led initiatives in East Africa.	Grants and TA support
	LadyAgri Impact Investment Hub	FMO, Oiko Credit, Finnfund, EIB, BIO		Kenya, Uganda, Tanzania, Rwanda, Ethiopia, and other African countries	Focuses on investing in agri-businesses that are at least 51% woman-owned, woman-led, and in an agri- value chain dominated by women producers. The hub provides TA suport to agri-entrepreneurs, financial linkages and facilitate B2B linkages and opportunity to share technology.	Debt, equity, mezzanine
	Graca Machel Trust (Gender Lens Investment)	Rockefeller Foundation		East Africa	The fund seeks to accelerate women's economic empowerment in Africa by putting capital in the hands of women entrepreneurs.	Debt and mezzanine

08 *Instances of collaboration have been increasing between international and regional local social capital providers.*

Traditionally, international donors have collaborated with East African players for the implementation of the programs they are funding. However, several international social investors are changing their investment strategies, evident through an increase in collaboration and co-investment with East African players. Local East African donors can bring local knowledge and network, which assists in more scalability and sustainability of the initiatives. For instance, Equity Foundation has partnered with the MasterCard Foundation for its Wings to Fly Program through which students from disadvantaged communities are provided scholarships to study at renowned universities across the world. Through this initiative, both the foundations want to create long-term impact by empowering and skilling a generation of youth. The Segal Family Foundation has also partnered with several East African organisations, including the BESO Foundation in Uganda, to improve the lives of children and women in rural Uganda through access to quality education.

Table 6: Summary of Key Social Investments Trends across Countries

TREND	KENYA	UGANDA	TANZANIA	DESCRIPTION
Institutionalised giving and investing by East African philanthropists				Overall, individual philanthropy in the region remains mostly unstructured and private, with only a few active family foundations identified as part of this research. The region has,however, witnessed an increase in institutional philanthropy driven by the strengthening of networks and philanthropy forums in the region. However, institutionalised philanthropyinitiatives have primarily been concentrated in Kenya.
Rise of angel investments through organized structures by HNWIs				There has been a rise in angel investor networks established in the region in recent years, driving angel investments. These networks bring together High Net Worth Individuals (HNWIs)/ angels and entrepreneurs for structured networking. Our research identified that over 60% of the angel networks in the regionexist in Kenya and Uganda.
Collaboration between governments and the philanthropy sector				While the government and philanthropy sector have been collaborating, witnessed particularly in Kenya, more such initiatives are needed. In Kenya, the government plays an active role in the National Philanthropy Forum as well as inthe Social Investment Focused Agenda (SIFA) initiative.
Sustainable and innovative approaches to corporate social giving				An increasing number of social investment arms of corporates (foundations, funds, and accelerators/incubators) are being set up in the region, with most of these operating in Kenya. Corporate foundations, particularly in the banking and ICT sectors, have been actively supporting long-term initiatives in the health, education, and entrepreneurship space. While some of the Kenya-headquartered corporate foundations operate across the region, CSR activities in Tanzania and Uganda remain mostly unstructured.
Usage of innovative and blended finance mechanisms				The region tops the SSA region in the number of blended finance structures that have leveraged blended capital innovatively from different capital providers across the risk-return spectrum. Innovative structures such as SIB/DIBs have been launched in Kenya, Uganda and Ethiopia to address various social issues.
Usage of diaspora funds for supporting national development agenda				The potential for diaspora funds in financing social challenges remains untapped, with only a few innovative structures developed in the region. Kenya is currentlydeveloping a diaspora green bond to facilitate investments forthe Big Four agenda.
Adoption of Gender Lens Investing (GLI)				Investors in the region have started to embed GLI in their investment strategies and provide both financial and non-financial support for women.
Collaboration between international and local social capital providers				Collaborations, in the form of long-term and strategically aligned initiatives, have been witnessed between international and local capital providers to amplify their respective impact, e.g., the partnership between MasterCard Foundation and Kenya Commercial Bank (KCB) to scale up the Tuajiri program.

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

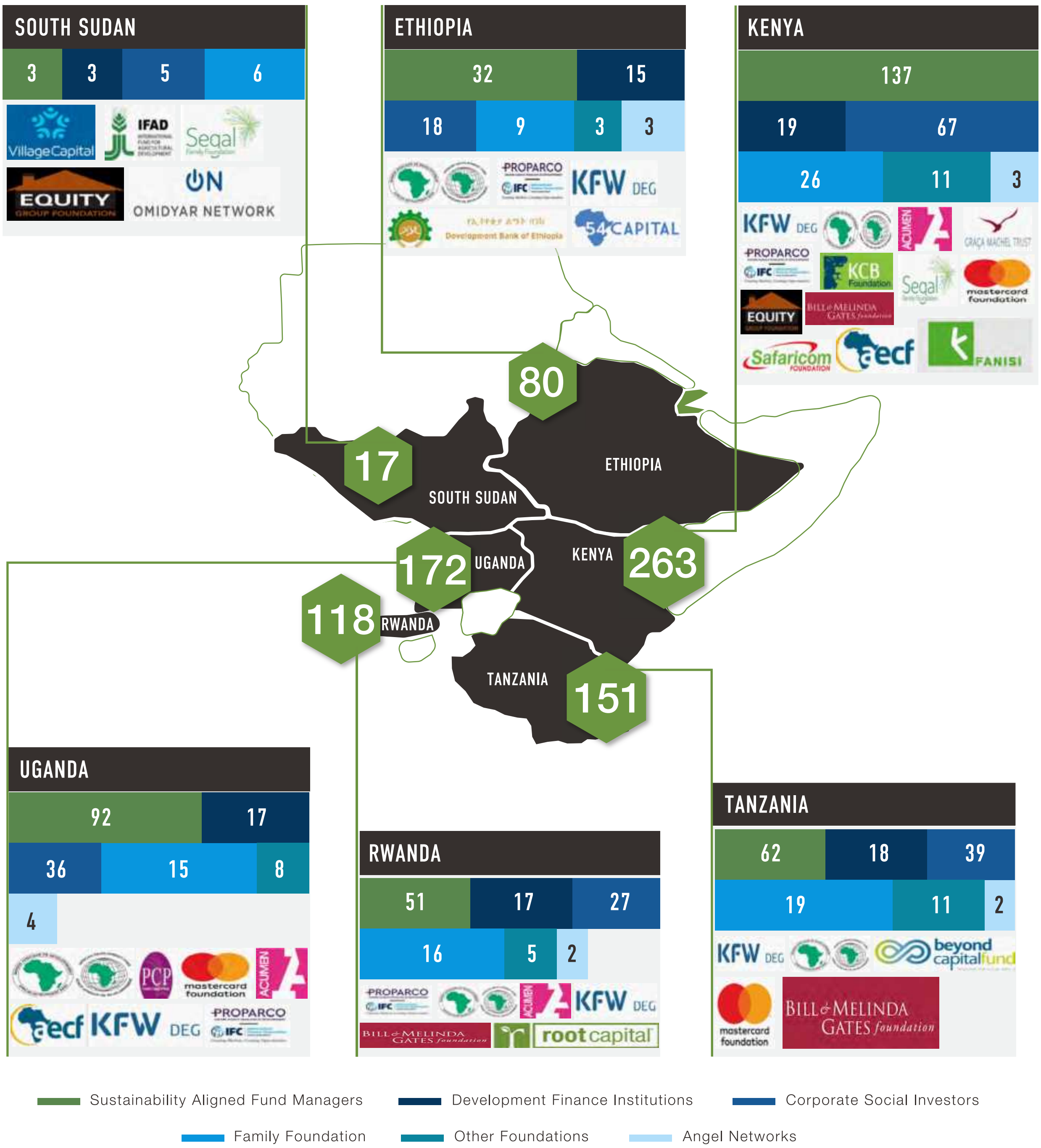
03

03

DEEP-DIVE INTO SOCIAL INVESTORS (SUPPLY SIDE PLAYERS) IN EAST AFRICA

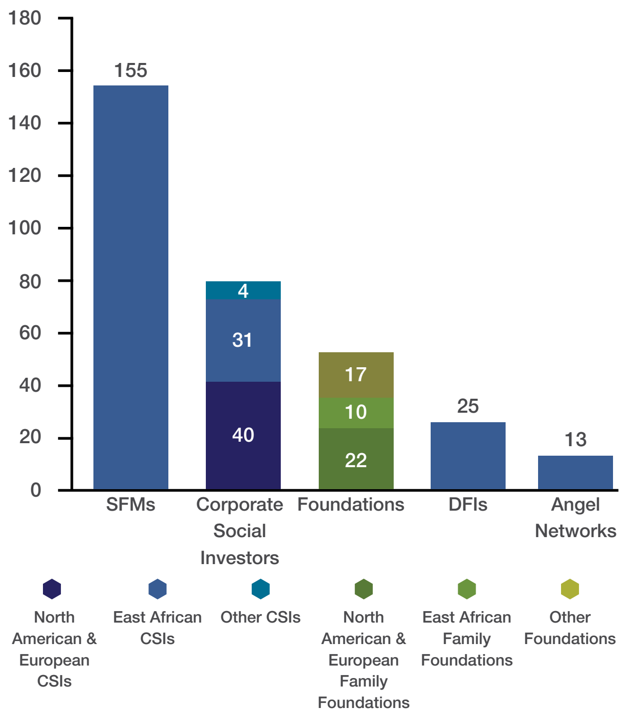
The research mapped over 317[26] social investors active across the focus countries. Sustainability aligned Private Fund Managers (SFMs) dominates the sector with 155 investors operating in the region. Local corporate social investors are also active with 31 active corporates, corporate funds and corporate foundations identified. Only 10 active East Africa family foundations were identified indicating the untapped potential for local philanthropic giving in the region.

Figure 10: Overview of Key Social Investors in the Region



[28] List not exhaustive

Figure 11: Number of Social Investors in the Region, By type



Source: Intellecap Database

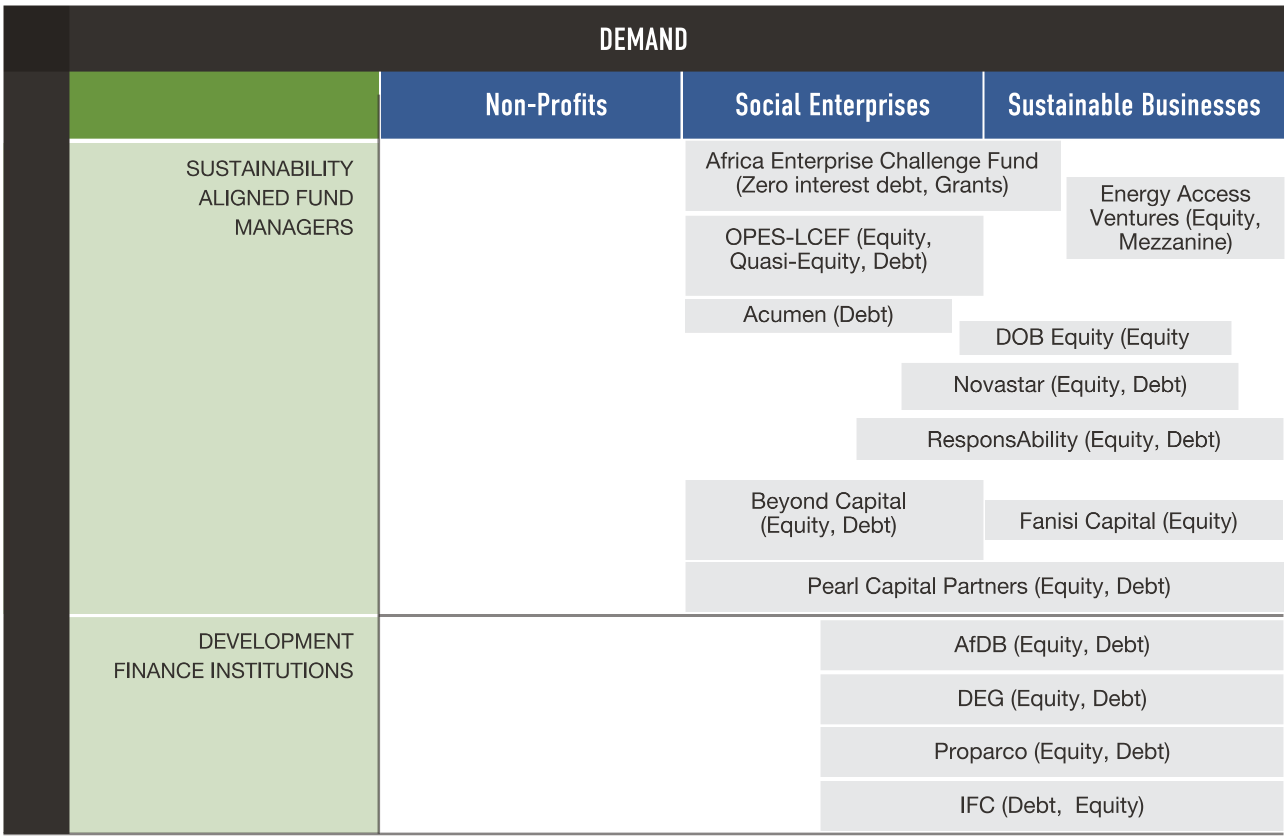
3.1 KEY SOCIAL INVESTOR ARCHETYPES AND THEIR INVESTMENT STRATEGIES

Social investment and venture philanthropy practices are growing in the region with various stakeholders employing innovative strategies in light of the changing social investment landscape.

Change in investment strategies has been witnessed amongst key social investors in the region. Family foundations are for example shifting from pure grant-making to using instruments such as low-cost debt, repayable grants, and equity. Furthermore, corporates are considering long-term and sustainable CSR strategies, with some establishing affiliate corporate foundations as their social investment arms while others establish impact funds and accelerator/incubator programs. The governments in the focus countries are also establishing special funds to invest in the social sector, especially the MSMEs, and empowerment of youths, women and vulnerable groups. On the other hand, high net worth individuals in the region invest through their foundations or angel networks, operating in the region, and focus on sustainable businesses.

The strategies and instruments used for a sample of social investors in the focus countries are shown in the figure below.

Figure 12: Selected Social Investors and How They Are Operating



SUPPLY / DEMAND	Non-Profits	Social Enterprises	Sustainable Businesses
FAMILY FOUNDATIONS	Ford Foundation (Grants)	Segal Foundation (Grants, Debt, equity)	
	Zarina & Naushad Merali Foundation (Grants)	Mulago Foundation (Grants, Debt, Equity)	
	Bill & Melinda Gates Foundation (Grants, Guarantee)	Stone Family Foundation (Grants, Debt)	
	Rockefeller Foundation (Grants)	BlueHaven Initiative (Equity, Quasi Equity, Debt)	
	Rattansi Educational Trust (Grants)		
CORPORATES SOCIAL INVESTORS	Johnson & Johnson (Grants)		Johnson & Johnson impact fund (Debt)
	Safaricom Foundation (Grants)	Safaricom Spark Ventures (Debt, Equity	
	Unilever (Grants)	KCB Foundation (Debt)	
	Coca-Cola Foundation (Grants)	Equity Group Foundation (Debt)	
	East Africa Breweries Foundation (Grants)	Centum Foundation (Debt)	
GOVERNMENT SCHEMES		Youth Enterprise Development Fund – Kenya (Debt)	
		Women Enterprise Fund (Debt)	
	Government agencies and ministries (Grants)	National Enterprises Development Fund – Tanzania (Debt)	
		SELF Microfinance Fund – Tanzania (Debt)	
		Uganda Women Entrepreneurship Programme (Debt)	
HIGH NET WORTH INDIVIDUALS		Rwanda Angel Investment Network (Equity)	
		Victoria Business Angel Network (Equity)	
	Individual philanthropists (Grants)	Tanzania Angel Investment Network (Equity)	
		Kampala Angel Investment Network (Equity)	
		Individual HNWIs (Equity)	

3.1.1 Development Finance Institutions (DFIs)

SUMMARY OF TRENDS AND OBSERVATIONS ON DFI INVESTMENTS

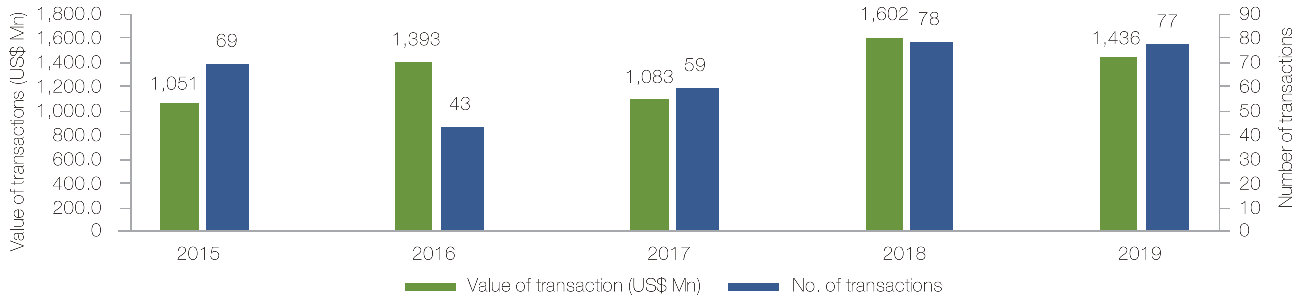
- *12 DFIs have invested US$ 6.6Bn in 326 deals between 2015 and 2019; US$ 981.2 Mn of the total capitalwas indirectly deployed through funds of funds.*
- *Ethiopia is becoming a preferred destination for DFI investment, ranking 2nd after Kenya and overtaking Uganda and Tanzania in the DFI investment value and leading by the average deal size.*
- *The financial services sector dominates the DFI portfolio (37%) followed closely by the energy sector (33%).*
- *Debt is a preferred mode of investment for DFIs accounting for at least 59% of the capital deployed in the region between 2015 and 2019 and 56% of the number of deals.*

OVERVIEW

Development Financial Institutions (DFIs) continue to drive the social investing space in the region through direct investments, programmatic interventions, and fund of funds' approaches.

The research identified 26 DFIs, mostly global, operating in the East Africa focus countries. The DFIs in the focus countries recorded a mixed performance over the period with an interchanging increase and then a decrease in investments in successive years. The total capital deployed during the period (2015-2019) was US$ 6.6Bn.

Figure 13: Capital Deployed by DFIs, by Year (2015-2019)



Year	2015	2016	2017	2018	2019
AVERAGE DEAL SIZE (US $ MN)	15.2	32.4	18.4	20.5	18.7

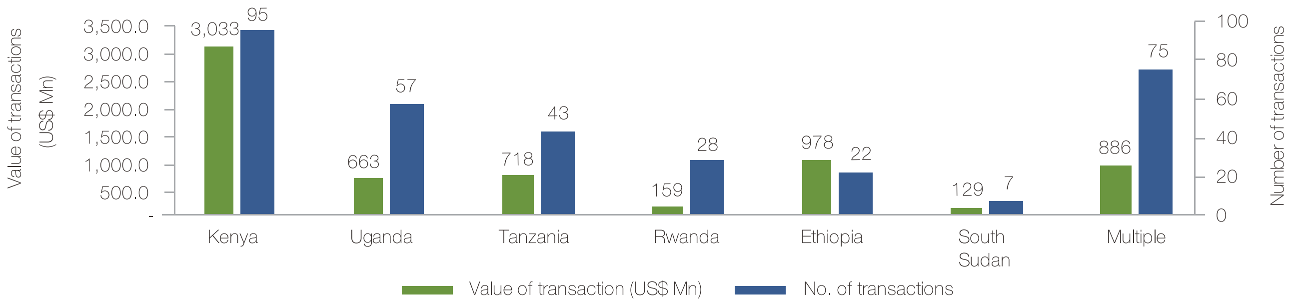
Source: Intellecap Research and Analysis; DFIs Websites and Reports

COUNTRY FOCUS

Kenya remains the preferred destination of the DFI investments driven by the country's relatively more developed entrepreneurship ecosystem.

Kenya accounted for 46% of the total DFI deal value and 29% of the total number of deals in the focus countries, whereas Ethiopia overtook Uganda and Tanzania in

Figure 14: Capital Deployed by DFIs, by Country (2015-2019)



COUNTRY	KENYA	UGANDA	TANZANIA	RWANDA	ETHIOPIA	SOUTH SUDAN	MULTIPLE
AVERAGE DEAL SIZE (US $ MN)	31.9	11.6	16.7	5.7	44.5	18.4	11.9

Source: Intellecap Research and Analysis; DFIs Websites and Reports the value of DFI investments majorly due to the larger ticket size of deals deployed in the country. Uganda and Tanzania, on the other hand, accounted for 17% and 13% of the total deals, and 10% and 11% of the DFI investments, respectively. Very low activity was witnessed in South Sudan over the same period.

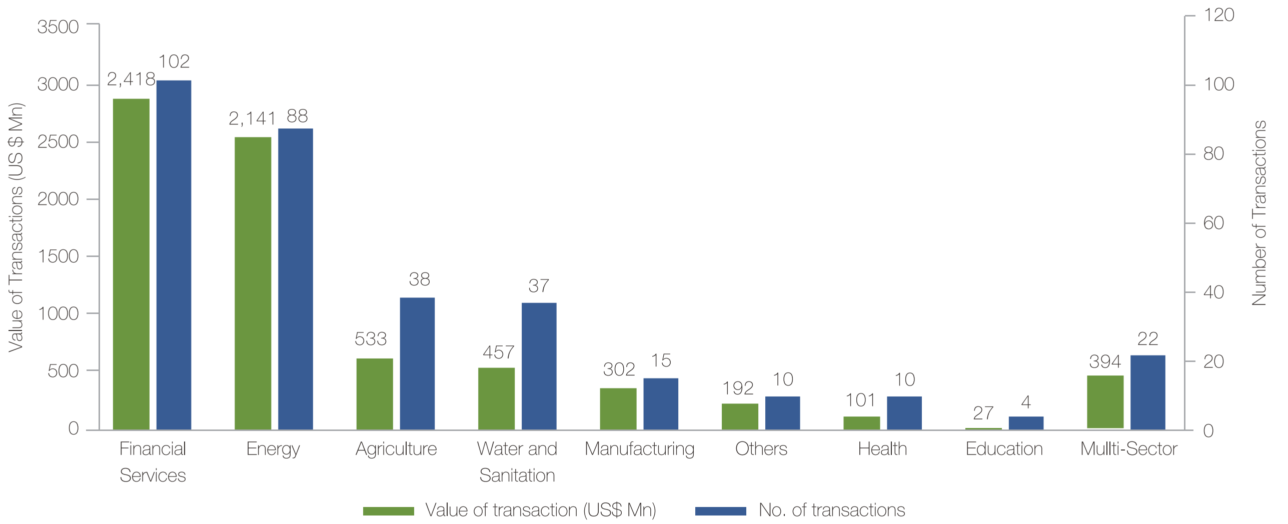
SECTOR FOCUS

> *Financial services and energy sectors are the dominant investment sectors for the DFIs working in the region.*

Financial services dominated the other sectors and accounted for 37% of the total DFI investments with a large proportion of this funding provided in the form of guarantees to financial institutions. This was followed closely by the energy sector, with 33% given the increasing focus for renewable energy in the region. Agriculture received only 8% of the DFI investments because of the lack of enough agri-businesses that can absorb large sizes of capital. The financial services, energy, and agriculture sectors accounted for 31%, 27%, and 12% of the total number of deals in the period, respectively.

Across the focus countries, financial services has been the main sector with more energy sector investments in Kenya and Uganda.

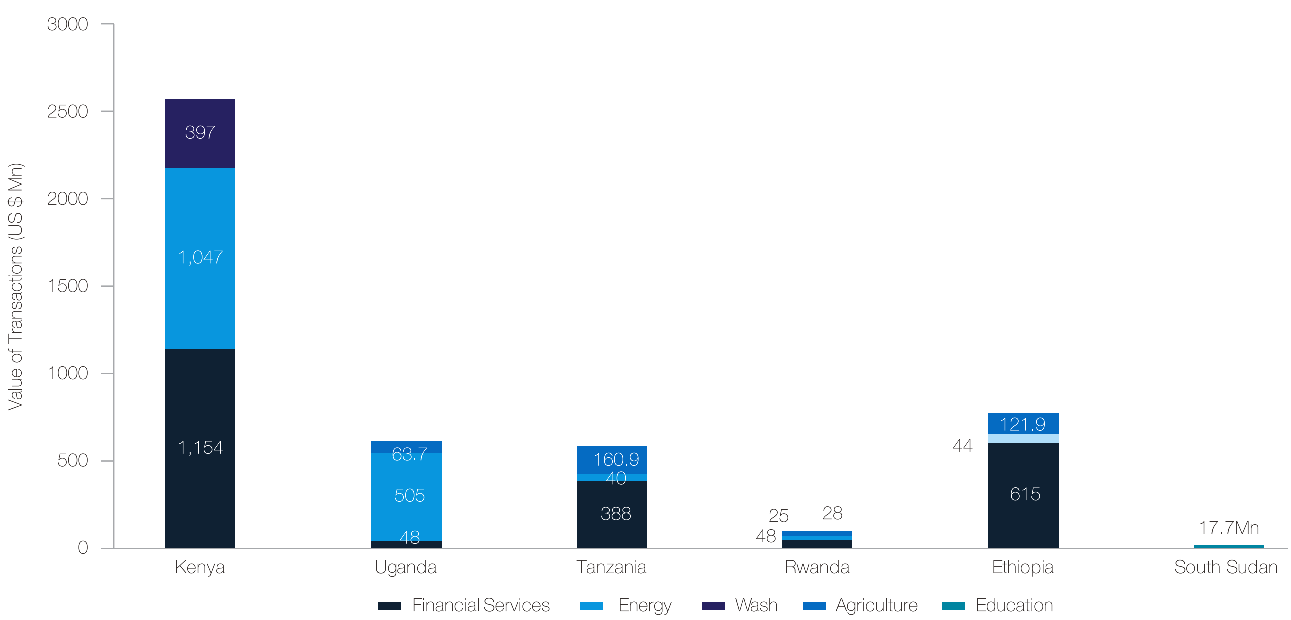
Figure 15: Capital Deployed by DFIs, by Sector (2015-2019)



SECTOR	FINANCIAL SERVICES	ENERGY	AGRICULTURE	WATER & SANITATION	MANUFAC-TURING	OTHERS	HEALTH	EDUCATION	MULTI-SECTOR
AVERAGE DEAL SIZE (US $ MN)	45.7	30.2	24.3	23.7	10.9	8.3	6.8	6.7	14.0

Source: Intellecap Research and Analysis; DFIs Websites and Reports

Figure 16: Overview of Key Sectors for DFI Investments, by Country (2015-2019)



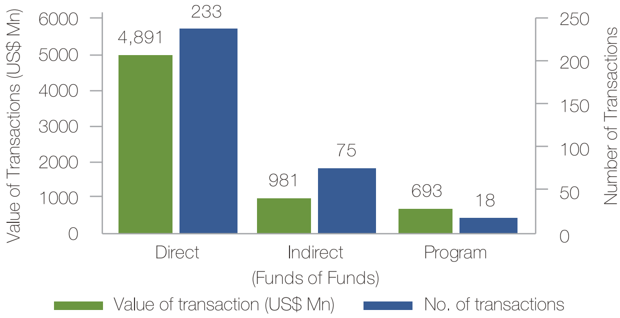
Source: Intellecap Research and Analysis; DFIs Websites and Reports

INVESTMENT STRATEGY

Direct investments into businesses account for the largest proportion of DFI funding.

DFIs in the region mainly used debt (majorly for direct investments) which accounted for the highest number of deals between 2015-2019 investments (averaging 56%). The DFIs also invest indirectly through fund managers majorly as equity, accounting for 36% of the deal count, while the DFI programmatic interventions and a blend of the instruments accounted for 9% of the deal count. The average direct, indirect and programmatic interventions over the period accounted for 74%, 15% and 11% of the deal value, respectively. DFI support to their investee companies in form of grants and TA funds accounted for 4% of total DFI deal count. DFIs also provide guarantees to enhance financing for key segments such as SMEs. However, this only accounted for 1% of total DFI deal count.

Figure 17: Capital Deployed by DFIs, by Investment Mechanism (2015-2019)



Source: Intellecap Research and Analysis; DFIs Websites and Reports

Figure 18: Sample DFI Deals

Twiga foods

AGRICULTURE

Launched in 2014 in Kenya, the Twiga Foods is a based mobile-based B2B distribution platform that bridges the gaps in food and market security through an organised platform for an efficient, fair, transparent and formal marketplace. The platform aggregates the requirements of the retailers through the m-commerce platform and sources produce directly from farmers and food manufacturers. Key information about the deal.

- **Sector:** Agriculture
- **Country:** Kenya
- **Amount raised:** US$ 30 Mn
- **Funding year:** 2019
- **Funding type:** Series B
- **Investors:** Funding was made on a co-investment basis by; International Finance Corporation (**DFI**), Goldman Sachs (**SFM**), TLcom Capital (**SFM**), Creadev (**SFM**), OPIC (**DFI**) and Alpha Mundi (**SFM**).

The fund is intended to support the roll-out of its distribution system and lay the foundations for expansion into other cities on the continent.

TUGENDE

TRANSPORT AND LOGISTICS

Founded in 2012, Tugende is a for-profit social enterprise that uses asset finance, technology, and a customer-centric model to help informal sector entrepreneurs dramatically increase their economic trajectory. Tugende is a provider of lease-to-own financing to financially excluded individuals to help them own income generating assets. It helps motorbike taxi ("boda-boda") drivers to purchase their vehicles, allowing customers to save money that they would normally spend renting and instead own an income generating-asset. It has have served over 30,000 clients and completed over 7,000 leases.

- **Sector:** Financial services, Transport and logistics
- **Country:** Uganda
- **Amount raised:** US$ 24.2 Mn
- **Funding year:** 2019
- **Funding type:** Unknown
- **Investors:** Funding was made on a co-investment basis by; OPIC - Overseas Private Investment Corporation **(DFI),** PG Impact Investments **(SFM)**

3.1.2 SDG/Sustainability Aligned Private Fund Managers (SFMs)

SUMMARY OF TRENDS AND OBSERVATIONS ON SFM INVESTMENTS

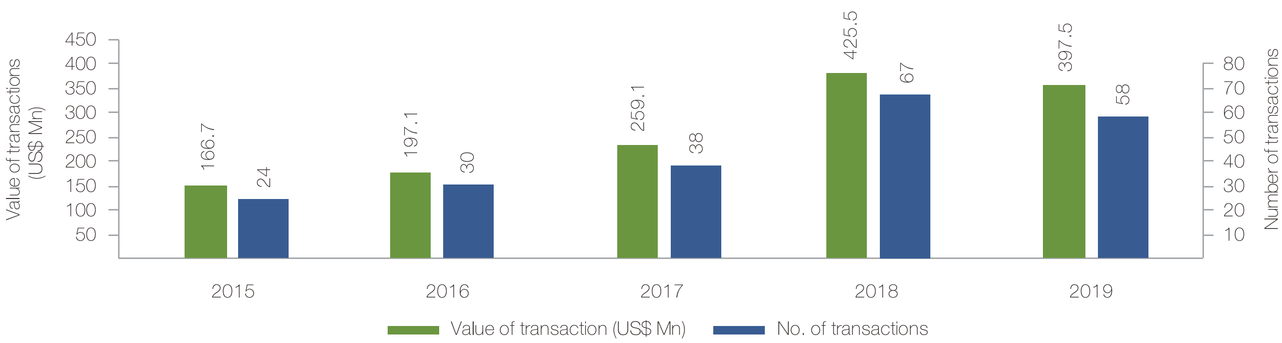
- *Between 2015 and 2019, a total of US$ 1.5Bn was deployed into over 217 SDG/sustainability-themed deals by private fund managers.*
- *The research identified 155 SFMs operating in the region - Kenya (88%), Uganda (63%) and Tanzania (41%).*
- *Rwanda attracted the third largest funding after Kenya and Uganda, overtaking Tanzania as the third preferred investment destination. Kenyaremains the preferred investment destination in the region, attracting 73% of the funding.*
- *Energy, financial services and health are the top three sectors attracting most funding, with the energy sector accounting for 41% of the total SFM portfolio. Furthermore, the financial services attracted the highest number of deals driven by the fintech industry thriving in the region.*
- *While most of the SFM investment dealsfocused on early stage, the largest portfolio was deployed at the growth stage with more than 89% of the capital deployed across deals worth more than US$ 5Mn.*
- *Co-investment deals by SFMs constitute only 18% of deals made between 2015 and 2019.*

OVERVIEW

Sustainability aligned fund managers' (SFMs) investing activities in the focus East African countries increased substantially in the last five years.

Between 2015 and 2019, a total of US$ 1.5Bn[27] was deployed into around 217 sustainability-themed deals in the region. The annual investments grew by 138%[28] between 2015 and 2019, with an average yearly increase of 27%, driven by stable economic growth in the focus countries over the period.

Figure 19: Capital Deployed by SFMs, by Year (2015-2019)



YEAR	2015	2016	2017	2018	2019
AVERAGE DEAL SIZE (US $ MN)	6.95	6.57	6.82	6.35	6.85

Source: Intellecap Research and Analysis, CrunchBase and Baobab Insights

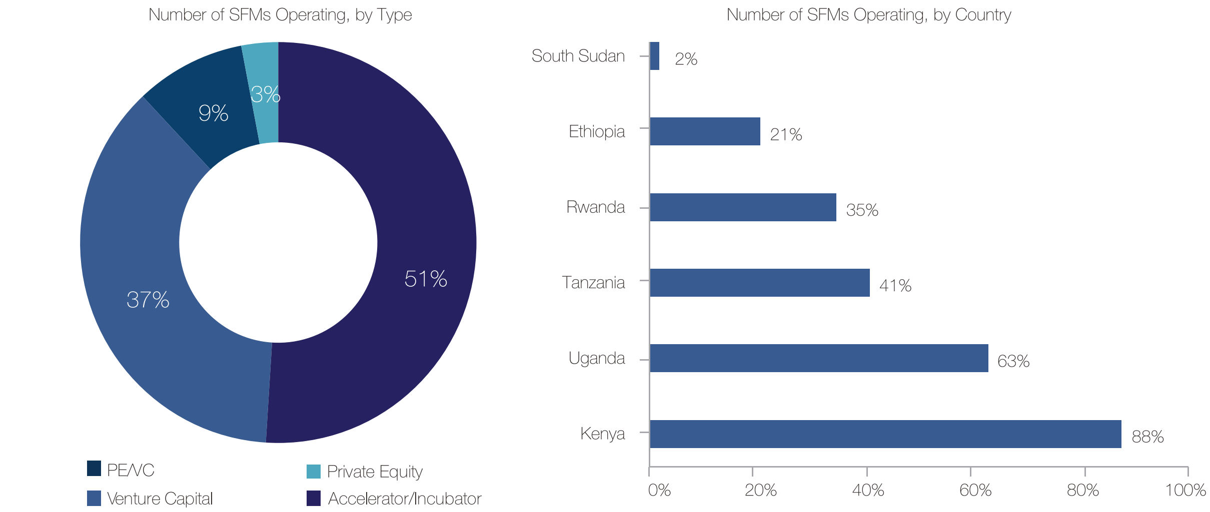
COUNTRY FOCUS

While Kenya remains the preferred investment destination in East Africa, activities in Rwanda are also increasing rapidly over the last few years. Moreover, the average deal size in Rwanda and Ethiopia is higher than that of Tanzania.

The research mapped 155 SFMs, mostly operating in Kenya, Uganda and Tanzania. Approximately 70% of the SFMs identified focus exclusively on the East Africa region while the rest have either a Pan-Africa and/or a global focus[29].

[27] Intellecap Analysis, Disclosed SDG aligned deals by PE/VCs, considered as social investments for this study
[28] Intellecap Analysis
[29] Intellecap Analysis

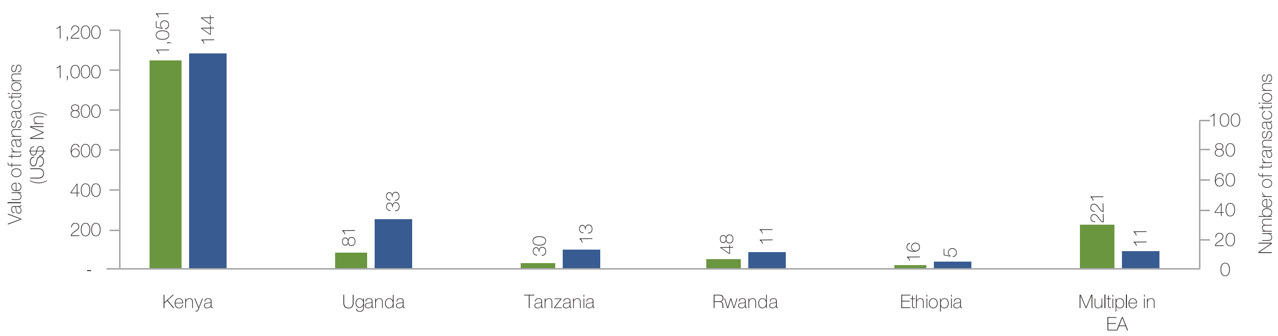
Figure 20: Number of SFMs Operating in the Region, by Type and Country



Source: Intellecap Analysis

Despite the low number of SFMs focusing on Rwanda, the country attracted the third largest funding amount after Kenya and Uganda. The growth in investments in Rwanda can be attributed to the favourable business environment and economic growth of the country. The research did not identify any social investment deals by SFMs in South Sudan, while Ethiopia had only five few deals recorded in the country. Multiple deals involved transactions recorded in more than one country, such as the Katalyst Ventures US$ 190Mn deal to Zipline covering Uganda and Rwanda.

Figure 21: Capital Deployed by SFMs, by Country (2015-2019)



COUNTRY	KENYA	UGANDA	TANZANIA	RWANDA	ETHIOPIA	MULTIPLE COUNTRIES
AVERAGE DEAL SIZE (US $ MN)	7.3	2.4	2.3	4.4	3.1	20.1

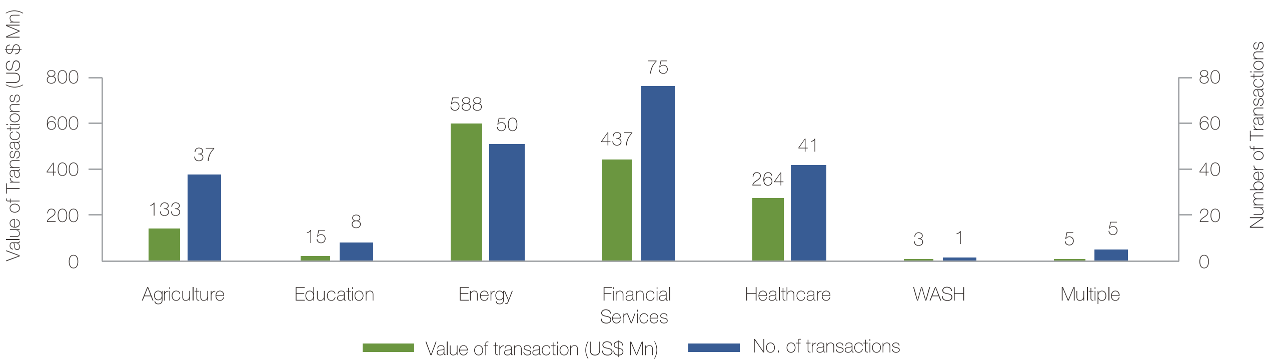
Source: Intellecap Research and Analysis, CrunchBase and Baobab Insights

SECTOR FOCUS

Energy, financial services, and health are the top three sectors attracting most funding, with the energy sector accounting for 41% of the total SFM investments.

Although the financial services sector still dominates in the investor preferences in the region, the energy sector accounted for the largest proportion of the funding which could be attributed to the larger deal size in the sector compared to other sectors. With the thriving fintech industry in the region, the financial services sector accounted for the most deals (35%, followed by the energy sector (23%). Healthcare and agriculture are the other common sectors of interest accounting for 19% and 17% of the total deals, respectively.

Figure 22: Capital Deployed by SFMs, by Sector (2015-2019)



SECTOR	AGRICULTURE	EDUCATION	ENERGY	FINANCIAL SERVICES	HEALTHCARE	WASH	MULTIPLE
AVERAGE DEAL SIZE (US $ MN)	3.6	1.9	11.8	5.8	6.4	3.3	1.04

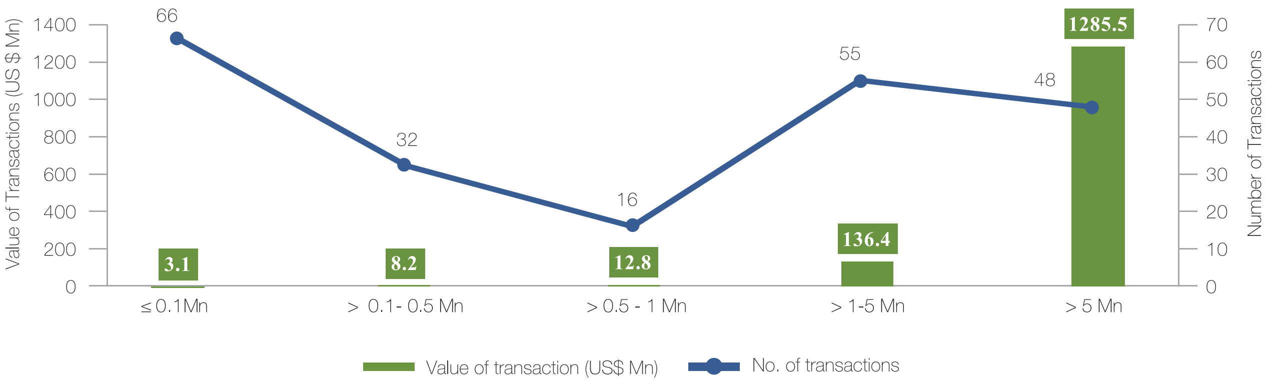
Source: Intellecap Research and Analysis, CrunchBase and Baobab Insights

DEAL SIZE

> *Most of the deals have been to the early and later stage enterprises, reflecting the 'missing middle' challenge in the region.*

The average ticket size of the capital deployed by SFMs in the region is US$ 6.6 Mn, while the median is US$ 1 Mn. While most of the investment deals are focusing on the early stage with lower ticket sizes of less than US$100,000, this accounts for only 0.2% of the total value of the capital deployed by SFMs. Most of the 'seed capital' deployed (42%) in the region focused on the financial services, followed by the agriculture sector (20%), which can be attributed to the thriving fintech and ag-tech landscapes. More funding (89%) has been deployed to growth stage enterprises with capital requirements of more than US$ 5Mn.

Figure 23: Capital Deployed, by Deal Size (2015-2019)



DEAL RANGE (US$ MN)	≤ 0.1MN	> 0.1- 0.5 MN	> 0.5 - 1 MN	> 1-5 MN	> 5 MN
AVERAGE DEAL SIZE (US $ MN)	0.05	0.26	0.80	2.48	26.78

Source: Intellecap Research and Analysis, CrunchBase and Baobab Insights

SOURCES OF CAPITAL

> *Most of the SFMs rely on international LPs/funders to raise capital for investing as well as for technical assistance support.*

Most of the SFMs provide technical assistance to the investee companies – mostly post-investment. SFMs primarily rely on international funding for investing and technical assistance. Donor funding in the form of grants has been particularly leveraged to provide pre and post-investment support to the investees. Pearl Capital, for instance, has partnered with the EU to provide TA through its BDS facility implemented by IFAD. Moreover, some SFMs, such as the Energy Access Ventures (EAV), have also adopted a co-financing model with other LPs for investments and TA provided to the investee, with the LPs providing the TA funds managed by the EAV. SFMs, such as AlphaMundi, also offer grants towards technical support, supporting the investee companies' operations, and leveraging its Foundation for such support.

"We provide technical assistance, mostly post-investment support services where we fund 50% of the costs, while the company meets the other 50%. We have also leveraged funds from IFC and Norfund especially for SME technical assistance".

SFM in the Region

SAMPLE SFM DEALS

Figure 24: Sample of Recent SFM Deals

solarise africa

ENERGY, ENVIRONMENT, AND CLIMATE CHANGE

Solarise Africa was Founded in 2017. Solarise Africa is a pan African energy leasing company for solar PV and other energy assets focusing on Commercial and Industrial (C&I) clients. Its business model is designed for scalability. Solarise Africa focuses on providing smart financing through close collaboration with a selected group of partners across solar and other renewable energy technologies. It is currently active in Kenya, looking to open in South Africa and has plans to expand into East, Southern and West Africa. Key information about the deal.

- **Sector:** Renewable energy
- **Country:** Kenya
- **Amount raised:** US$ 3.3Mn (2 rounds)
- **Funding year:** 2019
- **Funding type:** Series A
- **Investors:** Funding was made on a co-investment basis by; Energy Access Ventures **(SFM)**, Aster **(SFM)**, Electrification Financing Initiative **(Donor Funded - EU)**

The funds raised will enable the company to provide high-quality, reliable, low-cost, clean energy to Africa's under-served commercial and industrial sector.

GREENPATH

AGRICULTURE

Launched in 2016, GreenPath Food is an Ethiopian organic food company that supports and improves the production of food on Partner Farms, growing greater amounts of fruit and vegetables by using organic, bio-diverse, and environmentally sustainable farming practices. GreenPath equips the farmers with tools, training, and provides an opportunity to showcase the farmers' produce to the world. It has built partnerships with more than 150 Ethiopian Farmers. Key information about the deal.

- **Sector:** Agriculture and Livelihoods
- **Country:** Ethiopia
- **Amount raised:** US$ 1.9Mn
- **Funding year:** 2019
- **Funding type:** Venture
- Investors: Funding was made on a co-investment basis by; KFW DEG **(DFI)**, Novastar Ventures **(SFM)**

The funds from will the investors are intended to be applied in expanding the company's sourcing operations within and outside the country

ILARA HEALTH

HEALTHCARE

Founded in 2019, Ilara Health brings accurate and affordable diagnostics to rural Africans through miniature, AI-powered diagnostic devices that are integrated via a proprietary technology platform and distributed directly to primary care doctors. The company aims to help doctors bring life-saving diagnostics to the 500 million people in sub-Saharan Africa. Key information about the deal.

- **Sector:** Healthcare
- **Country:** Kenya
- **Amount raised:** US$ 0.735Mn
- **Funding year:** 2019
- **Funding type:** Seed
- **Investors:** Funding was made on a co-investment basis by; Shaka VC, Chandaria Capital, Villgro **(SFMs)** and Esther Dyson, Nijhad Jamal, Aadil Mamujee, Selma Ribica and Shakir Merali **(Angel Investors)**

The funding will be used to primarily grow the startup's peri-urban medical clinic customers in Kenya.

neopenda

HEALTHCARE

Founded in 2015 by Sona Shah and Teresa Cauvel, Neopenda is a startup in Uganda innovating needs-based medical technologies for high-growth emerging markets. The startup has innovated wearable biometric monitoring device that continuously measures four crucial vital signs: respiratory rate, pulse rate, blood oxygen saturation, and temperature. Key information about the deal.

- **Sector:** Healthcare
- **Country:** Uganda
- **Amount raised:** US$ 1.04 Mn
- **Funding year:** 2019
- **Funding type:** Seed
- Investors: The deal is a co-investment involving; Axel Johnson **(Corporate)**, Sunu Capital **(SFM)**

The funds funding are intended to be used to manufacture and commercialize Neopenda's products, and expand its clinical pilots to regions beyond their current base in Uganda.

3.1.3 Corporate Social Investors[32]

SUMMARY OF TRENDS AND OBSERVATIONS ON CSI INVESTMENTS

- Between 2014 and 2019, a total of US$ 382.7 Mn was deployed in 69 transactions by East African CSIs while top 5 North American CSIs deployed US$ 561Mnin various SDG aligned sectors.
- Most East African CSIs have been implementing education, health and economic empowerment initiatives, accounting for 67%, 17% and 9% of the capital deployed.
- CSIs headquartered out of the region have focused on enhancing youth employment, governance, agriculture and health, with entrepreneurship and economic empowerment accounting for 63%of the deployed capital.
- While most of the East African CSIs have been implementing long-term projects jointly with NGOs and academic institutions, some corporates are also investing in social enterprises.
- The CSIs investments are largely through grants and donations, though fund shave also been deployed through equity and debt to social enterprises.

INVESTMENT STRATEGIES

Corporates[33] in the region have adopted various sustainable strategies and approaches towards corporate giving.

North America-based corporations and foundations, such as the Ford Foundation and the MasterCard Foundation, deploy a large portion of the publicly recorded corporate giving in East Africa, alongside widespread activity by European corporations and foundations, such as the Shell Foundation, Johnson & Johnson, Draper Richards Kaplan (DRK) Foundation, DOEN Foundation, Stichting IKEA Foundation, and Rabobank Foundation. Asian corporates such as Toyota and Huawei are also making impact in the energy and ICT sectors, respectively. Some of the international corporates and foundations work in collaboration with the East Africa headquartered corporates. Active players in the region include the KCB Foundation, Equity Group Foundation, and Safaricom Foundation. Corporates in the region use different strategies to deploy social capital e.g. shared value

Figure 25: Overview of Investment Strategies Adopted by Corporate Social Investors

CORPORATE SOCIAL INVESTORS

	SHARED VALUE APPROACH/ SUSTAINABLE CSR	ECOSYSTEM BUILDING (ACCELERATION/ INCUBATION/ ENTREPRENEURSHIP PROGRAMS	IMPACT INVESTING	PHILANTHROPY/ GRANT MAKING
DESCRIPTION	Corporates are increasingly considering the shared value collaboration approach to yield both business and social values focusing on longer term strategies	Running entrepreneurship, accelerator and incubation programs to build capacities of enterprises solving social and environmental issues. Also supports research for social investment	Operating funds or programs that directly or indirectly (through other funds) invest debt and/or equity in social enterprises and sustainable businesses	Deployment of grants to various recipients such as NGOs, academic institutions, research centers and government agencies
EXAMPLE OF CORPORATE SOCIAL INVESTORS	Safaricom Ltd Equity Group Foundation KCB Foundation Cooperative Bank Foundation KenGen Foundation Kenya Family Group Foundation Centum Foundation Unilever East African Breweries Foundation Coca-Cola Foundation CFC Stanbic Foundation Ecobank	Standard Chartered Bank Barclays Bank/Absa Group Mastercard Foundation Ford Foundation; Rabobank Foundation Wellcome Trust VISA	Johnson & Johnson Safaricom Spark Fund Shell Foundation Mara Foundation Microsoft for Africa Draper Richards Kaplan Foundation Total Toyota Visa Syngenta Ecobank Foundation	MasterCard Foundation Draper Richards Kaplan Foundation Ford Foundation Coca-Cola Foundation Citi Foundation

[32] Refers to corporate foundations, corporate funds, and corporate accelerator/incubator programs

approach, impact investing, philanthropy/grant making, venture philanthropy, and ecosystem building through acceleration/incubation programmes.

The region also hosts several multinational companies (MNCs) with established local offices that drive impact along their sectors of operations and value chains.

The Partners in Food Solutions (PFS), an initiative led by the General Mills, was established to share General Mills' technical expertise with local partners in various countries in Africa, including Kenya, Uganda, Tanzania and Ethiopia. The PFS has successfully cooperated with other MNCs, NGOs and investors such as Cargill, DSM, Technoserve, WFP, USAID, Small Foundation and Root Capital. Other MNCs active in social investment in the region include Total (energy), Microsoft (ICT and skills development), Coca-Cola (economic empowerment, WASH etc.), Unilever (FMCG), IBM, Siemens, and Visa, among many others.

The strategies adopted by the corporates in the region are described below:

Shared value approach/Sustainable CSR:

The shared value approach is one of the most prominent strategies adopted by corporates in the region. Corporate foundations have initiated several social impact initiatives funded through their corporate budgets and leveraging additional funding from other partners. Safaricom is one of the leading corporates in this space, through direct investments into communities and through corporate social investment (CSI) programmes through the Safaricom Foundation and the M-PESA Foundations. Safaricom has effectively created a shared value through its M-PESA services, providing financial services to the under- and un-banked populations and allowing them to access savings and credit benefits while generating substantial revenue and business opportunities for Safaricom. It also launched M-Tiba, a health payment solution in the region with an "e-wallet", that enables the low-income population to save money for their healthcare expenses. The product helps health payers, such as government and donors, to easily direct the funds towards this low-income population. Safaricom also works with the B-Team Africa, an alliance of progressive business leaders launched in 2018, to create a network of people and resources that can catalyse the adoption of the SDGs, and create shared value across the continent.

Commercial banks in the region are more actively involved in the social investment space compared to other corporates. Most banks in the region have established the corporate foundation and corporate social investment divisions to spearhead social investments. The banks in the region have continually leveraged CSR initiatives as an avenue for brand value improvement, promotion, and creating social value, which in return contributes to their sustained growth. Some of the leading commercial bank foundations in the region include Equity Group Foundation, KCB Foundation, Ecobank Foundation, Cooperative Bank Foundation, and the Family Group Foundation.

Ecosystem Building:

Corporates have been supporting the development of social entrepreneurship and social investment through ecosystem building initiatives and strategies such as supporting acceleration/incubation/entrepreneurship programs, undertaking research, and setting up their own incubators/accelerators. In 2017, the Standard Chartered Bank partnered with the @iBizAfrica–Strathmore University in Kenya to create the 'Women in Tech' incubator programme. The program supported female-led entrepreneurial teams by providing them with training, mentorship, and US$ 10,000 seed funding to invest in their business. The bank also launched the Africa eXellerator lab in 2019, an innovation hub to serve as a platform to collaborate with fintechs in Kenya and the broader African region, to drive innovation and develop new business models or services to meet client needs in the region[34]. The Barclays Bank (Absa Group) has equally run similar accelerator programmes in collaboration fintechs. The programme was designed to capture, shape and scale, innovative fintech businesses in Africa. The KCB Foundation also implements youth employment programmes such as the KCB 2jiajiri which has boosted entrepreneurship and employment among the youth. MasterCard Foundation, has also been promoting youth entrepreneurship through the Young Africa Works initiative launched in various countries, including Kenya and Tanzania. In 2020, VISA partnered with Hand in Hand International, a global NGO in Eastern Africa, with US$ 2.4Mn to support growth of SMEs[35].

"The strategy aims tocreate shared value as opposed to the CSR approaches. The programmes implemented yield both business and social value. In order to scale the operations, funding is conducted by both the bank and donors. These are international donors and foundations who catalyse the areas the foundation is working on."

Corporate foundation in East Africa

"The Johnson & Johnson Impact Ventures is a pure debt fund targeting post revenue businesses in the health sector making around $100,000 dollars a year and focusing on the bottom of the pyramid; looking for debt financing of about US$ 0.5Mn."

Impact Investing:

Corporates also engage in impact investing, with some of them investing through debt and equity and others deploying grants to social enterprises and sustainable businesses. In 2014, Safaricom, for example, started the first Corporate Venture Fund in East Africa – the Spark Venture Fund – to both invest and support late-seed, early-growth stage companies. The fund has supported the development and growth of mobile tech start-ups in

[34] Standard Chartered Bank - Africa eXellerator

[35] Hand in Hand Website

the region, especially in Kenya, through a combination of investment, business development and technical assistance support. Equity Bank has also created positive impact in the health and energy sector through the health franchising programmes and investment in clean energy products. The Johnson & Johnson also engages in impact investing space and recently launched Johnson & Johnson Impact Ventures, a US$ 15Mn initiative to support businesses and social enterprises focusing on health. The Shell Foundation has made great contributions in the energy sector through the deployment of both grants and zero-interest debt to the enterprises in the region. Microsoft 4Afrika currently offers both financial and non-financial support to start-ups the region. It has recently launched the Global Social Entrepreneurship programme to help social enterprise start-ups build and scale.

In Rwanda, the Ecobank foundation partnered with GlaxoSmithKline and the Government of Rwanda to implement OneFamilyHealth programme, a sustainable franchised network of clinics that seeks to improve access to basic healthcare and prevention services in isolated rural communities in Rwanda. The Ecobank Foundation supports the initiative by providing loan facilities to the franchisees. Chandaria Ccapital is also a key player in impact investing providing financial and non-financial support to early stage, scalable, high impact businesses creating sustainable long-term growth for Africa. The company has invested in Ilara Health, SoKowatch, Kobo360 and Savannah Brands.

Philanthropy/grant making:

Corporates operating in the region also engage in philanthropy through the deployment of grants to both individuals and institutions. For instance, the Standard Chartered Bank has been sponsoring the 'Standard Chartered Nairobi International Marathon', investing about US$ 900,000 annually towards sponsorship of the event and channelling the proceeds to its "Seeing is Believing (SiB)" initiative, which focuses on addressing avoidable blindness among children below 15 years. Other corporates, such as the Family Group Foundation, Equity Bank, and Cooperative Bank, have also supported other social initiatives such as the "Beyond Zero Campaign". International corporate foundations in the region, such as the Ford Foundation, Citi Foundation, the MasterCard Foundation, and Coca Cola Foundation, also provide grants to address various social and environmental challenges. In 2017, the Citi Foundation committed US$ 1.3Mn in grants in partnership with TechnoServe to support young entrepreneurs and workers in multiple countries in Africa, including Kenya and Uganda.

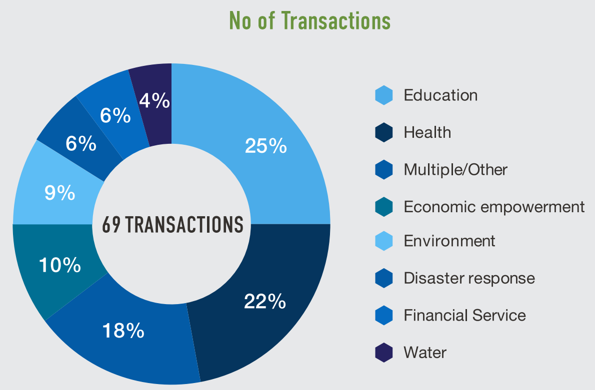
INVESTMENT ACTIVITIES: TRENDS AND FOCUS AREAS

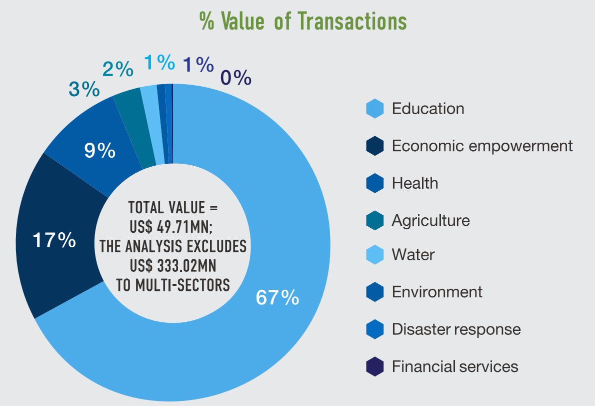
East African corporate social investors active in the region

The research mapped 69 transactions (donations/grants/debt) worth US$ 382.7Mn[36] deployed by the East Africa-based corporate investors between 2014 and 2019. Equity Group Foundation, KCB Group and Safaricom are some of the largest corporate social investors supporting

Figure 26: Social Investments by East African Corporate Social Investors, by Focus Areas (2014-2019)

Corporate Social Investors contribute significantly to the education and economic empowerment sectors





**US$ 333.02Mn funding to multiple sectors is excluded to avoid skewing the chart. This represents data obtained from Annual CSI Reports with aggregated expenditures for multiple sectors*

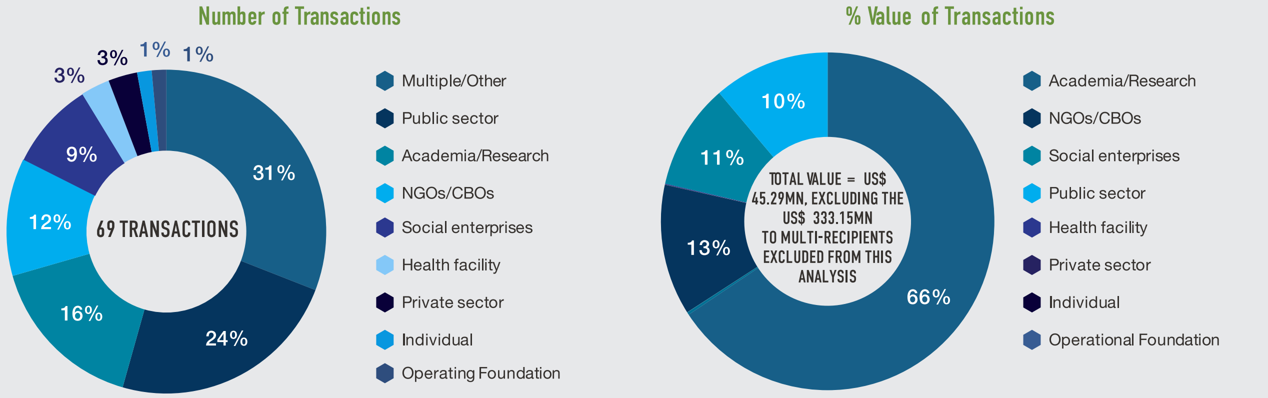
various initiatives. Health, education, and economic empowerment are key social causes of interest for corporate investors, with most of the funds deployed in these sectors.

Corporate social investments in the region are primarily made into the public sector and academic/research organisations. Corporates are also working with NGOs, while others also support social enterprises through grants, debt and equity. In 2015, for instance, Safaricom set up the Technology for Good Innovation Fund - a US$ 500,000 fund that sought to offer financial and non-financial support to social enterprises in the tech industry with a specific focus on sustainable and scalable mobile-based solutions. Others include the funding and mentorship support offered to micro and small enterprises by foundations such as KCB and EGF.

[36] Intellecap analysis

Figure 27: Social Investments by East African Corporate Social Investors, by Recipient Type (2014-2019)

Corporate Social Investors contribute significantly to Academia and Social Enterprises



**US$ 333.2Mn funding to multi-recipients is excluded to avoid skewing the chart. This represents data obtained from Annual CSI Reports with aggregated expenditures to multiple undisclosed recipients*

Source: Intellecap Analysis; CSIs Websites and Reports

SPOTLIGHT: EQUITY GROUP FOUNDATION

In 2008, the Equity Group Foundation (EGF) was established as the social arm of Equity Group Holdings; seeking to transform the lives and livelihoods of the people of Africa. The Foundation champions the socio-economic prosperity of low-income people via economic opportunities and skill and capacity building tools with a range of financial and technological innovations. EGF rides on a shared value approach to the social investments, working alongside other partners to create shared value as opposed to the traditional CSR approach. To catalyse and achieve more sustainable impact, the foundation established strategic partnerships with development partners, governments, the private sector and local and international organizations. With the major source of income being 2% of the Bank's annual profits, EGF's executes programmes in the following areas;

- *Education & Leadership Development; This is a majorly a scholarship programme through which the EGF seeks increase access to secondary and tertiary education and develop the next generation of leaders. Since 2010 the EGF has awarded 26,304 comprehensive secondary school scholarships (Wings to Fly) to academically promising, yet financially disadvantaged youth*

- *Food & Agriculture; This programme aims to accelerate economic growth in the region by commercializing agriculture. The foundation has implemented different projects through partnership with farmers and other key players.*

- *Health; EGF established the health pillar in 2014 to champion access to affordable high quality healthcare services across the country. This programme has so far led to the opening of 22 clinics and seeks to increase this to 1,000 health franchises.*

- *Entrepreneurship & Financial Education; This is an enterprise development programme that aims to ensure that the enterprises receive mentorship, entrepreneurship training and funding to help grow their businesses. Over 4,000 SMEs have been trained. EGF has also provided funding to the enterprises at a favorable lending rate.*

- *Energy & Environment; This intervention has seen the EGF facilitate planting of 1 million trees, investment of US$30Mn*

EGF has leveraged partnerships with different players in supporting the programmes through programmatic grants and guarantee funds among other non-financial support. Some of the partners include; MasterCard Foundation, the U.S Government, EU; the government of Kenya, and International Agencies such as AFD, among others. EGF complements government support and partnership in replicating and scaling up their impact on the education sector through scholarship programmes (wings to fly). Through the EGF-Government partnership, the government committed US$ 30 million targeting to provide 18,000 scholarships in two years.

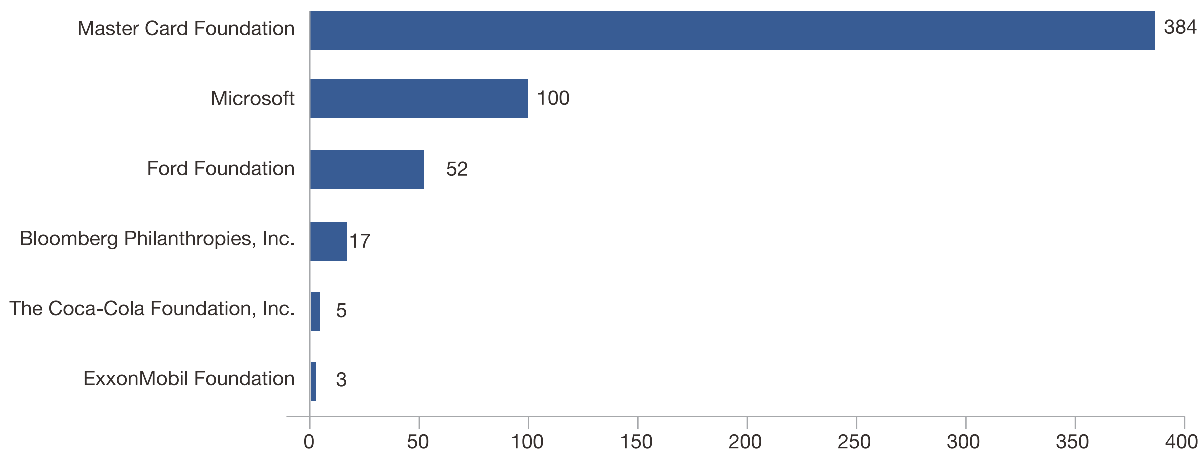
North American corporate social investors active in the region

The research identified at least 20 North American-headquartered corporate social investors operating in the region deploying grants and addressing social causes in various sectors both through direct investments and programmatic interventions. Some of the most active players are highlighted below;

Other corporate social investors active in the region

The research identified at least 16 European-headquartered corporate foundations active in the region, namely Johnson & Johnson, Phillips Foundation, Shell Foundation, Argidius Foundation, Ikea Foundation, Swiss Re Foundation, Rabo Foundation, Stichting DOEN, the Syngenta Foundation for Sustainable Agriculture, Total Corporate Foundation (Fondation d'entreprise TOTAL),

Figure 28: Selected North American Corporate Social Investors, by Value of Deployment (US$ Mn) 2015-2019

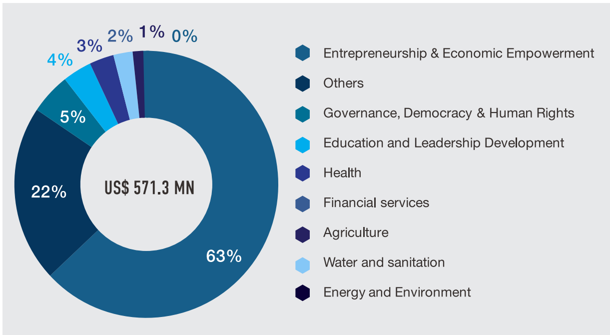


Source: Intellecap Analysis, Foundation Centre

The MasterCard Foundation (MCF) is one of the active international corporate foundations in the region, implementing various programmes with a focus on agriculture development and youth employment. In addition to its partnership on the KCB 2jiajiri program, MCF has also partnered with the Equity Group Foundation and Alliance for a Green Revolution in Africa in the education and agriculture sector, respectively. The Ford foundation has supported non-profit organisations with a focus on civic engagements and governance in East Africa. The foundation deployed more than 200 grants worth US$ 51.3Mn to organisations such as the Centre for Rights, Education and Awareness, Economic and Social Rights Centre, Kenya Human Rights Commission, among others. In 2019, the Coca-Cola Foundation deployed a US$ 250,000[37] grant to the Shining Hope for Communities (SHOFCO) to support economic growth for 2,500 women living in the urban slums of Kenya through entrepreneurship opportunities to collect PET, generating income and contributing to overall waste reduction. The foundation also deployed US$ 50,000 to the Nipe Fagio organisation in Tanzania in support of ZERO WASTE Project in Tanzania. The Draper Richards Kaplan Foundation (DRK foundation), has also supported early stage and high impact social enterprises in Kenya, Uganda, Tanzania in various sectors including economic empowerment, education, health, agriculture, environment. Some of the enterprises supported in East Africa include Jacaranda Health, Sanergy, Komaza, One Acre Fund, Tiny Totos and Food for education.

North American corporate social investors are largely focused on entrepreneurship, education, and health sectors, with the entrepreneurship and economic empowerment accounting for more than half the grants made between 2015 and 2019.

Figure 29: Deployment by Select North American Corporate Social Investors, by Sector (2015-2019)



Source: Intellecap Analysis, Foundation Centre

among many others. Many of the European foundations identified have been using the shared value approach for social capital deployment in the region. For example, the Syngenta Foundation for Sustainable Agriculture (SFSA) has been partnering with the International Maize improvement centre (CIMMYT) in East Africa to improve the crop yields and income for smallholders. On the other hand, the Philips Foundation in collaboration with the Kenya Red Cross launched the third phase of its successful Back to Rhythm campaign—an education drive that has been creating public awareness around cardiac health in Kenya, and increasing the chances of survival of victims of sudden cardiac arrest (SCA) since 2017. Johnson and Johnson Foundation and Shell Foundation are active in the impact investing and venture philanthropy space.

[37] Coca-Cola Company Website

3.1.4 Family Foundations/Trusts/Endowments

SUMMARY OF TRENDS AND OBSERVATIONS ON FAMILY FOUNDATIONS/TRUSTS/ENDOWMENTS

- *The research mapped US$ 22.17Mn deployed by the East African family foundations across 27 transactions; while North American Foundations deployed over US$ 710.4Mn in 708 grants between 2015-2019.*
- *Most family foundations work as operating foundations backed by philanthropists and/or working with NGOs and other donors to implement projects*
- *The family foundations in the region focus on provision of basic services including health, education and economic empowerment in the focus countries*
- *Family foundations funding remains largely grant based; with some shift towards impact investing and venture philanthropy*
- *Funding from family foundations headquartered outside of the region remains focused largely on health interventions, accounting for 43% of the total funding between 2015-2019*
- *The top two sectors, healthcare and agriculture, accounted for 72% of the funding by North American family foundations.*

INVESTMENT STRATEGIES

> *Philanthropy/grant making is the most common approach adopted by international and East Africa-based family foundations operating in the region.*

While giving by East African philanthropists remains mostly undocumented, some forms of institutionalised philanthropy do exist in the region with individuals and local family foundations deploying capital through their operating foundations and other channels such as NGOs and academic institutions. Most of these foundations such as the Rattansi Education Trust, Mo Dewji Foundation, Zarina & Naushad Merali Foundation and Chandaria Foundation operate through a grant-funding model. In addition to various donations made to initiatives in the education, health, and environment sectors, Chandaria Foundation has also been supporting the growth of the social enterprises through the Chandaria Business Incubation Centre hosted at Kenyatta University in Kenya.

Many of the larger family-run business conglomerates in East Africa have now reached the third or fourth generation of wealth creation, giving way to some form of institutionalised philanthropy witnessed in recent years. As wealth creation continues amongst East African entrepreneurs, more widespread structured family giving is anticipated in the region. The return of younger generations from studying and working abroad to run family businesses in East Africa is also contributing to an interest in impact investment amongst wealthy families and entrepreneurs, although the large majority of family foundations and trusts continue to deploy more traditional grant capital. However, there exists an opportunity to do more in this space to encourage family foundations to engage with innovative finance by making these structures accessible to diverse, smaller-scale donors.

International philanthropists also largely adopted the grant-making approach in the region to deploy grants through their family foundations. Some of the largest international grant providers in the region include Bill and Melinda Gates Foundation (BMGF), Howard G. Buffett Foundation, Conrad N. Hilton Foundation, Rockefeller Foundation, David and Lucile Packard Foundation, Segal Family Foundation and John D. and Catherine T. MacArthur Foundation. Most of these foundations deploy grants in the region through other intermediaries and NGOs based there.

> *Family foundations in the region, however, are increasingly looking beyond grant making and using impact investment and venture philanthropy strategies to solve social and development challenges.*

Although impact investments and venture philanthropy are still nascent among international foundations operating in East Africa, a few have adopted such initiatives and launched impact investment initiatives, deploying repayable grants, low-cost debts and equity. The Graca Machel Trust, for example, is currently raising a GLI focused fund to invest in women business in East Africa. The LGT Venture Philanthropy Foundation and Mulago Foundation are also actively investing in social enterprises through grants, debt and equity. The LGT Venture Philanthropy Foundation invested in the M-KOPA Solar (Kenya), providing affordable solar home systems that generate clean energy for low-income households in the region.

Some of the approaches adopted by family foundations are outlined below:

Table 7: Summary of Social Investment Approaches Adopted by Select Family Foundations

#	Foundation Name	Headquarter	Acceleration/ Incubation support	Impact Investing	Venture Philanthropy	Grants/ philanthropy	Description
1	Mo Dewji Foundation	Tanzania	✓	✓		✓	The Mo Dewji Foundation supports social entrepreneurship through its Mo Entrepreneurs Competition program in the region. The Mo Entrepreneurs Competition seeks to provide approximately US$ 4,310 (TZS 10 million) interest-free loan and mentoring from Mo Dewji to innovative firms, enabling them to improve productivity and income. The foundation also supports various initiatives through grants and donations in education, health and community development.
2	Chandaria Foundation	Kenya	✓			✓	Deploys grants to various institutions in sectors such as education, and health sectors. The foundation also engages in venture philanthropy and invests in entrepreneurs to create impactful companies in the region. It also supports offers non-financial support to enterprises through the Chandaria business incubation centre.
3	Bill and Melinda Gates Foundation	United States	✓	✓		✓	BMGF largely deploys grants to NGOs and government agencies in addition to establishing and implementing huge programmatic interventions. The foundation focuses on the health, agriculture and financial services sectors. Locally, the foundation has partnered with the Financial Sector Deepening Trust (Tanzania) in financial inclusion related projects. In Kenya, it has partnered with the National AIDS Control Council in health projects. The BMGF aims to improve local capacity and support vulnerable members of the societies through grants. The foundation has also deployed some impact investments in the region largely in the agriculture sector.
4	Segal Family Foundation	United States	✓	✓		✓	Beyond grant making, Segal Family Foundation has made a number of debt or equity investments in social enterprises in East Africa, focusing on early-stage entrepreneurs who are creating innovative, scalable models to address Africa's most pressing social and environmental challenges. It has also implemented a Social Impact Incubator (SII) programme in the region.
5	Stone Family Foundation	United Kingdom		✓			The foundation provides grants and seed capital to innovative enterprises and new ideas, particularly solving water and sanitation access challenges. Its geographic focus in sub-Saharan Africa includes Kenya, Uganda and Rwanda in East Africa.
6	LGT Venture Philanthropy	Switzerland			✓		It invests into for-profit and non-profit social enterprises. In East Africa, LGT only works with enterprises in Kenya in various sectors including education, health and environment.

#	Foundation Name	Headquarter	Acceleration/ Incubation support	Impact Investing	Venture Philanthropy	Grants/ philanthropy	Description
7	Rockefeller Foundation	United States		✓		✓	The foundation supports various initiatives and has supported the development of a global impact investing, invested in a number of enterprises under the foundation's innovative finance and impact investing work. The foundation has as awarded both grants and program-related investments (PRIs). In East Africa, the foundation has worked with the Alliance for a Green Revolution in Africa and Farm Concern International in the agriculture sector.
8	Zarina & Naushad Merali Foundation	Kenya				✓	The foundation is purely philanthropic supporting various projects including hospitals, health centers, old-age homes and educational funds for the needy. It has supported initiatives such as the Beyond Zero Campaign and the construction of a Day Care at the Kenyatta National; Hospital (Kenya)
9	Rattansi Education Trust	Kenya				✓	The Rattansi Trust has been in existence since 1953 and focuses in the education sector. The Trust provides bursaries and scholarships to students in various academic institutions.
10	Mulago Foundation	United States			✓		The foundation adopts a venture philanthropy approach with a focus on enterprises working in the health, agriculture, education and energy sectors. It offers unrestricted funding to these enterprises and supports them in their growth. Some of the enterprises supported include; Komaza, Sanergy, Living Goods, among others.

INVESTMENT ACTIVITIES

East Africa based family foundations

> *Health, education, and economic empowerment are the focus areas for East Africa based family foundations, with most of the identified foundations deploying funds to the education sector.*

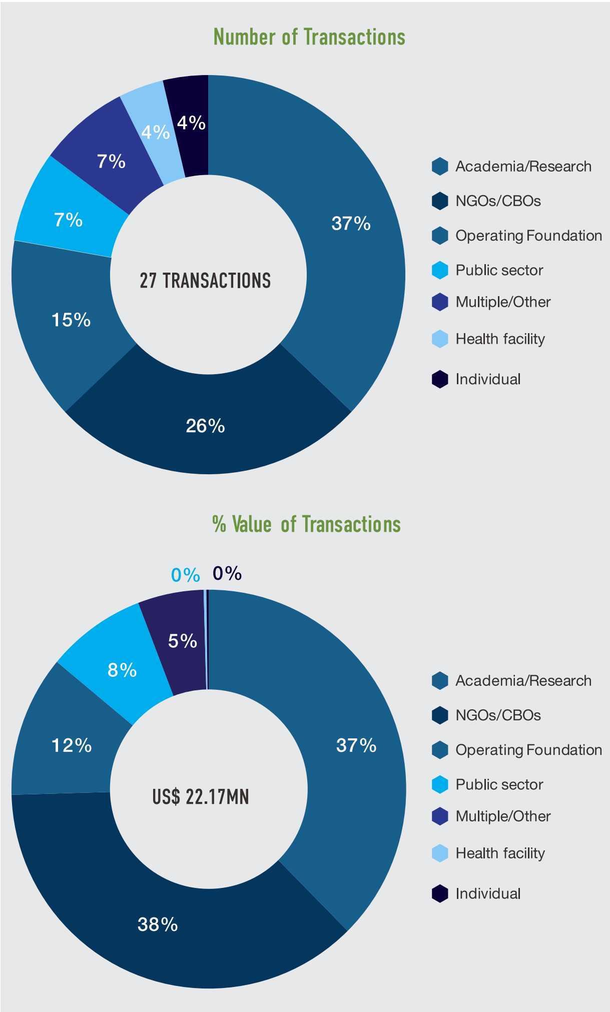
This research identified US$ 22.17Mn deployed across 29 transactions by East African based family foundations in the region between 2012 and 2019. Most of the identified East African family foundations have deployed funds largely for basic services provision, particularly in health and education. This finding is also supported by a study recently conducted by Bridgespan Group, which reported that 77% of Africa donors give to basic needs causes[38]. The Rattansi Trust, for example, focuses on the education sector and engages in the provision of bursaries, books, and classrooms construction in Kenya. The trust has also partnered with education institutions to implement the initiativesprogrammes and deploys at least US$ 400,000 per annum. The Mo Dewji Foundation has for the last five years contributed more than US$ 3Mn in grants and other forms of funding for community service projects, supporting schools, hospitals, and water wells.[39]

[38] The Bridgespan Group: The Landscape of Large-Scale giving by African Philanthropists

[39] The Mo Dewji Foundation Website

Figure 30: Giving by East African Family Foundations, by Recipient Type (2012-2019)

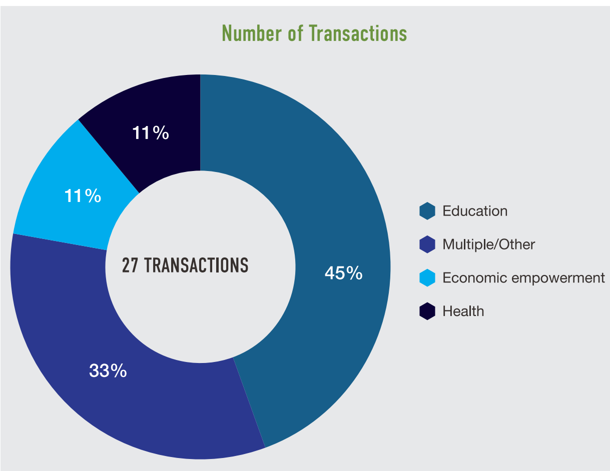
Donations by local foundations have been mainly through academia/Research and NGO/CBOs

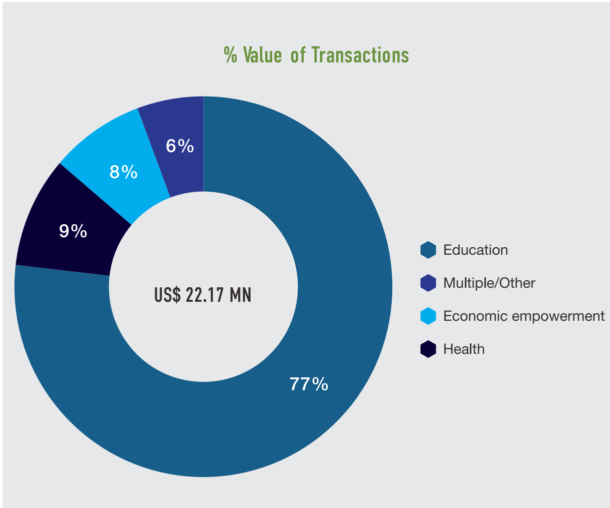


Source: Intellecap Analysis, EAPN Data Portal, Websites, Reports and Bridgespan Group

Most of the East Africa philanthropists targeted programmatic interventions in the education, health, and economic empowerment in the region.

Figure 31: Giving by East African Family Foundations, by Area of Focus (2012 – 2019)





Source: Intellecap Analysis, EAPN Data Portal, Websites, Reports and Bridgespan Group

North American family foundations

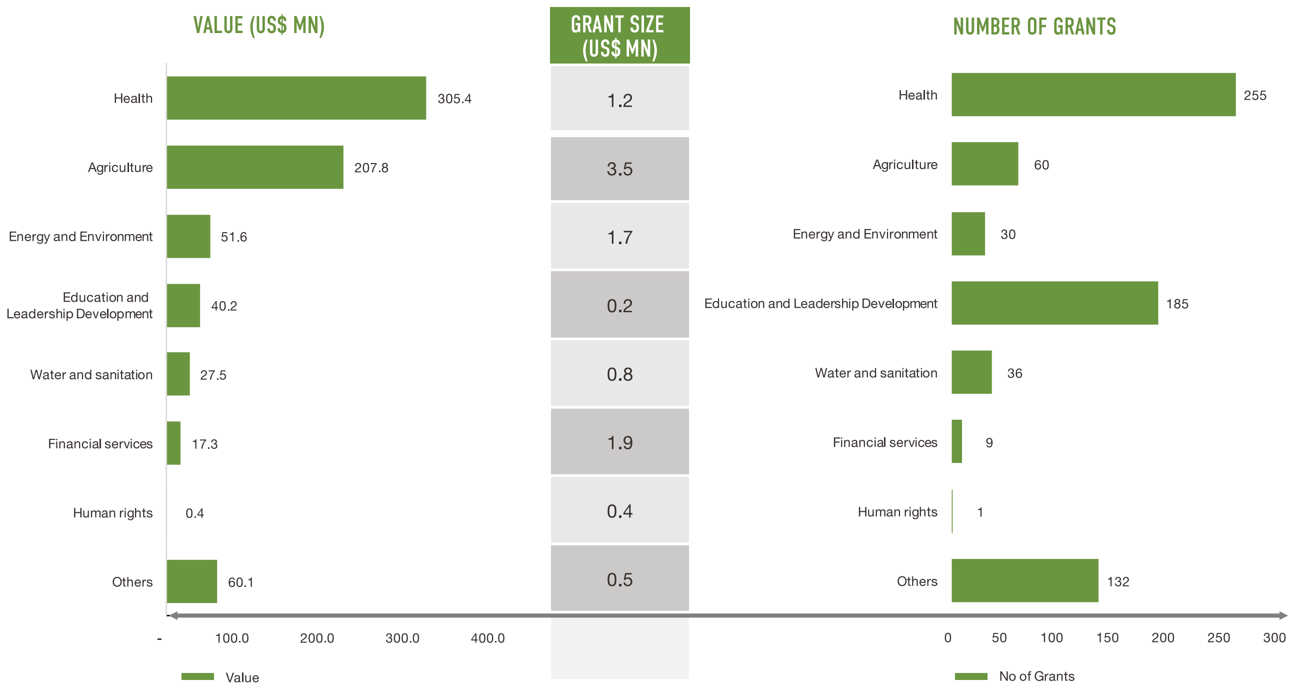
> *The healthcare sector constitutes the largest proportion of North America-headquartered family foundations' funding in the region.*

The research mapped 708 grants valued at US$ 710.4Mn deployed by North America-n based family foundations between 2015 and 2019. Grant funding to the region by these foundations declined significantly within the same period, which could be attributed to a change in strategies by large foundations. The healthcare sector constitutes the largest proportion of foundations funding in the region, accounting for 43% of the total funding; this could be attributed to the healthcare focus by one of the most activebiggest foundations in the region – BMGF. Furthermore, the top two sectors, healthcare and agriculture, accounted for 72% of the funding by North American family foundations between 2015 and 2019. Even though the agriculture sector had fewer grants than the education and health sector, it had the biggest grant sizes averaging US$ 3.5Mn.

> *The top two foundations – BMGF and Howard G. Buffet Foundation – accounted for more than 73% of the North American family foundations grant value between 2015 and 2019.*

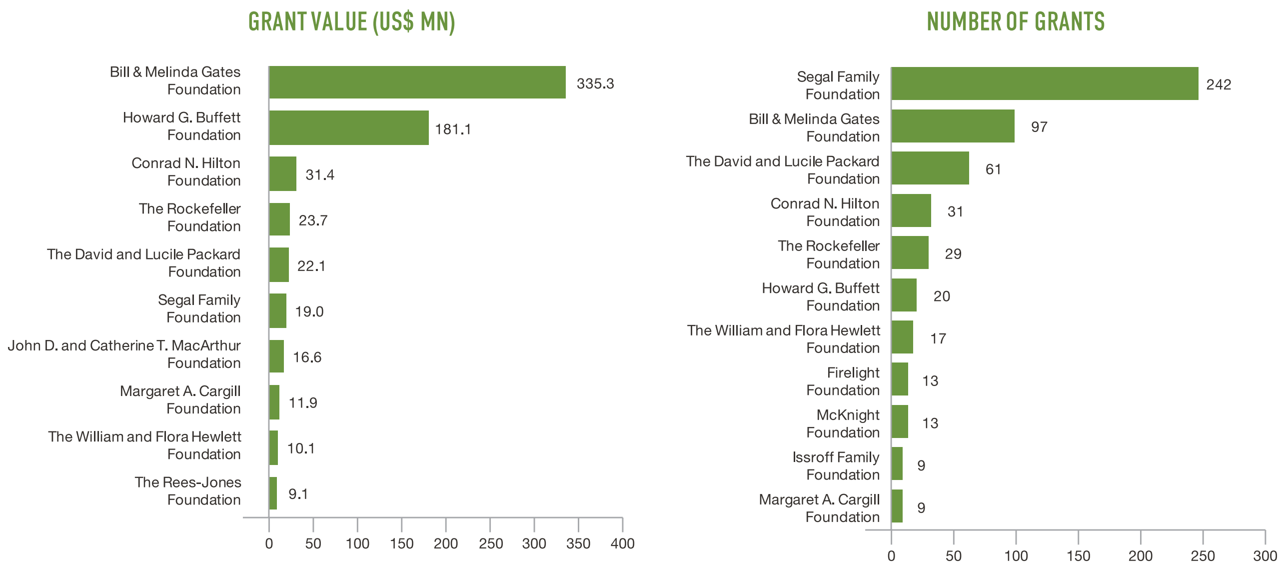
The top two foundations have actively engaged in the region, working with the local organisations to implement some of the initiatives. The BMGF, which accounted for the largest proportion of grants (47%), worked with other local and international partners in the health, agriculture, and financial services sector. The foundation also worked with organisations such as the JHPIEGO, PATH and the National AIDS Control Council (Kenya) to implement some of the health programmes in the region. In Kenya, the Howard G. Buffet Foundation has partnered with the Partners for Seed in Africa (PASA) Fund in the agriculture sector to provide technical assistance and program support.

Figure 32: Capital Deployed by North American Family Foundations, by Sector (2015-2019)



Source: Intellecap Analysis, Foundation Centre

Figure 33: Top North American Family Foundations Active in the Region, by Number and Value of Grants (2015-2019)



Source: Intellecap Analysis, Foundation Centre

Other family foundations active in the region

The research identified at least seven Europe-based family foundations operating in the region with a focus on addressing social challenges such as access to affordable healthcare, education, agriculture, and energy. The Laudes Foundation (formerly C&A foundation), for example, was launched in 2020 and has supported agriculture initiatives in Tanzania in partnership with Technoserve and GIZ. The foundation is currently supporting a €1,900,000 (US$ 2.24Mn) project in Tanzania implemented in partnership with the GIZ targeting to improve the livelihoods of 16,500 smallholder cotton farmers in Tanzania through the transition to organic farming and forging a strong link to markets. On the other hand, the Canopus Foundation engages in venture philanthropy in the region with more focus on clean energy. The foundation partnered with Ashoka to launch the "Solar for All" initiative providing equity to social enterprises in the region. The Stone Family Foundation in the region focuses on market-based solutions in the WASH sector with approximately 75% of its funding equivalent to roughly US$ 4.7Mn (£4Mn)[40] annually committed to the sector and largely deployed to Ghana, Kenya, Uganda, Rwanda and Cambodia. On the other hand, King Baudouin Foundation (KBF Foundation) runs an annual prize known as 'King Baudouin Prize for Development in Africa' which recognises outstanding contributions made by individuals or organisations across African countries including Kenya, Tanzania, Ethiopia, Rwanda, and South Sudan.

[40] The Stone Foundation: How to spend a penny – lessons from funding market based approaches in WASH

3.1.5 Multilateral and Bilateral Donors

SUMMARY OF TRENDS AND OBSERVATIONS ON SOCIAL INVESTING BY MULTILATERAL AND BILATERAL DONORS IN THE REGION

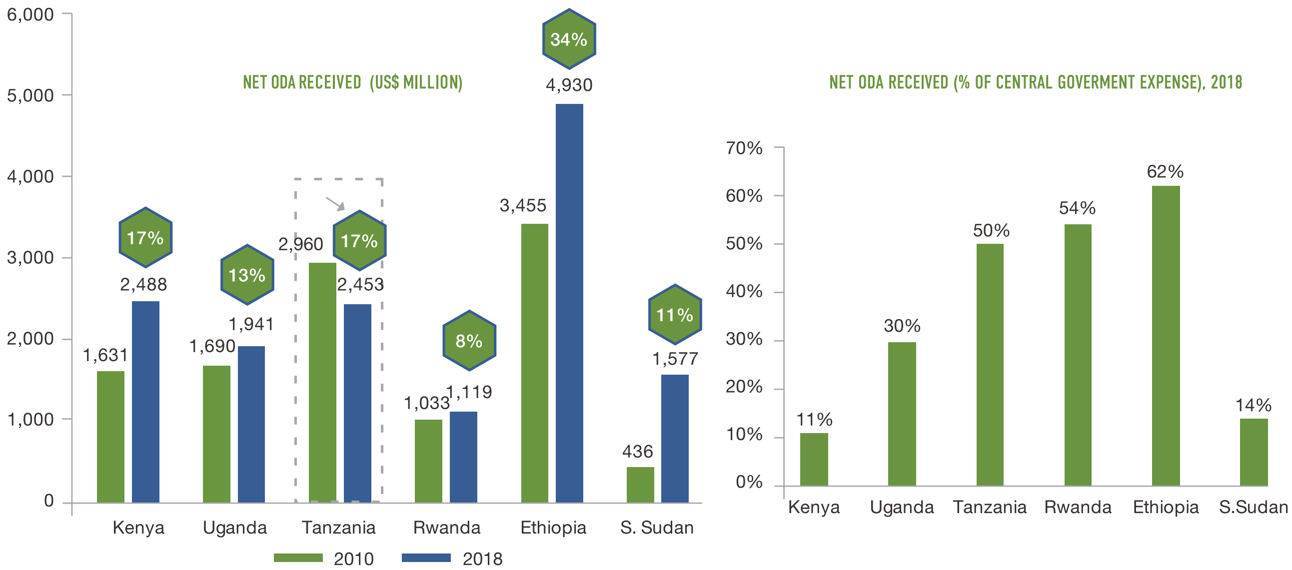
- *USAID, the top donor in the region, accounted for 21% of the donor funding in the focus countries. USAID funding to the region has increased over the years, despite a 4% decline in 2018 and 2019.*
- *Donor funding in most of the countries increased, except for Tanzania, between 2010 and 2018.*
- *Health, agriculture, education and entrepreneurship development are the top three focus sectors, receiving 30%, 25% and 12% of donor funding, respectively*

COUNTRY FOCUS

Donors remain a significant source of funding to the East Africa region, with USAID accounting for the largest proportion of this funding.

Official development assistance (ODA) accounts for a significant proportion of national governments budget ranging from 11% in Kenya to 62% in Rwanda as of 2018[41]. In 2018, the total net ODA into the focus countries was US$ 14.5Bn – approximately 29% of the total ODA to Sub-Saharan Africa, with 33% of it deployed to Ethiopia. USAID has been the top donor and accounted for 21%[42] of the total funding to the focus countries in 2018. While ODA in most of the countries increased between 2010 and 2018, Tanzania experienced a decline which could be attributed to various intervening factors, including the relationship between the government and the international community (donors) in terms of meeting the set criteria for disbursements.

Figure 34: ODA Trends across the Focus Countries



Circles represent the share of total ODA to the focus countries in 2018

Source: World Bank Development Indicators, 2018
NB: South Sudan is 2016 data

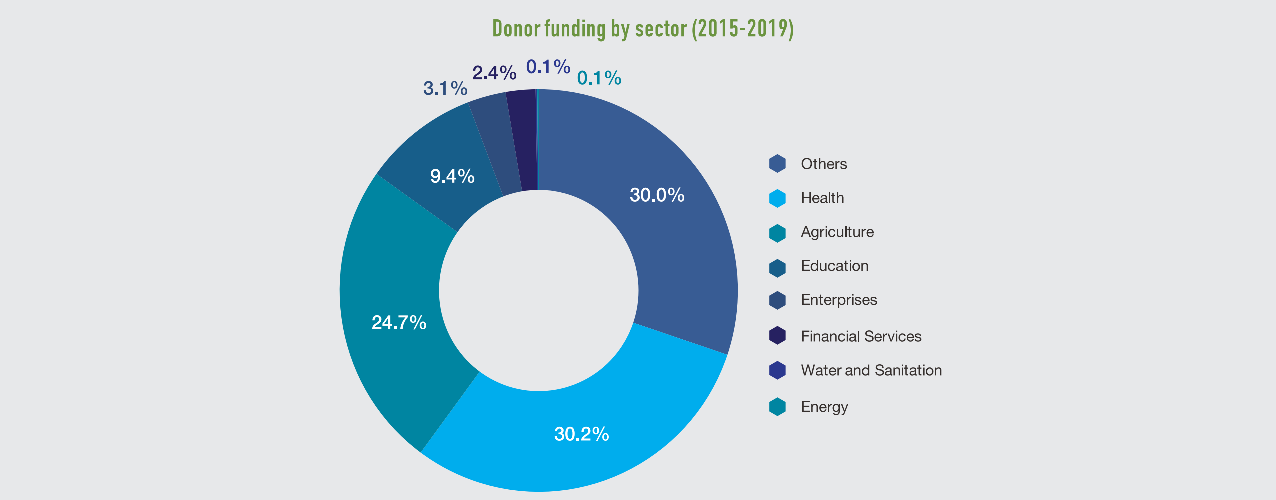
SECTOR FOCUS

Donors in the focus countries have primarily focused the programmatic multi-year intervention on health, agriculture and food security, education, and entrepreneurship development.

The donors deployed the largest portion of the aid to the health sector followed by agriculture.[43] This nearly reflects the trends in USAID funding in the sector, with the health sector receiving the largest portion (44%) of the donor's funding between 2015 and 2019. Most of the funding in the sector focused on primary healthcare, HIV/AIDS, and maternal and child health.

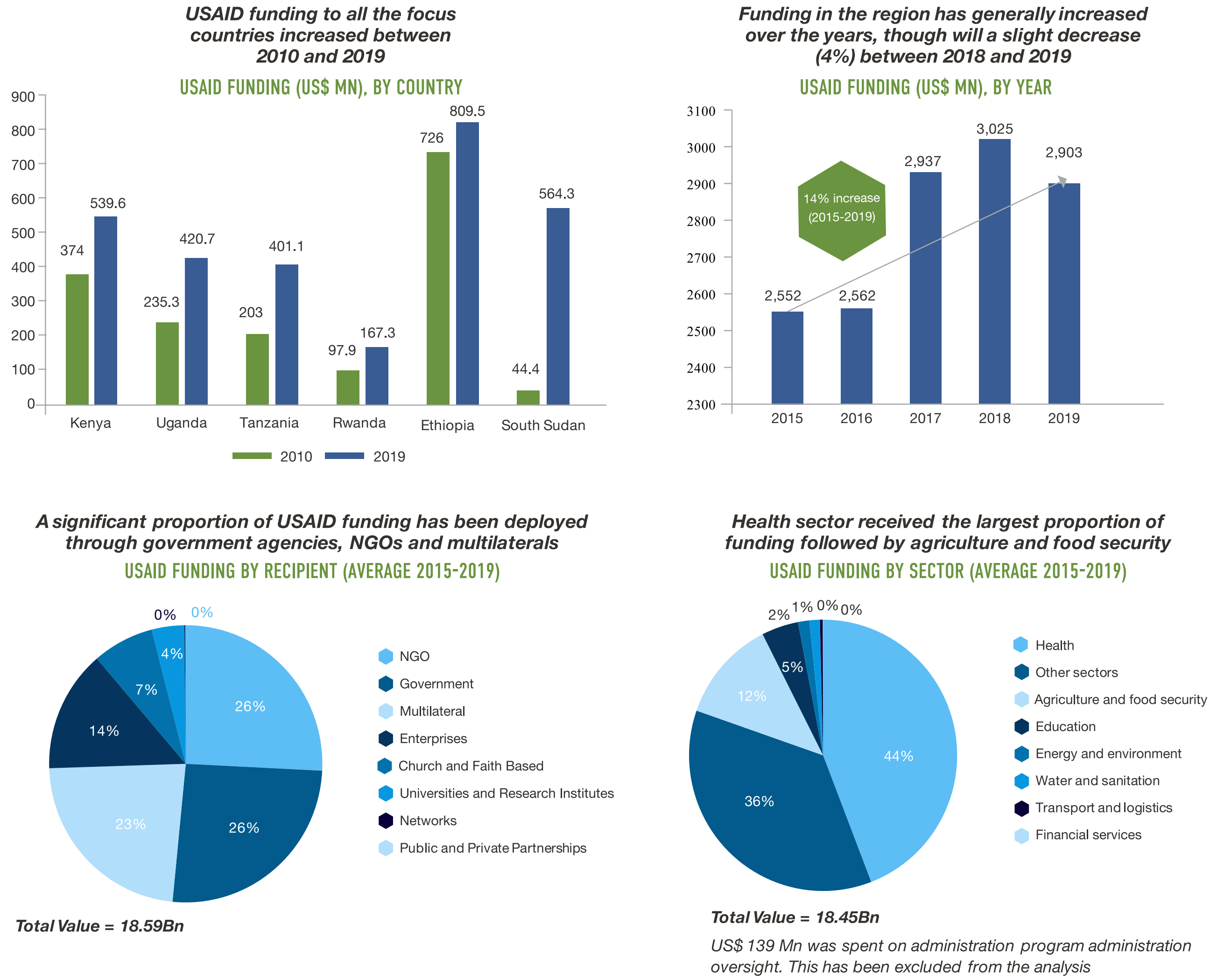
[41] World Bank Development Indicators, 2018
[42] Intellecap analysis – USAID funding, 2018
[43] Intellecap Analysis based on 291 donor programs in the region

Figure 35: Donor Funding by Sector (2015-2019)



Source: Intellecap Analysis

Figure 36: Snapshot of USAID Funding Trends in the Region



Major donors in the region are undergoing significant transitions necessitating the need for innovative strategies to blend and leverage more capital.

Donors to developing countries traditionally had strong financial backing from their governments. However, these international financing sources have been undergoing significant transitions, which may ultimately lead to a reduction in funding to developing countries. Key donor shifts at a global level, likely to affect funding in the focus countries, include:

- DFID has merged with the Foreign and Commonwealth Office (FCO) to form the Foreign, Commonwealth and Development Office. This is expected to impact funding for social challenges in developing countries, as FCO has traditionally focused on advancing security and diplomatic issues rather than supporting poverty-reducing projects.

- The adoption of the United States Better Utilization of Investments Leading to Development (BUILD) Act and the establishment of the U.S. International Development Finance Corporation (DFC) as the US government's DFI are also critical changes.

DFC combines the activities of Overseas Private Investment Corporation (OPIC) and some components of USAID. Thus, this shift is expected to further reduce the USAID funding to the region, which may disrupt the implementation of key development programmes.

SAMPLE DONOR INTERVENTIONS

Figure 37: Select Donor Interventions across the Focus Countries

WORLD BANK

YOUTH EMPLOYMENT AND ENTREPRENEURSHIP

The Government of Kenya, in partnership with the World Bank, is implementing the Kenya Youth Employment and Opportunities Project (KYEOP) 2016 – 2021. The KYEOP targets to increase employment and earning opportunities among targeted young people across Kenya. The project aims to reach over 280,000 youth during the project period. The main beneficiaries will be youth between 18-29 years of age through various skills training and entrepreneurship support.
Key information about the deal.

- **Sector:** Youth and Employment
- **Country:** Kenya
- **Funding Amount:** US$ 150 Mn
- **Funding year:** 2016-2021
- **Funding type:** Debt
- **Investors:** World Bank
- **Implementing Partners:** Ministry of Public Service, Youth and Gender Affairs (MPYG); Micro and Small Enterprises Authority (MSEA)

WORLD BANK

EDUCATION AND LEADERSHIP DEVELOPMENT

The World Bank Funds East Africa Skills for Transformation and Regional Integration Project (EASTRIP). A credit and grant facility to aiming to increase technical vocational education and training (TVET) programs in selected Regional Flagship TVET institutes and support regional integration in East Africa.
Key information about the deal.

- **Sector:** Education
- **Country:** Kenya, Tanzania, Ethiopia
- **Funding Amount:** US$ 293 Mn
- **Funding year:** 2018
- **Funding type:** Debt & Grant
- **Investors:** World Bank
- **Implementing Partners:** International Development Association; Ministry of Education, Ethiopia; Inter-University Council for East Africa, Uganda; Ministry of Education, Science and Technology, Kenya; Ministry of Education, Science and Technology, Tanzania.

UKaid | Department for International Development

HEALTHCARE

DFID funded the Reducing Maternal and Newborn Deaths programme in Kenya. The programme aims to avert maternal and neonatal deaths through nationwide lifesaving skills training for health professionals, and integrated health system strengthening. The programme will also lead to increased access to and utilization of quality maternal and newborn health services. Key information about the deal.

- **Sector:** Healthcare
- **Country:** Kenya
- **Funding Amount:** US$ 309.8 Mn
- **Funding year:** 2019
- **Funding type:** Grants
- **Investors:** DFID
- **Implementing Partners:** Path, Coffey International Development, Oxford Policy Management, Marie Stopes International, IBRD, UNICEF, Liverpool School of Tropical Medicine

USAID

AGRICULTURE

The USAID Food for Progress Program provides for the donation of U.S. agricultural commodities to developing countries and emerging democracies that are committed to introducing or expanding free enterprise in their agricultural economies. The program has two primary strategic objectives: (1) increase agricultural productivity and (2) expand trade of agricultural products. Key information about the deal

- **Sector:** Agriculture
- **Country:** Kenya, Uganda, Tanzania, and Ethiopia
- **Funding Amount:** US$ 107 Mn
- **Funding year:** 2015-2019
- **Funding type:** Grants
- **Investors:** USAID
- **Implementing Partners:** Small Enterprise Assistance Funds; Global Communities; Agriculture Cooperative Development International; Land-O-Lakes International; Mercy Corps; Catholic Relief Services; Technoserve

3.1.6 Faith-Based Giving

Faith-based giving is deeply rooted in the region given the religious principles that advocate for helping the poor.

Christianity and Islam are the dominant religions in the region, accounting for 67% and 21.4% of the population[44]. Believers are taught and encouraged to give and participate in various welfare, social and economic development through charitable giving. Such funds are used to support various socio-economic causes and donations to the less privileged in the society. As a result, there are many "faith-based organisations" (FBO)[45], established in the region. The region is also home to a large Ismaili community and other Islamic organisations supporting philanthropic initiatives. This has driven significant amounts of both structured and individual giving in the region. The Aga Khan Development Network East Africa is, for instance, a prominent social investor in health, media, agriculture, and education initiatives in Kenya, Rwanda, Tanzania, and Uganda. In Kenya, the Aga Khan Foundation (AKF) is working with leading organisations such as the Islamic Relief Kenya, National Council for Nomadic Education in Kenya and schools to provide the skills that young people and tackle the complex challenges facing the youth.

FBOs are also actively involved inproviding solutions and addressing challenges in various sectors, majorly health, education, water, economic empowerment and emergency relief. Some key organisations are outlined below;

SPOTLIGHT: THE ROLE OF FAITH IN FINANCING SDGS – INSIGHTS FROM A SESSION AT SANKALP AFRICA 2020 SUMMIT

During the recently concluded Sankalp Africa Summit, key stakeholders from various religious affiliations were brought together to discuss the role that the church was playing in the financing of the SDGs and discuss potential innovative strategies going forward. It was clear that there is an increasing shift in the way religious institutions are financing social good. Pope Francis, for example, advocates for an impact investment strategy for the Catholic Church, Jewish Law instructs followers to provide loans to those in need, and the Zakat Fund, an Islamic form of philanthropy, obligates eligible Muslims to donate at least 2.5 percent of their accumulated wealth to charitable causes. Faith-based institutions are playing a vital role towards the achievement of the SDGs. Pooled funds under the Zakat Fund, for example, are used to support farmers in Kenya to purchase inputs (seeds) while the Jewish community runs agricultural centres which gave extension services to farmers. The key takeaway from the session was that more structured mechanisms need to be formulated to tap into the vast resources held by the religious institutions towards the financing of the SDGs.

Christian Health Association of Kenya (CHAK)	***Active sectors: Health*** The national faith-based organization of the Protestant churches' health facilities and programs in Kenya, has continuously promoted access to quality health care in Kenya. In supporting health service delivery for communicable diseases, CHAK focuses on Malaria, HIV/AIDs and Tuberculosis. In 2017, CHAK received the Global Fund Malaria NFM grant, with the view to contributing to the national goal of reducing the morbidity and mortality attributable to malaria.
The Catholic Relief Services (CRS)	***Active sectors: Health, agriculture*** CRS implements health programs in the region and has contributed to an improvement of quality of life of over 200,000 people in Uganda. Further, the CRS also implements an agricultural development volunteer program funded by USAID, Farmer to Farmer (F2F).
The Adventist Relief Agency (ADRA)	***Active sectors: Health, education, livelihoods*** The Adventist Relief Agency (ADRA) supports initiatives on Health, Education, Livelihoods, Emergency sectors. In 2016, ADRA partnered with NORAD to fund education programmes in Juba, South Sudan which led to training of 127 teachers and implementation of a daily school feeding program for more than 5,600 students. In Kenya, ADRA's invested in Water and Sanitation projects and established five boreholes improving access to water and hygiene kits in the region. The program targets to local farmers, schools, agribusinesses and universities in various countries in the region including Ethiopia, Rwanda and Uganda.

[44] Christianity in Eastern Africa

[45] FBOs include faith-based NGOs, hospitals, schools, and community-based organisations engaging in various philanthropic initiatives in the region.

3.1.7 Angel Investors and Angel Networks

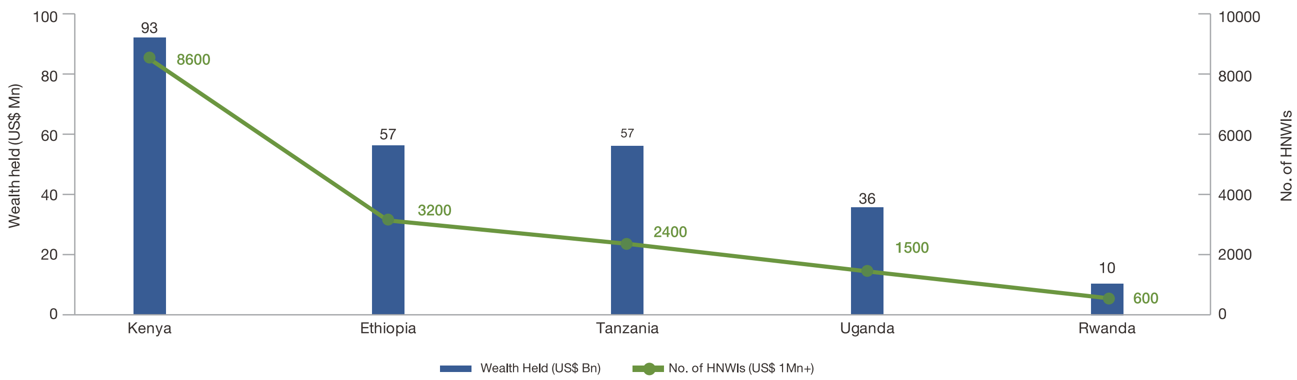
SUMMARY OF TRENDS AND OBSERVATIONS ON ANGEL INVESTING

- *Angel networks in the focus countries are still nascent despite the high number of HNWIs in the region. Nevertheless, there is a substantial growth with most of the networks being established in the countries in the last 3-4 years.*
- *A total of US$ 6.6 Mn has been deployed in the region through angel networks between 2015-2019.*
- *Angel networks in the focus countries operate primarily as networks and structured groups for sourcing and investment facilitation, with only a few operating as funds or syndicates.*
- *Financing by angels in the region ranges between US$ 20,000-500,000 and is mostly financed through equity.*
- *Angels have mainly focused on non-social focused sectors such as e-commerce, consumer goods (clothing, accessories), and information technology.*

Angel investing in East Africa is gaining momentum with the rise of wealthy individuals interested in investing in start-ups and social enterprises.

Kenya, Ethiopia and Tanzania rank highly in Africa (position 5th, 8th and 9th, respectively)[46] in total wealth held by high-net-worth individuals (HNWIs). In 2018, the three countries had more than 14,000 dollar millionaires with a combined wealth of US$ 207Bn[47], 45% of which was held by Kenyan HNWIs. According to the Forbes magazine, the region continues to produce more millionaires every year. This growth is expected to contribute to social impact investment targeting the start-ups and social enterprises. Spending on philanthropy by HNWIs in Eastern Africa was estimated at USD 94Mn in 2013[48] and is estimated to grow by a CAGR of 8.9%[49] to reach US$ 171.8Mn[50] by 2020.

Figure 38: Number of HNWIs and Wealth Held 2018



Source: AfrAsia Bank Africa Wealth Report, 2019

The region has witnessed the establishment of several angel investor networks in recent years, mainly in Kenya and Uganda.

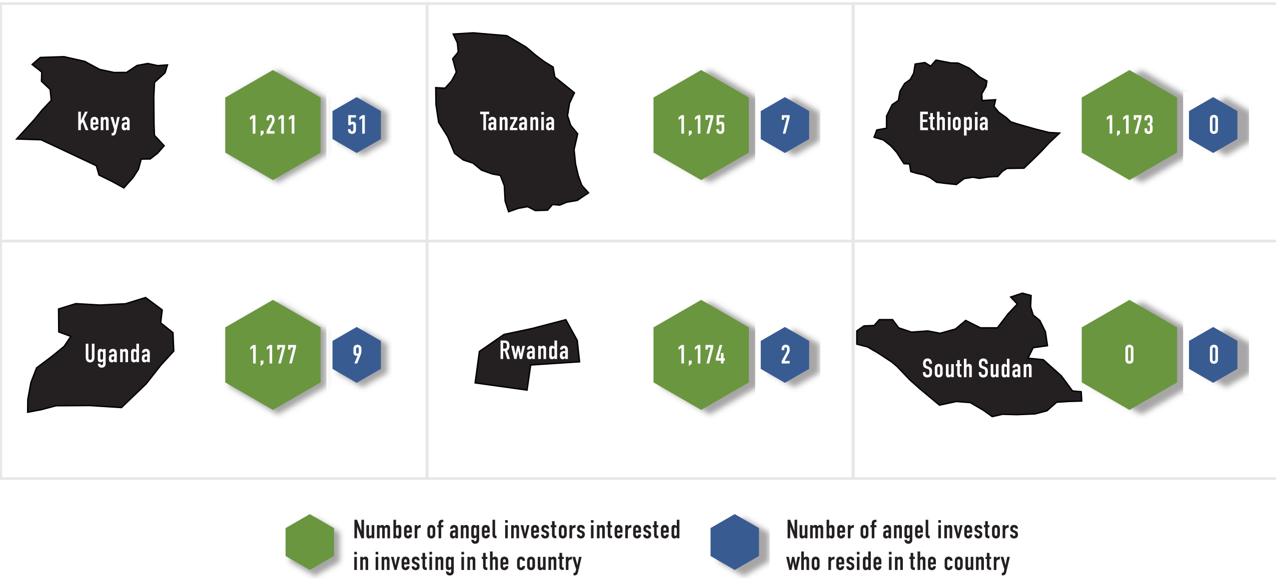
The research identified at least 13 angel networks in the region, with over 60% of them located in Kenya and Uganda. Some of the angels launched in recent years include the Intellecap Impact Investment Network (2015), Kampala Angel Investment Network (KAIN) 2016, Viktoria Business Angel Network (VBAN) 2017, Tanzania Angel Investors Network (TAIN) 2018, and Ethiopia Business Angels Network (ETBAN) 2019. The angel investors in the region invest with ticket sizes ranging from US$10,000 – US$500,000. Besides facilitating financing, the investors support both enterprises and investors by proving business linkages, networking, mentorships, and capacity building.

[46] The AfrAsia Bank Africa Wealth Report 2019
[47] The AfrAsia Bank Africa Wealth Report 2019
[48] Africa Philanthropy Network (APN) – Sizing the field report, 2013
[49] CAGR for HNWIs in Africa from 2011-2017 as reported in World Wealth Report 2019
[50] Intellecap analysis

> *"Our network was established to provide financial access to early stage enterprises founders, especially local founders who had a challenge in accessing finance. We have brought together over 30 angels to co-invest in the network platform. The ticket size is 50K-300K and we prefer start-up companies with less steep valuation; normally through convertible notes or equity."*
>
> *Angel investor in Kenya*

In addition to local angels, there is a substantial number of international angel investors focused on the region.

THERE IS A SUBSTANTIAL NUMBER OF INTERNATIONAL ANGEL INVESTORS WHO ARE INTERESTED IN INVESTING ACROSS THE FOCUS COUNTRIES



Source: List of Angels registered on Angel List

Angel investors in the focus countries mainly finance non-social focused sectors such as transport and logistics, e-commerce, construction, and information technology.

The research identified about 27 disclosed angel investments in the focus countries, totalling US$ 6.6Mn[51]. Out of these, only 44% were in the SDG aligned sectors (financial services, agriculture, health, WASH, and energy), with a significant proportion (59%) of the investments focusing on Kenya. The majority of angel investments have flowed into non-SDG sectors such as transport and logistics, e-commerce platforms, information technology, construction, among other sectors, given the potential for higher financial returns in these sectors.

The angel networks in the region are collaborating with a range of stakeholders in the ecosystem to mobilize capital for early-stage entrepreneurs.

These networks leverage various partnerships to mobilise funding for early-stage businesses in the region. VBAN, for instance, brings together individual and institutional investors and syndicate local and international capital to mobilize investments in the early-stage companies. Angel networks are also tapping the local funds from "chamas" (investment clubs) among other formal and informal groups in the region. In Uganda for example, KAIN organises quarterly engagements between investors (investment clubs) and entrepreneurs to invest between US$ 10,000 – US$ 100,000 in early-stage start-ups[52].

[51] Refers to data on the 27 angel investment deals identified

[52] KAIN partners with Investment Clubs

Table 8: Funding Activities by Top Angel Networks across the Countries (Disclosed)

#	Name	Year of establishment	Amount deployed (US$)	Country	Sectors of focus	Example of investees
1	Viktoria Business Angel Network	2017	200,000 (2019)	Kenya	Agnostic	Agnostic ManPro systems (Co-investment with Pangea Accelerator)
2	Angels Initiative Uganda	2011	1.2Mn (2012-2019)	Uganda	Agnostic	Mara Launchpad, Unreasonable EastAfrica, Angels Hub, Cooling Solutions, Patasente, and Malumu Industries
3	Intellecap Impact Investment Network (I3N)	2015	1.3Mn (2015-18)	Kenya	Agriculture, healthcare, Financial inclusion, WASH, Clean energy & livelihoods	LOTEC Rwanda, Kigali Farms, Afya Po

3.2 SOCIAL INVESTOR ROLES IN THE CONTINUUM OF SOCIAL IMPACT CAPITAL

Social investors play different roles across the continuum of capital, each presenting unique strengths and potential to scale impact in multiple manners. Donors, international foundations, and governments have a medium to high-risk tolerance and can leverage their catalytic capital to attract more funding from SFMs, DFIs, and other commercial investors. Local foundations, family offices, and HNWIs, as well as faith-based giving organisations and diaspora networks, present additional pools of philanthropic and concessional capital that have yet to engage widely with catalytic financing structures. The continuum of capital presents immense opportunities for collaboration amongst these investor categories to increase the efficient deployment of social capital for impact at scale.

Table 9: Social Impact Potential by Social Investor Category

Social Investor Category	Capital Scale (US$)*	Type of Capital deployed	Patient Capital?	Innova-tive Finance?	Risk Tolerance	Geographic Reach	Dominant Sectors	Potential for Social Impact
Development Finance Institutions (DFIs)		Equity Debt Guarantees Grants	LIMITED	✓		**Moderately concentrated** (Kenya, Uganda, Tanzania, Rwanda, Ethiopia, major cities)		• Large capital base can be used to catalyse more innovative finance structures in more sectors • Longer term financing to cover short-term financing by private investors
Sustainability Aligned Fund Managers (SFMs)		Equity Debt	LIMITED	LIMITED		**Moderately concentrated** (Kenya, Uganda, Tanzania)		• Through engagment with grantmakers using innovative finance structures and co-investments to de-risk their investments.
Family Foundations (North America and Europe HQ)		Grants Debt Equity	✓	✓		Across all countries		• Large and flexible capital base, can drive innovative finance e.g. payment of outcomes for DIB; • De-risking of private impact investments into social enterprises in the region e.g. through TA funds.
Family Foundations (East Africa HQ)		Grants Debt	✓	✗		**Concentrated** (Mainly Kenya, Tanzania)		• Limited capital but opportunity to lead local venture philanthropy practice; • Partnerships with international funders.

Social Investor Category	Capital Scale (US$)*	Type of Capital deployed	Patient Capital?	Innova-tive Finance?	Risk Tolerance	Geographic Reach	Dominant Sectors	Potential for Social Impact
Corporate Social Investors (North America and Europe HQ)		Grants Debt		LIMITED		**Moderately concentrated** (Kenya, Uganda, Tanzania)		• Potential to mainstream impact through corporate sustainability.
Corporate Social Investors (East Africa HQ)		Grants Debt		LIMITED		**Moderately concentrated** (Kenya, Uganda, Tanzania)		• Potential to mainstream impact through corporate sustainability.
Faith-based giving		Grants				Deep into rural areas in all countries		• Large capital base and geographic reach, enormous catalytic capital potential.
Angel investors		Equity		LIMITED		**Moderately concentrated** (Kenya, Uganda)		• Supporting early-stage commercial social enterprises.
Government Schemes		Debt Guarantees	LIMITED			**Moderately concentrated** (Kenya, Uganda, Tanzania)		• Large capital base, can be leveraged for innovative finance like SIBs.
Bilateral and Multilateral Donors		Grant Debt				Across all countries		• Large capital base can be used to catalyse more innovative finance structures in more sectors e.g. in the form of DIB.
Diaspora remittances		Bonds	LIMITED	LIMITED		Across all countries		Large capital base, looking at innovative structured finance, especially in highly intensive sectors.

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

LIMITED Limited
Yes
No
High
Medium - High
Medium
Low - Medium
Low

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

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

Capital Scale = range of capital deployed annually in the region as a group

04

04

DEMAND FOR SOCIAL CAPITAL IN EAST AFRICA

4.1 OVERVIEW OF THE DEMAND FOR SOCIAL CAPITAL

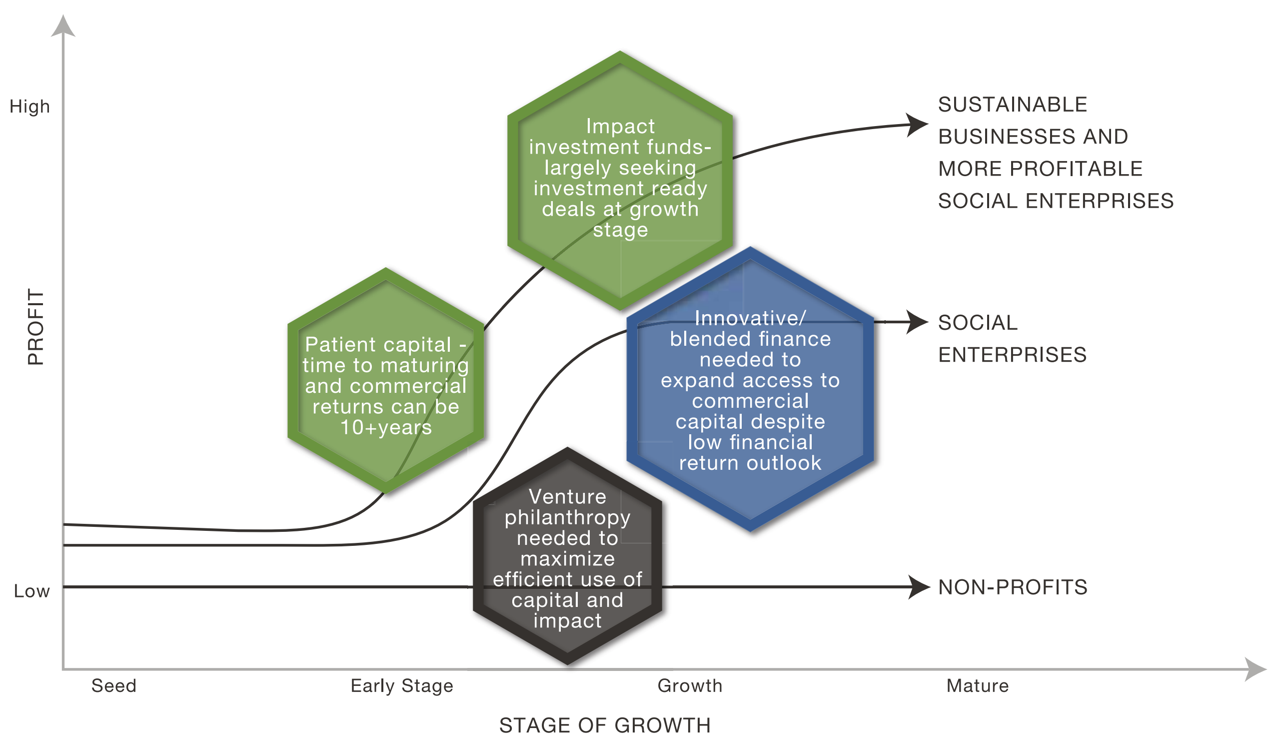
For social enterprises and impact businesses, the gap between supply and demand for social finance persists across the region, particularly for the 'missing middle'.

The supply of social capital does not match demand, especially at the early stage, with many social investors focusing on social enterprises and sustainable businesses with established business models and a good track record. In East Africa, a variety of social investors deploy pre-seed and seed-stage capital through foundations, donor-funded challenge funds, prize competitions, incubators, and angel investment models. However, these funds often require unique social business models that may not align well with the core business strategies of sustainability and scalability. Furthermore, start-ups funded through these channels often find it challenging to secure follow-on early and growth stage finance because of non-alignment with later-stage investors' interests. The well-known "missing middle" financing gap persists throughout the region, despite widespread recognition and serious attempts to address it. The missing middle gap affects start-ups seeking post-seed growth capital, as well as small and medium enterprises (SMEs)—those considered too small or risky for the commercial investors and banks, yet too big to be catered to by microfinance institutions (MFIs).

The changing landscape of international grant funding, which is a major source of funding for non-profits in the region, necessitates new approaches to mobilise local capital.

Non-profit organisations in the region continue to rely heavily on grant capital from bilateral donors and international foundations, availability of which is dwindling due to political changes in Western countries, and shifting strategies towards impact investment. As highlighted in the previous chapter, grant funding from American foundations to East Africa dropped by 97% between 2015 and 2019. This trend has the potential to hinder non-profit operations in the region substantially. In response, many NGOs have begun experimenting with hybrid profit models to increase sustainability and diversify their funding base. Non-profit organisations carry out essential activities in the social ecosystem in many social sectors and communities where enterprises often find it difficult to operate profitably. More effort is

Figure 39: Financing Requirements for Different Demand Actors over Time



needed to explore the potential of venture philanthropy and other innovative financing models to leverage local capital, improve the efficiency of non-profit's operations, and secure sustainable funding.

TRENDS AND DEVELOPMENT IN THE SOCIAL ENTERPRISE AND START-UP LANDSCAPE

> *The mobile money revolution has placed East Africa on the global map, giving rise to innovative business models that leverage digital technology to solve social challenges.*

The launch of M-Pesa in Kenya in 2007 began a technological revolution that has given rise to innovative business models in sectors such as financial services, agriculture and healthcare across the region. This, combined with the entrepreneurial spirit in the country and government interventions like the Konza Techno City—a tech park project—has driven the advancement witnessed in the start-up ecosystem. Kenya was ranked 2nd to South Africa in the 2019 and 2020 Startup Ecosystem Ranking in Africa. Globally, Kenya lost 10 positions and was ranked 62nd in the 2020 ranking as more countries enhanced their support for the ecosystem. Despite the slip, Nairobi was still ranked as the city with the most developed ecosystem in Africa.

Similarly, start-up ecosystems in other countries have been growing. Rwanda, ranking 3rd in Africa in 2020, has been one of the best performers, surpassing Nigeria. Uganda and Ethiopia also appeared in the Top 100 ranking in 2019. Furthermore, in 2019, Kenya, with US$ 564Mn, attracted 28%[54] of the total venture capital funding in Africa, ranking 2nd after Nigeria.

> *Start-up funders in the region have favoured agriculture, healthcare, energy, and financial inclusion sector, with a strong bias toward fintechs.*

Most of the start-ups established in the region have been in agriculture, healthcare, energy and financial inclusion given the many challenges in these sectors and large number of people affected by these challenges. Financial technology companies (fintech) have leveraged the high penetration of mobile money to facilitate access to quick

Figure 40: Global and Africa Start-up Ecosystem ranking

START-UP ECOSYSTEM RANKING, 2019

	AFRICA RANK	GLOBAL RANK
South Africa	1st	51st
Kenya	2nd	52nd
Nigeria	3rd	56th
Egypt	4th	60th
Rwanda	5th	64th

START-UP ECOSYSTEM RANKING, 2020

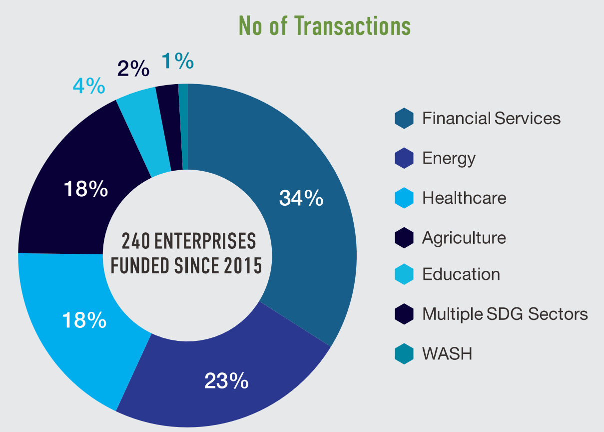
	AFRICA RANK	GLOBAL RANK
South Africa	1st	52nd
Kenya	2nd	62nd
Rwanda	3rd	65th
Nigeria	4th	68th
Egypt	5th	81st

Source: Startup Blink: Startup Ecosystem Ranking

[54] Partech: 2019 Africa Tech Venture Capital Report

loans and savings products for both business-to-business (B2B) and business-to-consumer (B2C) payments. An analysis of the SFM deals in the region shows that the largest number of deals were deployed to innovations and business models focused on solving financial inclusion challenges.

Figure 41: Overview of Social Enterprises that Received SFM and DFI Funding, by Sector (2015-2019)



Source: Intellecap Analysis based on the transaction/deal data collected[55]

While the number of innovative business models established has been increasing, funding has been consistently flowing into only a few enterprises.

Investors have particularly shown an interest in solar-based energy innovators such as M-Kopa, Solar Now, Greenlight Planet, and Azuri technologies; fintech companies such as Tala and Bitpesa; and agriculture market places such as Twiga, popularly referred to as "investor darlings". Top 10 companies attracted over 69% of funding by SFMs.

The East Africa region has a significant proportion of expatriate founded and led enterprises and a relatively higher gender diversity level than West Africa.

Recent research on start-ups in four African countries found that enterprises in Kenya had a high proportion of international founders. 37% of Kenyan enterprises' founders/co-founders were expatriates, compared to 10% in Ghana and 5% in Nigeria.[57] As a result, more funding in the region has gone to these enterprises at the detriment of local enterprises. Further, although relatively higher than Nigeria (15%) and Ghana (13%), only 25% of enterprises have female founders/co-founders in Kenya.[58]

In order to promote participation of Kenyans in the ICT sector, the Kenyan government passed a regulation in August 2020 that ICT companies in Kenya should have no less than 30% ownership by Kenyans.

Innovation focus belies a continued need for investment in essential public infrastructure and civil society.

The strong focus on funding disruptive social innovation in East Africa has created significant benefits for marginalised and low-income communities. However, some observers have criticised what they see as "Silicon Savannah" hype, noting that digital solutions cannot replace public investment in physical infrastructure such as health clinics, schools, roads or decent jobs.[59] Sometimes referred to as East Africa's "cult of entrepreneurship", the focus on funding start-up innovation over the last decade has also come alongside a reduction in grant funding for non-profit activities (refer to Section 4.3). This trend emphasises the need for continued collaboration between the public and private sectors, supported by increasingly innovative financial solutions to drive equitable progress across all social sectors.

Source: Intellecap Analysis based on the transaction/deal data collected[56]

[55] Data collection methodology section in Chapter 1

[56] Data collection methodology section in Chapter 1

[57] Timon and Briter Bridges: Compensation Study, 2019 – 778 startups across 4 African countries were analysed as part of this study

[58] Timon and Briter Bridges: Compensation Study, 2019

[59] See e.g. https://www.thenation.com/article/archive/kenya-tech-mobile-sector-digital-hub-inequality/

4.2.1 CHALLENGES FACED BY SOCIAL ENTERPRISES AND START-UPS IN THE REGION

Impact focused enterprises and start-ups in the region face a number of supply, demand, and ecosystem challenges that hinder their growth.

Figure 43: Summary of Challenges Faced by Social Enterprises

KEY CHALLENGES FACED BY SOCIAL ENTERPRISES				
Preference for funding international founders	Inadequate funding for early-stage and growth-stage businesses	High credit cost	Bureaucracy and lengthy processes of business registration	Lack of an overarching framework for registering a social enterprise
Informality in early-stage businesses	Limited access to investors	Human capital gaps	Limited capacity building support for enterprises outside the main cities	Limited opportunities for women entrepreneurs

a) ***Preference for funding international founders:*** A large portion of the capital deployed across the focus countries has been allocated to enterprises founded and/or managed by expatriates. Cultural and business connections to international investors haves contributed to the higher level of funding to these businesses. Many observers have noted this funding bias in recent years, noting that international investors have an affinity to the business style, articulation and presentation of expatriates, which can be equated to the perception of an investment-ready target. In 2019, enterprises managed by local founders in Kenya only secured 6% of the total funding, while expat-founded start-ups received 88%[60] of the sum. Similarly, a Village Capital study, established that 90% of the capital invested in East Africa start-ups between 2015 and 2016 went to businesses run by one or more expatriates.[61] WeeTracker[62] data also show that expatriate founded start-ups are many times more likely to close investment deals than their local counterparts. Thus, establishing a partnership between local and expat entrepreneurs is becoming a popular strategy in the region to leverage international funding.

b) ***Inadequate funding for early-stage and growth-stage businesses:*** Most start-ups still rely on family, friends, and personal financing for the initial capital. A study established that over 80% of the youth entrepreneurs in East Africa use personal funds to finance their businesses, whereas 35% borrow from family and friends.[63] Although the ecosystem is growing with the emergence of social investors who target to bridge this gap by providing smaller ticket size investments, many start-ups still are locked out as investors focus on established post-revenue enterprises that are commercially viable. Also, a significant funding gap exists for medium-sized companies who are too large to access funding from SACCOs and microfinance institutions (MFIs) and too small for commercial banks and investors.

> *"The language by VCs when considering the early stage enterprises is looking for ticket size of US$ 50K and above Mn for the early stage investments. The definition of early stage is quite misaligned leading to huge gaps. US$ 5K to 50K should be the ticket size for early stage businesses."*
>
> *An Accelerator in Uganda*

c) ***High credit cost:*** The SEs, mainly early-stage enterprises have access to limited traditional financing options because of the high-interest rates charged by the commercial banks – approximately 20% for Tanzania and Uganda. The interest rates are even higher for MFIs who take more risk with their riskier customer segments. While interest rate capping in Kenya was intended to enhance access to finance for businesses, this was not achieved as banks put in stricter measures and collateral requirements as well as additional loan processing fees that ultimately increased the cost of capital. The cap was, however, recently lifted to help facilitate more funding to businesses that were locked out by the collateral requirements.

d) ***Bureaucracy and lengthy processes of business registration:*** Most of the countries in the region rank poorly in the corruption perception and ease of doing business rank, indicating bureaucracies and challenges in the business and investment

[60] WerTracker: Expat Bias – Kenya Start-up Scene

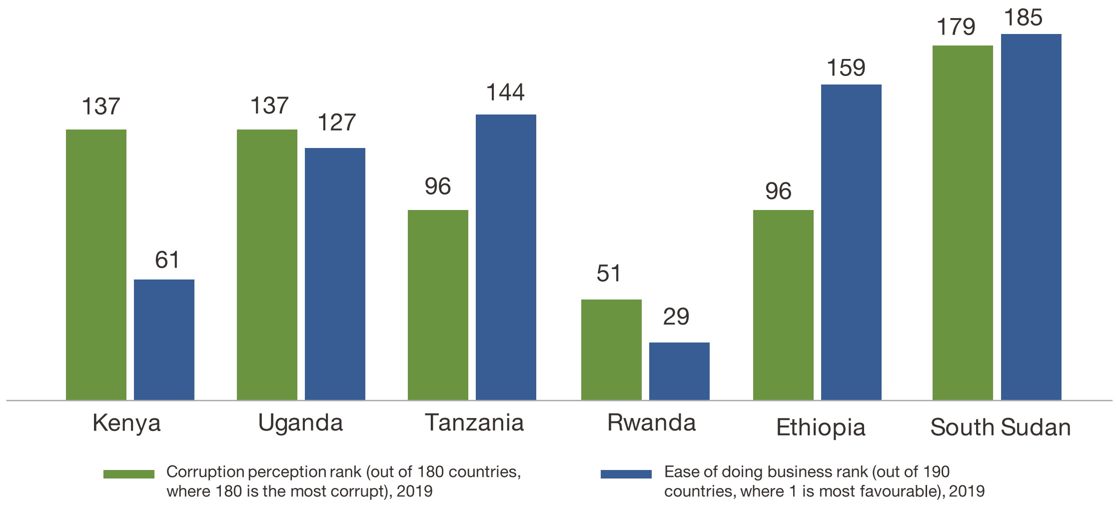
[61] Breaking the Pattern: Getting Digital Financial Services Entrepreneurs to Scale in East Africa and India

[62] WeeTracker

[63] Intellecap: Catalyst for change

environment. Major challenges in this regard include regulatory complexities such as lack of information on business registration, high cost of doing businesses, and inadequate tax incentives. Kenya is, however, trying to solve this challenge through the launch of an online platform for business registration with well-defines processes and requirements.

Figure 44: Corruption Perception and Ease of Doing Business Rank



Source: Transparency International, World Bank

e) ***Lack of an overarching framework for registering a social enterprise:*** The social enterprise landscape is still nascent in the region with limited regulations guiding it. Although there are a few developments in the regulatory frameworks, the countries are yet to establish a guiding framework for SEs registration. Currently, the SEs are either registered as for-profit (sole proprietorship, partnership, or limited liability) or as non-profit organisations. However, for-profit registered SEs do not enjoy tax benefits. Across the focus countries, the SEs do not have a legal form, with most of the SEs registering as NGOs that conduct commercial activities with profits re-invested in the business.[64]

"The government's understanding of social enterprises and classification of businesses as either public or private. The is belief that this is a private investment; hence someone running social enterprises has to file taxes as someone who does mining. Social enterprises are not yet recognized as a social business with different policies/tax."

An Accelerator in East Africa

f) ***Informality in early-stage businesses:*** An average of 66% of companies across the focus countries – estimated at more than 6 million are informal.[65] One of the reasons behind the informality is the bureaucratic and lengthy registration process for businesses; this discourages businesses to formally register. The tax rates imposed on businesses, as well as the cost of registering, also contribute to high informality levels. Such informal businesses cannot attract funding from investors as formal registration is a critical and mandatory requirement for fundraising for most financiers and investors.

g) ***Limited access to investors:*** Most early-stage enterprises, particularly locally owned, do not have access to investors, thus remain unaware of most investment opportunities. Furthermore, enterprises generally do not have required knowledge to understand and evaluate the investment instruments that would work best for their businesses. While investor readiness programs exist, these are challenged by funding, thus unable to reach a large number of enterprises.

h) ***Human capital gaps:*** The inability of social enterprises to hire affordable talent and provide continuous training to their staff is a consequence of their resource limitations, limiting their growth potential. The supply of good talent at senior management positions, particularly in the technology industry, is limited and social enterprises have to compete for the same pool of talent with big technology companies leaving them at a disadvantage.

i) ***Limited capacity building support for enterprises outside the main cities:*** Most ecosystem support organisations operate from the main cities – Nairobi, Kampala, Kigali. Thus social enterprises operating outside these cities lack access to incubation and acceleration support – as most of this support requires physical presence.

j) ***Limited opportunities for women entrepreneurs:*** While there are women-owned and led enterprises in the region, such enterprises still face unique challenges, which range from social to financial barriers. Research shows that women-owned enterprises tend to be smaller in size, with more limited access to capital than their male counterparts.

[64] World Bank – Emerging Social Enterprise Ecosystems in East and South African Countries

[65] IFC Enterprise database

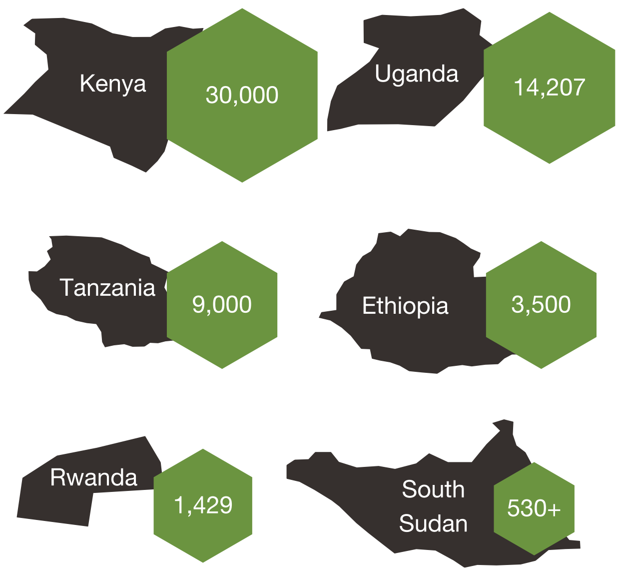
Some of the factors observed by researchers include the tendency of women to be risk-averse compared to male entrepreneurs. Women also have less access to formal education and are more prone to having time constraints because of dual responsibilities in the household and home obligations, which hinders their professional development. Furthermore, access to finance from commercial banks is limited due to lack of collateral, as most women have limited ownership of property. It is estimated that the credit gap for women-owned SMEs globally is at US$ 287 billion. This means that 70%[66] of women-owned SMEs cannot access the financing they need to grow a business. Moreover, gender imbalance is also witnessed among the investors with research showing that they preferred pitches presented by male entrepreneurs compared to pitches made by female entrepreneurs, even when the content of the pitch is the same.[67]

4.3 TRENDS AND DEVELOPMENT IN THE NON-PROFIT (NGO/CSO) LANDSCAPE IN THE REGION

Civil society and non-profit organisations have been instrumental in supporting donor and government initiatives to address development challenges in East Africa.

Across the focus countries, the number of NGOs and CSOs working on initiatives, including building community resilience, gender and gender-based violence, economic empowerment, human rights, religious tolerance, youth, and women empowerment, among others, has been increasing over the years. NGOs have been instrumental in implementing initiatives on behalf of governments, donors, and foundations. CSOs/NGOs have implemented more than 50% of initiatives funded by foundations in East Africa.[68]

Figure 45: Number of CSOs/NGOs Registered across the Focus Countries



Source: USAID/FHI CSO sustainability Index Report, 2018

CSOs across the region have been getting low scores on financial viability – a key indicator in the CSO sustainability score.

The CSO sustainability index measures the performance of CSOs in seven key dimensions, including legal environment, organisation capacity, financial viability, advocacy, service provision, sectoral-infrastructure and public image. CSOs across most countries in the region have scored lowest on the financial viability indicator- this can be attributed to the decline in foreign donor funding and insufficient local philanthropy and fundraising models to fill the gap.

Since 2015, the CSO's financial viability has been deteriorating in Kenya, Uganda, Tanzania, and Ethiopia, with CSOs in Ethiopia and South Sudan being the most sustainability impeded overall. Donors in the region are also shifting their strategies from long-term partnerships with the CSOs to short-term and result-based financing. In Uganda, for instance, where most CSOs rely on a single donor for up to 90% of their budget[69], the largest donor baskets such as the Democratic Governance Facility (DGF) shifted from offering unrestricted funding to supporting specific projects only, significantly affecting the financial viability of the CSOs. In addition to the dwindling donor funding, the financial viability of CSOs in Tanzania and Uganda has been affected by the deterioration of the legal environment with stringent laws and fees, which further stifled their financial viability and organisational capacity. While in Kenya the CSOs have access to funding through the national and sub-national level contracts, the process is hampered by both corruption and bureaucracy.

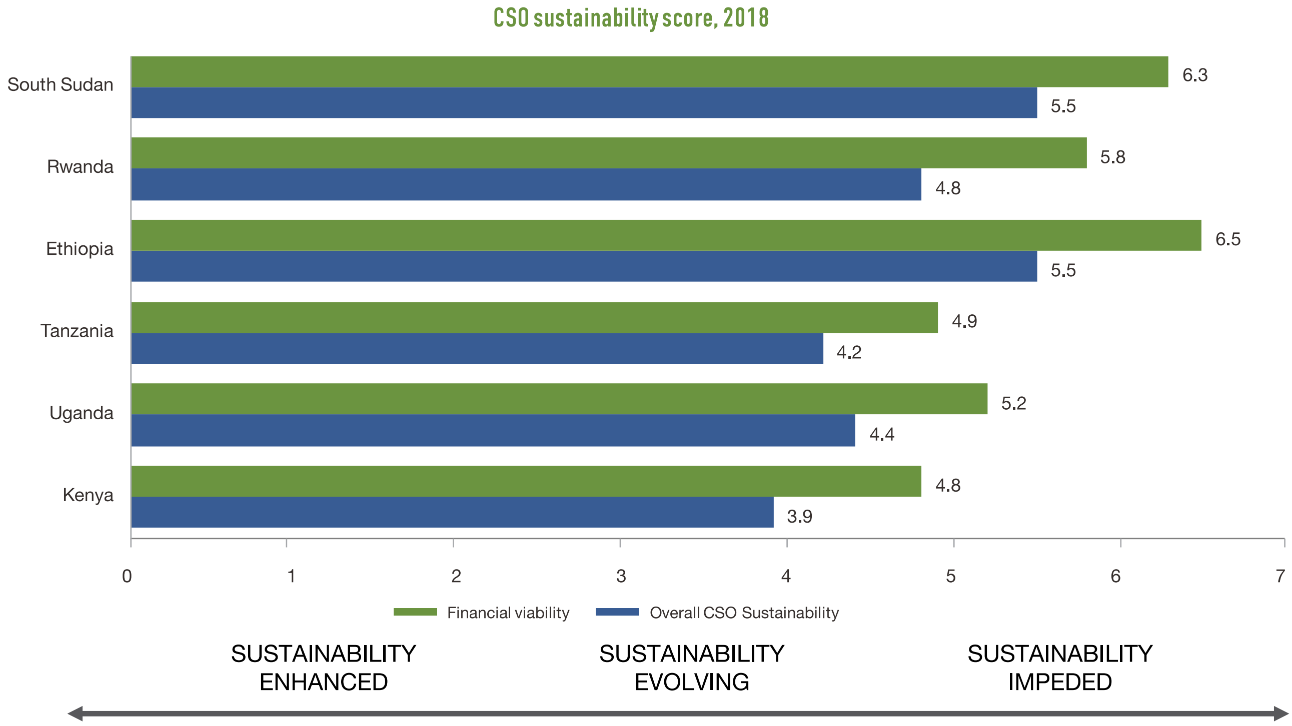
[66] Proparco: Invest2Impact

[67] Investors Prefer Entrepreneurial Ventures Pitched by Attractive Men

[68] East Africa Philanthropy Network (Formerly East Africa Association of Grant Makers)- East Africa giving report 2012

[69] USAID/FHI CSO sustainability Index Report, 2018

Figure 46: CSO Sustainability Score



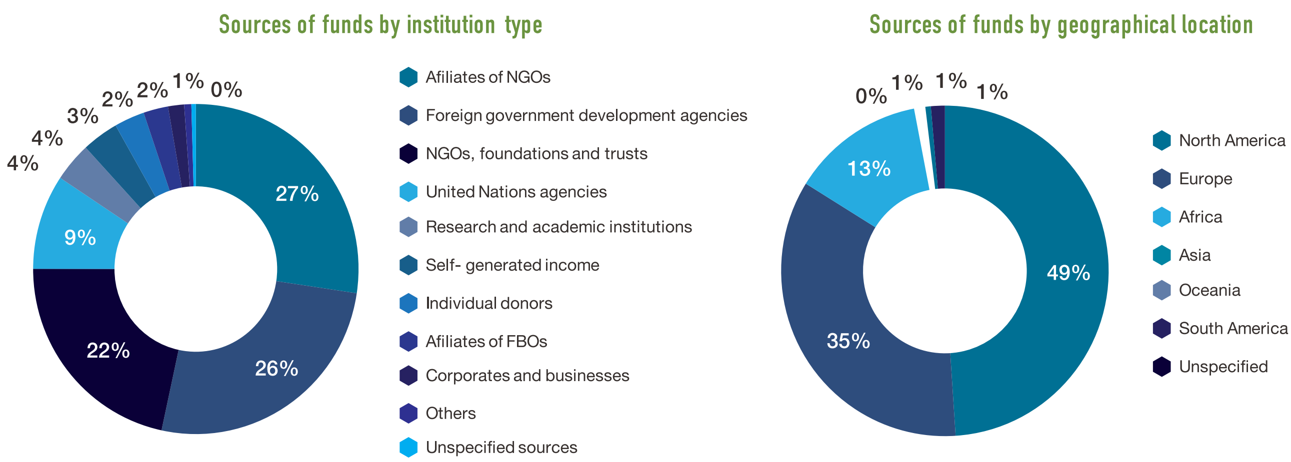
Source: USAID/FHI CSO Sustainability Index Report, 2018
NB: 7 is the maximum positive score given by the index

Local NGOs/CSOs in East Africa mostly rely on international funding resources with minimal domestic resource mobilisation undertaken.

Donors, international foundations, and NGOs contribute the largest proportion of the financial resources for local NGOs/CSOs. In Kenya, for example, international organisations, particularly from America and Europe, contributed more than 80% of the total NGO funding in the country with corporates accounting for only 2%.[70] In Uganda, it is estimated that foreign donors fund 95% of the NGOs. A study on the sources of funds for NGOs established that 75%[71] of the funds were in the form of grants by donors, mostly targeting well-established NGOs. Furthermore, in-kind donations accounted for about 65% of the funding.

Deliberate local resources mobilisation (from corporate and individual philanthropists) remains negligible across the countries. Although NGOs/CSOs receive funding from corporates, it is mainly on an ad-hoc basis and mostly in the form of in-kind support. Funding from corporates to NGOs might also decrease as corporates active in CSR activities are shifting to deploy capital through their corporate foundations. However, significant partnership opportunities still exist between the corporate foundations and the NGOs as the latter offer a grassroots presence and network with the communities which is needed for successful project implementations by the corporate foundations.

Figure 47: Sources of Funds for NGOS in Kenya, 2018



Source: NGO Coordination Board Kenya

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[70] NGO Coordination Board Kenya Annual Report, 2019

[71] Funding Patterns for Non-Governmental Organizations' Services Delivery: A Case of Moshi Municipality in Tanzania

Given the decreasing funding from international sources, CSOs/NGOs are adopting alternative revenue-generating models.

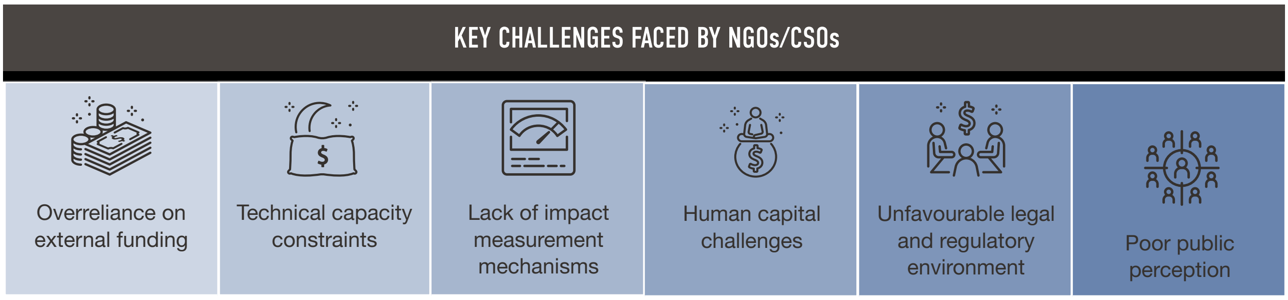
CSO/NGOs are increasingly exploring new models for generating external and internal funds. Some of the emerging sources include:

- ***Crowdfunding:*** NGOs run fundraising campaigns on local as well as internationally-based crowdfunding platforms. Most of the funds raised through these platforms are, however, mainly from international sources. Some of the active platforms include Indiegogo, GoGetFundng, and Chuffed.
- ***Internal activities:*** Some of the NGOs are introducing activities for internal revenue generation e.g. hosting events to raise funds, charging for their services, collecting membership fees, and also offering consultancy services. In Tanzania, some CSOs such as the Medical Women of Tanzania hosted a charity walk in 2018 to raise funding for breast cancer treatment and testing. However, such activities are minimal as most NGOs focus on marginalised communities, and those are unable to pay for their services. In Ethiopia, the Jerusalem Children and Community Development Organization, an NGO supporting children who are orphaned, abandoned, displaced, or lack proper care and support in Ethiopia, has been able to raise income from renting buildings that it owns[72].

4.3.1 CHALLENGES FACING NGOs/CSOs IN THE REGION

NGOs/CSOs, across the countries, face several challenges, mostly involving financial and technical capacity.

Figure 48: Summary of Challenges Faced by NGOs/CSOs



a) ***Overreliance on international funding:*** As previously highlighted, most funding for the NGOs comes from international sources, which leads to a regional trend of 'mission-drift' in CSOs/NGOs, where international donors drive project strategies. CSOs/NGOs are often not involved in project design. Thus, some of these projects fail to reflect on-ground realities. In Uganda, approximately 90% of the CSO budget is dependent on one donor, which poses significant risk should the donor withdraws funding to the country or change its strategy.[73]

b) ***Technical capacity constraints:*** Most of the funding provided to CSO/NGOs is directed towards project implementation. These organisations lack funds that can be utilized for the capacity building of the staff on technical skills such as proposal development, financial management, project implementation, and monitoring and evaluation. Lack of capacity building also has trickle-down effect; semi-skilled or unskilled staff is not able to implement the project efficiently, resulting in the required value for money not achieved.

c) ***Lack of impact measurement mechanisms:*** Most local CSOs/NGOs do not collect impact data for their projects – unless if it is a requirement by the donors. This is due to the lack of adequate understanding of impact measurement concepts and knowledge of impact data utilization for decision-making. Also, most organizations lack the required tools and systems to collect and analyse the impact data, with MS Excel being the commonly used tool amongst the organisations.

d) ***Human capital challenges:*** Given the inadequate administrative funding received by the NGOs, they are unable to hire experienced staff and mostly rely on independent project-based consultants and volunteers, resulting in challenges in building the institutional knowledge. Additionally, the usage of volunteers results in high turnover rates. The overdependence on volunteers is particularly a challenge for CSOs based in Uganda, with a ratio of one permanent staff to seven volunteers (1:7) for some CSOs[74].

e) ***Unfavorable legal and regulatory environment:*** Some of the regulations introduced by the local governments, while meant to enhance the effectiveness of the industry, hinder the operations of the CSO/NGOs. In Tanzania, for example, the NGO Act 2018 introduced multiple and costly reporting requirements for NGOs. Furthermore, while tax exemptions exist for NGOs, attaining eligibility is a rather time-consuming and challenging process.

f) ***Poor public perception:*** Across the countries, there is an increasing perception of lack of transparency and accountability, financial mismanagement, and weak accounting of funds by the CSOs/NGOs.

[72] USAID/FHI CSO sustainability Index Report, 2018
[73] NGO Coordination Board Kenya Annual Report, 2019
[74] Growing Giving in Kenya, Uganda and Tanzania, 2020

05

05

ENABLING ENVIRONMENT FOR SOCIAL INVESTMENT IN THE REGION

5.1 OVERVIEW OF THE POLICY AND REGULATORY ENVIRONMENT FOR SOCIAL INVESTMENTS IN THE REGION

The guiding framework for social investments and philanthropy remains fragmented, with multiple laws and authorities governing the sector.

None of the focus countries has an established overarching framework and policies for philanthropy. Registration of philanthropic organisations thus remains cumbersome and bureaucratic. In Tanzania and Uganda, even though regulatory frameworks are governing the philanthropy sector, it is fragmented, with multiple laws, policies, and oversight authorities, making it cumbersome, costly, and time-consuming to comply with. In Kenya, specific laws for the establishment of local foundations do not exist - an organisation can choose to either register as an NGO, trust, society, company limited by guarantee. In addition to the confusion as to which form/type to register, the registration process is lengthy, can last six months, and up to a year to complete[75]. A report by Kenya Community Development Foundation on enabling legal environment for philanthropy in Kenya indicated that unfriendly national tax laws on charitable giving are a big challenge to philanthropic giving[76]. Further, according to the Global Philanthropy Environment Index 2018[77], which considers factors such as ease of operating, tax incentives, political and socio-cultural environment, East African countries (Kenya and Tanzania) scored poorly, only better than Zimbabwe in the SSA region.

East African philanthropists have much lower incentives than their counterparts in Southern Africa. Additionally, challenges in applying for such incentives limit their effectiveness in encouraging local giving.

Compared to the Southern Africa region, East African countries have much lower tax incentives, with only between 1-5% of the taxable income allowed as deductible donations and gifts made to charitable or religious institutions. Countries also lack CSR policies to guide and encourage corporations to fund and respond to critical social and environmental courses. Tanzania started developing its CSR policies in 2014, but this is yet to be actualised. Furthermore, tax incentives relevant for the philanthropic sector are highlighted in various laws below.

East Africa lacks guiding frameworks and incentives to incentivise impact investing in the region.

Preferential tax rates and tax exemptions are commonly used as a way to attract investors in developing countries. However, not many such incentives exist in East Africa except in Kenya. The Capital Markets Authority in Kenya regulates PE and VC investors; the Capital Markets (Registered Venture Capital Companies) Regulations 2007 – provides for 0% tax to venture capital companies registered with the Capital Markets Authority.

Table 10: Overview of Existing 'Tax Incentives for Philanthropy/Charitable Giving' across the Focus Countries

KENYA	UGANDA
Cash donations to eligible civil society organisations can be deducted from taxable income	Individuals and organisations may deduct charitable donations, not exceeding 5% of chargeable income, made to exempt organisations.
Registered NGOs are not subject to corporate income tax VAT Act, which provides for remission of tax for taxable goods intended for emergency relief purposes	Value Added Tax (VAT) exemption for NGOs providing social welfare services, medical services and agricultur-al services using the foreign grants.
Income Tax Act states that a person who makes a charitable donation is entitled to claim the allowance (100%) of that donation.	Individuals and organisations may deduct charitable donations up to 5% of taxable income.

[75] SDG Philanthropy Platform: Investing in the Sustainable Development Goals in Kenya, 2017
[76] KCDF, - Creating an Enabling Environment for Philanthropy through Tax Incentives
[77] The Index only considers 6 countries in SSA (South Africa, Zimbabwe, Kenya, Tanzania, Nigeria and Senegal)

TANZANIA	RWANDA
Income Tax Act exemptions to eligible individuals, institutions, or irrevocable trust of public interest, which are established for the advancement of religion or education, relief of poverty or public service provision.	Companies that carry on activities of a religious, humanitarian, scientific, charitable or educational purpose are exempted from corporate income tax, unless they are carrying on business activities or they receive income above their related expenditures.
Exemptions on taxes levied on monetary gifts and on duties levied on imported goods received by an organisation. Deductible donations and gifts made to charitable or religious institutions up to 2% of taxable income.	Gift and donations up to 1% of turnover (other than donations to profit-making) are deductible from taxable profits in the case of a corporation and from income in the case of an individual.

ETHIOPIA	SOUTH SUDAN
Tax exemption on income from grants, donations, and membership fees. Contributions made to registered welfare organisations are deductible.	All NGO funds, expatriate staff salaries, and all humanitarian supplies and services are exempted from all forms of taxation.
Contributions made in response to emergency calls issued by the government and donations to non-commercials education or health facilities are deductible.	Both personal and corporate contributions made to organisations for humanitarian, health, education, religious, scientific, cultural, and environmental protection are deductible.

Source: Charities Aid Foundation – A Global Philanthropy Legal Environment Index

"The policy aspects especially on tax is not favourable in some countries. For example, in Uganda, the impact funds almost have a triple taxation since there are no special vehicles or system for impact funds domiciled in Uganda. The funds have to be registered as 'company' in Uganda, filing annual returns, and registration fees. Compared to other regions, the funds in Uganda pay more, and about twice in taxes as much a fund would pay in Kenya. Looking at the region, Kenya has a better policy framework that other countries could learn from."

DFI in East Africa

Governments are increasingly leveraging regulatory sandboxes to provide a testing environment for social innovations, especially in the financial service sector

Regulatory sandboxes provide an environment that enables innovators to both test and refine products within temporary regulatory approval providing more confidence for the investors to invest into innovative businesses. Across the region – particularly in Kenya, Uganda, Tanzania, and Rwanda – regulators in the financial services sector are in the process of developing regulatory sandboxes that allow financial technology companies (FinTechs) to live-test their products and services. Such could be applied to other sectors to enhance innovation and growth of social enterprises.

5.2 ECOSYSTEM SUPPORT FOR SOCIAL ENTERPRISES AND START-UPS

This section outlines key business support ecosystem trends for social enterprise and start-ups. It also outlines the impact measurement tools and standards adopted by social investors.

5.2.1 OVERVIEW OF KEY ECOSYSTEM TRENDS

Ecosystem support providers, including incubators, accelerators, service providers, and financial intermediaries, are primarily located in Kenya and specifically in Nairobi.

There are over 100 innovation[78] hubs in the focus countries, including incubators, accelerators, and co-working spaces operating in the region. Kenya and Tanzania dominate the ecosystem support space accounting for 47% and 30% of all the hubs respectively. Both countries are also increasingly witnessing the launch of more hubs as social entrepreneurship continues to pick momentum. Ecosystem support, however, remains concentrated in the main cities across all the focus countries. The lack of support for organisations outside the main cities of Nairobi, Kampala, and Dar es Salaam remains to be a major constraint to the growth of enterprises in rural areas.

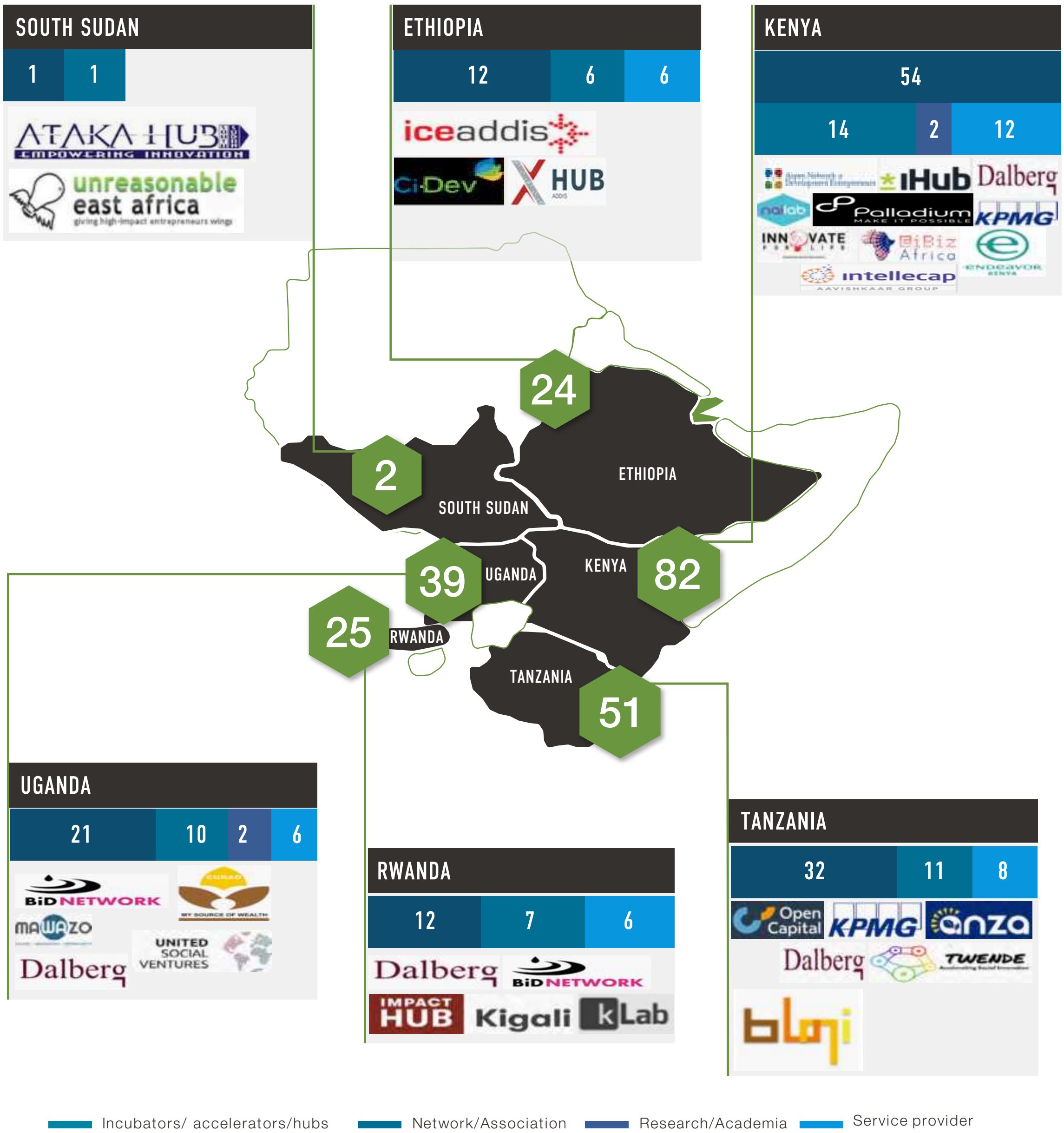
There are over 100 innovation hubs in the focus countries, 47% of which are based in Kenya.

Incubators dominate the ecosystem support environment, indicating a high focus of support for early-stage enterprises.

The high number of incubators indicates a skewness of the support ecosystem towards seed and very early-stage companies that require more support in refining their business and operating models. However, a majority of the impact investors focus on relatively mature businesses, creating a mismatch in support services provided and services needed and consequently resulting

[78] Intellecap Analysis

Figure 49: Map of Ecosystem Players



An ***accelerator*** is a structure that supports relatively established/ growth stage ventures to achieve scalability and self-sufficiency through 6-9-months programs that deliver bespoke advisory services, mentorship, networks and funding (in cash or in-kind).

An ***incubator*** is a structure that supports early stage startups to refine their business models and value proposition through workshop and hand-on trainings, networking and investment readiness support.

in lack of investable businesses. Business advisory and research service providers such as Open Capital Advisors, Genesis Analytics, KPMG, and Dalberg have, however, been established to offer SMEs with customised technical assistance, especially to later-stage businesses.

> *The region lacks adequate, and quality affordable professional services providers to support social investors' programmes.*

While many professional service firms offer services such as capital advisory, tax, legal, HR, financial management,; these services are often viewed as either too expensive or lacking in consistent quality, and largely targeted for larger businesses, locking out many early stage social enterprises. The region has however, in recent years witnessed the establishment of professional service providers targeting social businesses. The Africa Management Institute and Shortlist for example provide social enterprises with human resource services. In 2017, Endeavor launched its new office in Kenya to provide advisory services and support entrepreneurs and companies in the scale-up phase. Lack of quality affordable tax and legal services, among other business advisory services, has led some investors to consider joint CFO positions, and shared corporate services including back office solutions. More standardized, quality affordable solutions in this vein are needed.

In addition to providing talent necessary to build the entrepreneurship ecosystem, academic institutions are also helping build an entrepreneurial culture.

Academic institutions have been contributing to the development of the sector through the various incubation and acceleration programs established to develop entrepreneurial skills among students. Such incubators include the Chandaria Business and Incubation Centre by Kenyatta University, iLabAfrica by Strathmore, and C4D by the University of Nairobi, which are some of the notable incubators run by academic institutions.

Most ESOs are sector-agnostic; however, there has been an emergence of sector-specific ESOs and/or programs.

Most of the ecosystem support organisations interviewed (68%)[79] as part of this research are sector-agnostic, providing generic support to enterprises operating across various sectors. The increasing demand for customised support is, however, making it necessary for ESOs to develop customized sector-specific programs. Sector-specific ESOs and/or programs have been witnessed in the healthcare sector (Villgrow), fintech (fintech accelerator by Vilcap), and Waste (BestSeller Foundation Waste to Value accelerator currently being managed by Intellecap).

East Africa has several networking and membership organisations in the region, working with social enterprises and capacity providers.

Aspen Network of Development Entrepreneurs (ANDE) has also been at the forefront of supporting entrepreneurial ecosystems across emerging markets through various initiatives. ANDE's members also actively engage in the sector in addressing the small and growing businesses needs through the provision of business support services, financial services and education to create social impact. The recently formed Association of Startup and SMEs Enablers of Kenya (ASSEK) brings together ecosystem support providers. For example, ASSEK has partnered with the GIZ under the "GIZ Make-IT in Africa –The Tech Entrepreneurship Initiative" to bring ecosystem players together (200 enablers and hubs in Kenya) through workshops, seminars, forums and conferences. This is aimed to foster collaboration amongst the players and increase the flow of knowledge and information among enablers. Further, the Social Enterprise Society of Kenya (SESOK) was established in 2017 and is in the process of developing the social enterprise policy for the country. Other membership-based organisations include East Africa Social Enterprise Network (EASEN), Trickle Out Africa Project, and Ashoka.

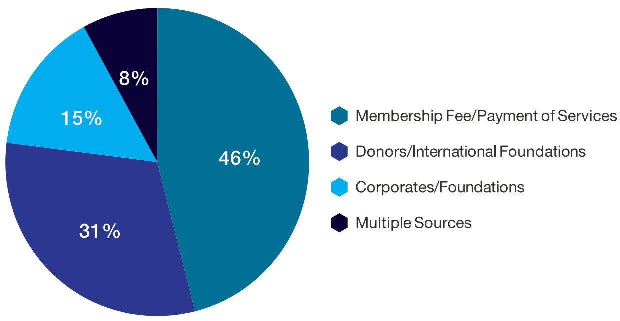
While most of the early-stage support organisations have primarily relied on grants to support their operations, diversification of revenue sources is also gradually gaining traction.

Donors, including international foundations, have been a major source of funding for ESOs through grants. Donor dependence for the ESOs operations affects the sustainability of the programmes in the long-term following the changing landscape in venture philanthropy and declining donor funding in the region. However, the researchers noted that some of the ESOs have started focusing on establishing more sustainable funding sources such as the establishment of funds and investment in the businesses they support.

"We have set up a US$ 150,000 Fund to support the enterprises we support using debt at lower rates compared to the market, i.e. 8% to 14% compared to the market rate of 21%. Other options include use of quassi-equity instruments to be bought out at the seed rounds. This has helped finance the early stage social enterprises which may not afford the high interest rates offered by the MFIs and commercial banks and also acted as a source of revenue for the incubator."

An Incubator in Tanzania

Figure 49: Sources of Funds for ESOs



Source: Intellecap analysis based on primary research

TA funding is mostly provided by international sources; co-financing models are also becoming popular.

International foundations, donors and DFIs provide funding mostly in the form of grants leveraged by other social investors to provide non-financial support to the investees. Additionally, some social investors, especially the SFMs have adopted co-financing models for their TA support which include partial TA financing by the investees. Co-financing of the TA with the investees is considered by the social investors as a best practice approach to ensure buy-in by investees and partly as a strategy to enhance ownerships of the grant projects and programmes. Co-financing the programmes also strengthens the operational capacity and potential portfolio companies.

[79] Intellecap Analysis

> *"We have a lot of non-financial support services for the investees. We also provide technical assistance to fund managers, supporting in better investment decisions, focus areas and advisory on how to create value and impact at scale."*
>
> *DFI operating in the East Africa*

However, companies vary in their willingness and ability to pay for TA services before significant value can be demonstrated. Various studies have shown that TA is most effective when paired with financial investment. DFIs in the region have created special TA facilities to support the investees and SFMs. Well-established TA providers operate throughout the East Africa region with service offerings ranging from development-oriented sector expertise in e.g. agriculture programming, to business development services, fundraising support, human resource management, and professional services for SMEs. A majority of the investors work with TA providers in the region, with no major challenges highlighted by the investors interviewed regarding the adequacy of these providers.

Figure 51: TA Funding Models in East Africa

01 Have Specific budget for TA; Hire external consultants

- SFMs
- DFIs
- Foundations
- Corporates

02 Have Specific budget for TA; Leverage own staff

- SFMs
- DFIs
- Foundations (Including corporates)

03 Co-finance TA with investee; Hire external consultants

- SFMs

04 Collaborate with other stakeholders to finance TA; Hire external consultants

- SFMs
- Foundations (Including corporates)

Source: Primary interviews and Intellecap analysis

Table 11: Overview of Ecosystem Trends across the Focus Countries

ECOSYSTEM CATEGORY	KENYA	UGANDA	TANZANIA	DESCRIPTION
Incubators and early-stage support	◕	◑	◑	High concentration of ESOs in Kenya, followed by Tanzania and Uganda almost at par. Most incubators, however, face capacity and funding challenges limiting their sustainability. Furthermore, most are sector-agnostic and thus offer generic support to enterprises.
Accelerators, and capacity-builders	◑	◑	◑	Limited support exists for growing businesses/SMEs with a few numbers of affordable accelerators and TA providers operating across the countries.
Networks and platforms	◕	◕	◕	There are a number of growing and well-established networking platforms in the region e.g. ANDE, East Africa Philanthropy Forum, Ashoka, and Kenya SDG Forum. Most of these Networks cut across the region.
Knowledge and research	◑	◑	◔	Compared to Kenya, there are fewer research organisations in Uganda and Tanzania working on social investment and venture philanthropy. Limited information available on philanthropy and venture philanthropy in Uganda and Tanzania.

● 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

Spotlight: Social Enterprise Society of Kenya (SESOK)

Established in 2017, the Social Enterprise Society of Kenya (SESOK) is a society registered in Kenya as an umbrella body for social enterprises in all sectors of the economy. SESOK aims to be catalyst for development of the social enterprise sector in Kenya. Some of the objectives of the society include, but not limited to, raising awareness on social entrepreneurship; offering support for social enterprises through advisory services, training, research, relevant resources and business networks; building networks among social enterprises; strengthening the social enterprise; and encouraging the growth of social enterprises as a sustainable way to address social needs. SESOK is sector-agnostic, drawing membership from various sectors including agribusiness, financial services, healthcare, education, youth and gender.

5.2.2 IMPACT MEASUREMENT AND MANAGEMENT FOR SOCIAL INVESTMENTS IN THE REGION

The 'definition and measurement' of impact remain varied amongst various social investors operating in the region.

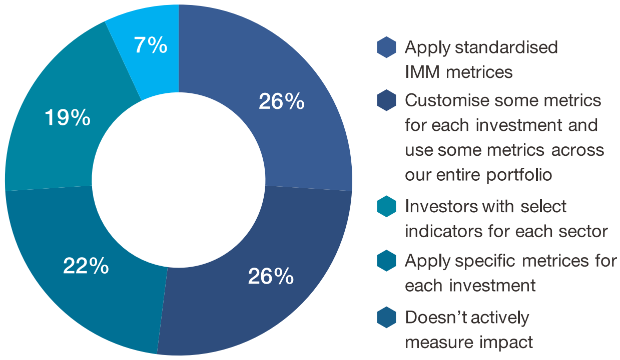
Various standards, frameworks and tools are used to collect, measure and manage impact in the region. A 2018 study conducted by B Lab East Africa and Genesis Analytics on impact measurement in the East Africa region identified three standards/pillars (Fairtrade Africa, Global Reporting Initiative, and Donor Committee for Enterprise Development (DCED)[80] with more than 15 tools used to collect impact data. Furthermore, The Global Impact Investment Network's Impact Reporting and Investment Standards (IRIS) and the Sustainable Development Goals (SDGs) are the most common standardised metrics adopted by players in the region. Some SFMs such as Acumen developed their own impact measurement tool - Lean Data Methodology - implemented by the recently established 60 Decibels, which emphasises putting the voice of the customer at the centre of impact measurement.

Some of the SFMs additionally consider the investee companies' Key Performance Indicators (KPIs) as part of the impact measurement process. DFIs interviewed also use standard IMM metrics and tools. The IFC, for example, has established standard guidelines to measure impact that have also been adopted by other DFIs such as DEG/KfW. The DEG also considers each investee company as unique and tracks impact around 15 indicators, which vary according to the sectors. Foundations and other grant makers in the focus countries have their own impact measurement metrics mostly defined at the outset of the grant making process, with each grant having inbuilt indicators and tools. The foundations rely heavily on evidence-based framework for monitoring and evaluating program performance to understand the impact on the society. International foundations such as BMGF and USADF also rely on globally approved frameworks and indicators in the sectors including SDG indicators.

"We set indicators at the beginning of the investment period… this is tracked through baseline surveys and end-term surveys to establish the impact created."

An SFM in the region

Figure 52: Impact Measurement and Management Approaches by Investors



Source: Primary interviews and Intellecap analysis

The proliferation of impact measurement tools and approaches continues to be a challenge for both local and international social investors.

Efforts such as the Impact Management Project[81] aim to align and standardise impact measurement globally, as well as across both international development programs and impact investment funds. Well-established impact measurement trainings are also widely available in the region. However, social investors report that standardised impact measurement methodologies have not been sufficiently adapted to the local context, and remain difficult and costly to deploy, especially when working with small non-profits and social enterprises with limited reporting capacity. For this reason, in-depth impact reporting continues to be funded largely by donors. Aligning impact measurement with core business processes and value creation will be essential to address these concerns.

[80] B Lab East Africa: East Africa Impact toolkit

[81] https://impactmanagementproject.com/

Table 12: Common Impact Data Collection Tools in East Africa

Tool	Impact measurement coverage	Sector focus	Users of the tool
B Impact Assessment	All aspects of the business based on 5 key themes: Governance, Customers, Environment, Suppliers, and workers.	Sector-agnostic companies access different versions depending on the sectors	Social enterprises, investors, for profit organisations. Has 50,000+ active users
Council on Smallholder Agricultural Finance	Metric set based on IRIS	Agriculture	Social enterprises at any stage of growth
Poverty Probability Index (PPI)	A poverty measurement tool that looks at the beneficiaries and impact of enterprises, and how the beneficiaries are underserved in relation to the outcomes generated by an enterprise's activities. The tool helps to gauge the likelihood of a client's level of poverty relative to the national poverty line. It provides stakeholders with an objective evidence that the organization is reaching the poor.	Sector-agnostic	Social enterprises at any stage of growth, financial institutions 600+ users (60% from the financial services sector and 40% from other sectors)
Lean Data	Helps build more impactful businesses by providing them with data on their social performance, customer feedback and behaviour.	Sector-agnostic	Social enterprises, investors, not-for-profit organisations 80+ active users
Other tools include PRISM, Social Return On Investment (SROI), Climate Action Impact Tool, Social Cost-Benefit Analysis (SCBA), WDI's Performance Measurement Initiative, and Excel			

Source: B Lab East Africa

5.3 ECOSYSTEM SUPPORT FOR NON-PROFITS AND PHILANTHROPY

While many networks and associations are supporting social enterprises in the region, only a few networks exist for the NGOs and philanthropists.

Membership-based organisations are instrumental in enhancing collaboration, networking, and interaction among the key social investments' stakeholders. Specifically, such platforms create avenues to build and disseminate sector-specific knowledge and mobilise resources. East Africa prides itself on a few established platforms and networks such as the East Africa Philanthropy Network[82] and National Philanthropy Forum in Kenya, Uganda, and Tanzania, which focus on enhancing collaboration between actors and advocate for policy changes in the sector. The network has been able to bring together over 200 social investors in the region, providing opportunities to share knowledge and provide models and solutions that enhance local resource mobilisations for philanthropy. Furthermore, other philanthropic networks in the region include the Africa Philanthropy Network and Africa Venture Philanthropy Alliance, advocating for partnerships in the social investing space. On the NGOs and CSO fronts, forums, such as the SDG Kenya forum, bring together diverse civil society organisations working across the 17 Sustainable Development Goals. The SDG forum has brought together over 350 organisations who subscribe to the value of SDGs[83].

The region lacks enough ESOs offering TA and advisory service to support NGOs and grant makers engaging in venture philanthropy and impact investing.

While there are already a few initiatives geared towards enhancing organizational development, skills and the capacities of the NGOs in the region, the support remains inadequate. DFID for instance, supports the Accountability in Tanzania (AcT) in Tanzania and provides both organizational development support and unrestricted grants to enhance strategy development and improved operations of NGOs and CSOs. There are however, few ESOs offering strategic support and advisory services to philanthropists on the deployment funds and other alternative innovative finance structures for to maximize impact through the grants deployed. As such, more specific ecosystem support is needed to assist NGOs and grant makers as they transition into alternative sustainable business models and venture philanthropy approaches.

[82] Formerly the East Africa Association of Grant Makers

[83] SDG Forum - Kenya

06

06

RECOMMENDATIONS FOR FOSTERING THE SOCIAL INVESTMENT INDUSTRY

6.1 KEY RECOMMENDATION FOR FOSTERING GROWTH IN THE SOCIAL INVESTMENT SECTOR

The section outlines the key recommendations on interventions needed to boost the social investment industry. These are grouped into three elements; recommendations to catalyse diverse and innovative pool of social capital, recommendations to empower organisations delivering social change, and recommendations to develop enabling environment and infrastructure

Table 13: Summary of Key Recommendations

	Recommendations for SI stakeholders	Priority Level
Recommendations to catalyze diverse and innovative pool of social capital	Enhancing collaboration among the stakeholders across the risk-return spectrum	High
	Promoting education and awareness on effective philanthropic practices	High
	Strengthening the role and engagement of the government in the social investment sector:	Medium
	Promoting the use and supply of catalytic capital	High
	Enhancing the use of innovative blended finance instruments	Medium
	Lowering the cost of matchmaking and conducting due diligence	Low
	Building capacity of fund managers	Low
Recommendations to empower organizations delivering social change (demand side players)	Developing new TA funding strategies to build investible locally founded pipeline	Medium
	Developing interventions to support human resources (HR) needs of enterprises	Low
	Promoting alternative funding models for NGOs/CSOs	Medium
	Establishing of a technical assistance toolkit and embedded capacity building for NGOs	Low
Recommendations to develop enabling environment and infrastructure	Bridging the broken link among the incubators, accelerators, and impact investors	Medium
	Improving the legal and regulatory frameworks	Medium
	Focused mobilisation and deployment of philanthropy funds	High
	Data building and development of knowledge tools	High
	Enhancing impact measurement and management	Medium
	Developing a blueprint to harness local sources of capital and diaspora funds of capital	High

6.1.1 RECOMMENDATIONS TO CATALYSE DIVERSE AND INNOVATIVE POOL OF SOCIAL CAPITAL

- **Enhance collaboration among the stakeholders across the risk-return spectrum:** Achieving optimum collaboration calls for shelving of competition among the investors and striking a balance by establishing shared value engagements. Alignment of different investment strategies, sectors and geographies is still a challenging aspect in the collaboration among investors. Social investors can begin to do this intentionally to maximise their shared impact.

  Example: SDG Partnership Platform – The platform is a global and national facilitator that helps optimise resources and efforts to achieve the Sustainable Development Goals (SDGs) by enabling effective collaboration with the broader ecosystem. The platform is led by the United Nations (UN) with the support of other philanthropy organisations. It provides access to information on what partners are doing, real-time data on relevant SDGs, and events and solutions that funders and others are supporting. The platform currently operates in three African countries including Kenya. In Kenya, the platform was launched in 2017 where it seeks to unlock significant private-public collaborations and investments for the achievement of Government of Kenya's Big Four Agenda. The initiatives are implemented through sector windows. The initial focus was on the Primary Healthcare Window but the platform has also started to implement the agriculture window.

  Example: AVPA Deal Share Platform (DSP) – AVPA plans to soon launch the DSP, a forum where diverse philanthropists and impact investors can share deal opportunities to foster co-investment, follow-on investment, and blended finance solutions.

- **Promoting education and awareness on effective philanthropic practices:** While a considerable amount of stakeholder engagement and education has been undertaken to create awareness on the practice of impact investing in East Africa, awareness of the methodologies, and tools for venture philanthropy, particularly amongst the philanthropic community and corporates, remain significantly low. More engagement is, thus, needed to educate these players and guide them in aligning and revising their strategies as well as in creating shared value collaboration amongst the philanthropists. There is a need to establish advisory firms "philanthropy advisors" to support social investors in the effective deployment of philanthropy and catalytic funds in the region. Structured events on social investments should also be organised in the region, bringing together different players including the social enterprises, corporate social investors and philanthropists. The Bertha Centre in collaboration with the Oxford University Saïd Business School facilitate trainings programmes on innovative finance in South Africa. There is a need to create innovative finance training programs in African universities and training institutions across the continent to generate impact and further enhance entrepreneurial education.

> *"Generally, there is lack of awareness on alternative investment options especially for the philanthropist. Most are only deploying grants through NGOs"*
>
> *ESO in Kenya*

  Example: The Sankalp Africa Summit – Organised annually, the summit is one of the leading events on social entrepreneurship and impact investing which seeks to bring together investors, donors, development institutions, ecosystem support organisations and entrepreneurs. The event attracts more than 1,000 participants from all over the continent. To date, the summit has showcased and discovered 1,800+ entrepreneurs through 22+ editions of its flagship summits and has connected them to 600+ investors. Sankalp has enabled entrepreneurs to raise over US$ 270 million in funding and disbursed US$ 870 thousand in cash grants. Over the past two years, Sankalp has witnessed an increase in attendance by philanthropists and NGOs seeking to understand the impact investing space. Sankalp, thus, presents a great avenue for engagement between the different social investors through dedicated sessions seeking to drive discussions amongst social investors in the continuum of capital. During the 2020 summit for example, AVPA brought together major corporates in the region to identify ways of collaborating across the different corporate programs towards achievement of the 2030 goals.

- **Strengthening the role and engagement of the government in the social investment sector:** The role of government in providing funding and building the ecosystem infrastructure is crucial in establishing the social investment sector. Across the focus countries, governments have developed funding schemes for various population segments such as women and youths that social investors also target. The limited collaboration was, however, observed between governments and other social investors, with each working independently of others. East African governments can consider developing collaboration structures.

  Example: Ghana Venture Capital Trust Fund (VCTF) – Established in 2004 by the Government of

Ghana, VCTF aims to enhance financing for SMEs in the country. It works as 'fund of funds', providing debt and equity to SME focused funds. The fund also runs technical assistance programmes to train and build the capacity of VC fund managers and other investment professionals. To date, it has deployed approximately US$ 20Mn in six funds with about 10 exits working with fund managers such as Oasis Capital Ghana, Mustard Capital Partners and Gold Coast Fund Management. VCTF has also been supporting market-building activities such as the establishment of the Ghana Alternative Market (GAX) in 2013 – an alternative listing on Ghana's stock market established for companies with significant growth potential; Ghana Angel Investor Network (GAIN) – launched in 2014 as the first angel network in the country to invest in and mentor entrepreneurs, the network has about 36 HNWIs; Impact Investing Ghana (IIGh) – VCTF was one of the founding members of IIGh as the national platform for promoting impact investing in Ghana.

- **Promoting the use and supply of catalytic capital:** In the wake of a changing funding landscape globally, there is a need to leverage more catalytic capital in the region. African foundations, local foundations and other grant makers in the region are particularly better positioned to catalyse more impact investment, especially for the missing middle segment. Greater impact can be realised with targeted support from donors and international foundations through innovative use of their capital. Donors and foundations can use their capital to provide credit or first loss default guarantees to cover the downside risk for commercial lenders – this would ensure more debt capital flowing to early-stage businesses as well as missing middle. Alternatively, they can also assist in developing structures for receivables-based financing instead of collateral-based financing – a major roadblock again for MSMEs in the region.

Example: Africa Enterprise Challenge Fund (AECF) – AECF funded by a number of donors including; DANIDA, DFID, Government of Canada (GoC), and Sida provides catalytic funding in the form of grants and zero-interest loans to innovative businesses in the renewable energy and agriculture sectors. Through their funding, AECF has transformed millions of rural and marginalised communities. In 2018, AECF benefited 1.3 million people with a commitment of US$ 7.9 million to 153 businesses across sub-Saharan Africa[84]. Many of the companies funded by AECF have also received support from later stage impact investors. However, many challenge fund grantees struggle to raise "missing middle" stage capital. Much more could be done with support from philanthropists to de-risk follow-on investments and crowd in more funding from impact investors to scale the high-impact portfolios of challenge funds such as AECF.

- **Enhancing the use of innovative blended finance instruments:** Blended finance instruments have increasingly been used by social investors as a new model to leverage funding from the private sector to fund development projects, especially in social sectors such as health, education, and youth employment. Such innovative structures include Social Impact Bonds and Development Impact Bonds (SIBs/DIBS). While many organisations are advocating for this model, currently, there are limited success stories around such models in East Africa compared to South Africa and other parts of the world.

Example: Green Climate Fund (GCF) – In 2017, the GCF launched a US$ 500 million global campaign to catalyse private capital to climate action by deploying concessional grants, loans, equity, and guarantees to tap the private sector energies in tackling climate change mitigation and adaptation in developing countries. As a result, the GCF received approximately 350 concept notes, with a total demand of about US$ 18 Bn[85]. Blended finance structures such as these could be leveraged, especially for the SDG aligned sectors such as SDG 17 (Partnerships for goals), SDG 1 (No poverty), SDG 9 (Industry, Innovation, and Infrastructure) and SDG 8 (Decent Work and Economic Growth).

- **Lowering the cost of matchmaking and conducting due diligence:** High matchmaking and due diligence costs is a key limitation in the social investment sector across the focus countries. Most investors shy from investing in lower ticket deal values due to the high due diligence costs. They thus often tend to deploy capital in large ticket sizes that cannot be absorbed by social enterprises. This could be lowered through cost-sharing approach among the investors and sharing of the due-diligence data. Further, development partners could subsidize the costs incurred by the private investors, conduct due diligence on small social enterprises, facilitate matchmaking, engage with investment committees, and negotiate term sheets. Lowering the costs could consequently increase the investors' ability to offer smaller ticket sizes ticketing the missing early stage social enterprises.

- **Building capacity of fund managers:** Fund Managers in the region face diverse set day-to-day operational challenges that need to be addressed to maximize impact of their investment. While there are many early-stage enterprises, often not so many are "investment-ready." Thus, fund managers should be able to successfully identify and build a pipeline of investees aligned to their

[84] AECF Annual report 2018

[85] The State of Blended Finance 2018

investment plans and strategy and appropriately conduct risk assessment with local context. There is thus a need to establish and develop sustainable models to support fund managers and build their capacity at scale.

Example: Capria Ventures LLC – Capria has been supporting local impact fund managers in Sub-Saharan Africa. It sources, mentors and supports fund managers that focus on the "missing middle" financing opportunity. It offers partner-level support and an investment platform backed by deep intellectual property, and long-term advisory services to enhance fund managers' their operations, strategy, fundraising, and governance to deliver superior financial results and build an enduring leading firm. Capria has partnered with 22 fund managers investing across 37 countries to form the highly collaborative Capria Network.

6.1.2 RECOMMENDATIONS TO EMPOWER ORGANISATIONS DELIVERING SOCIAL CHANGE

- **Developing new TA funding strategies to build investible locally founded pipeline:** While many technical assistance initiatives exist to support early stage entrepreneurs, new strategies are still needed to move the needle on early and missing middle stage finance, especially for local founders. Such initiatives can include establishing TA funds with mandates to link enterprises with investors for follow on investments, and adopting result based TA payment structures with TA providers. Venture philanthropists and foundations can help fill this gap by funding TA facilities linked to finance from angel networks and impact investors, and through smaller scale blended structures.

  Example: The AlphaMundi Group – The Group consists of an impact fund launched in East Africa in 2012 and a foundation launched in 2016. The foundation is financed though 20% of the group's profits and focuses on providing technical assistance and impact measurement support to social enterprises. The foundation deploys TA facilities in the form of grants to build capacity of early stage enterprises and develop a deal pipeline for the impact fund. Developed and investment ready enterprises are often financed through the AlphaMundi's investment facilities in the form of debt, equity or mezzanine financing.

- **Developing interventions to support human resources (HR) needs of enterprises:** Most early-stage enterprises need support in establishing HR structures and processes as well as for continuous capacity building of their staff. However, financial constraints prohibit them from hiring the right talent or up-skill their current talent. Sourcing qualified personnel in key positions is a challenge for most enterprises. In order to build the HR capacities of enterprises, social investors could develop interventions such as subsidizing HR costs of enterprises or supporting ESOs that specifically run leadership and management programs.

  Example: Blue Haven Initiative - Established in 2012 with operations in multiple countries in Sub-Saharan Africa does grants and philanthropic investments into organisations and companies with clearly defined impact missions. As part of the strategy, the investor considers investment opportunities including Human Capital investments. Blue Haven provides grant funding for organisations committed to helping companies recruit a diverse talent pool with 21st century employment skills; re-reskill and retain existing employees; develop executive leadership and professional development opportunities; and foster a healthy organisational culture.[86]

  Example: African Management Institute (AMI) – The AMI, launched in 2014, provides formalised training to empower managers and entrepreneurs in the region. AMI has specifically developed several modules and tools in collaboration with leading business schools and global experts on adult learning to transforming business learning and development. Some of the programmes include the leadership development programme, youth employment accelerator programme, agribusiness entrepreneurship, and training on how to start and grow businesses.

- **Promoting alternative funding models for NGOs/CSOs:** International sources account for the largest proportion of funding to NGOs in the region. With the declining donor funding to NGOs/CSOs in the region, new and innovative models need to be leveraged to raise and attract more funding to support NGO/CSO activities. Several funding models can be explored leveraging internal sources (models such as consultancy fees, asset building, event organisation, membership fee among others) and external sources (models such as crowdfunding, microfinance, incubation, social/green bonds among others).

  Example: The Moroccan Centre for Innovation and Social Entrepreneurship (MCISE) – Founded in 2012, MCISE is a non-profit organisation established in 2012 to support entrepreneurial and innovative solutions to social challenge in Morocco. Through their Dare Inc. Programme, they select innovative projects and support them with seed funding. In return, MCISE generates revenue in two ways; they can either get back 2% of the profits generated by the social enterprise over 5 years or get 5% equity participation from supported companies that have reached maturity.

[86] AECF Annual report 2018

- **Establishing of a technical assistance toolkit and embedded capacity building for NGOs:** Across the East African countries, it was identified that NGOs face technical inadequacies in areas such as strategy, financial management, monitoring and evaluation and impact measurement. The declining and limited funds directed towards capacity building imply that NGOs are unable to build capacities in this area adequately. The development of a readily accessible toolkit providing information and training on various operational areas can help improve the capabilities of NGOs. Such a toolkit can be developed by TA providers and shared through a virtual platform. An ideal toolkit will address the issues and gaps that are very specific to the NGOs in the region. In addition to the toolkit, in-person training, embedded consultants and workshops with sector experts could further build capacity.

  Example: NGOConnect.net – An initiative of the Strengthening Civil Society Globally (SCS Global), NGOConnect.net seeks to enhance the accessibility of technical assistance support to civil society organisations by developing and deploying easily accessible toolkits and manuals.

6.1.3 RECOMMENDATIONS TO DEVELOP ENABLING ENVIRONMENT AND INFRASTRUCTURE

- **Bridging the broken link among the incubators, accelerators, and impact investors:** In interviews with investors, they highlighted a lack of investable companies channelled by the ESOs. On the other hand, accelerators and incubators reported the struggle in engaging with the investors, which indicates lack of coordination between the two. The majority of investment-readiness programs in the region are currently focused on building the capacities of enterprises in pitching the business rather than growing the business. Moreover, many enterprises fail to go beyond the incubation and acceleration phase, as they don't have access to investors. Thus, there is a need to build the ESO capacities, enhance the linkage, and build more networks that link investees from ESOs to the investors. Local and international foundations could facilitate the funding for this bridging role.

  Example: Venture Capital for Africa (VC4A) – VC4A, founded in 2007, is a network-building organisation working to build high growth high impact companies globally. The network seeks to establish the collaborations and partnerships needed to bring together the capital, knowledge, and network need to provide every entrepreneur with equal access to opportunity. Venture Capital for Africa helps nurture the SME sector and helps the entrepreneurs navigate the challenges of funding start-ups in Africa. It also leverages the community of business professionals in 159 countries dedicated to building game-changing companies on the continent, helping entrepreneurs have access to free online tools, mentorship opportunities, and the ability to raise capital.

- **Improving the legal and regulatory frameworks:** Governments in the region need to put in place key regulatory frameworks that attract various investors to the sector. Some key proposed regulations in the East Africa countries include:

  - Overarching frameworks for social investments: The region lacks overarching frameworks to promote impact investing and venture philanthropy. In the US, for example, the Internal Revenue Service (IRS) has, since 2015, allowed private foundations to make impact investments that make less than market-rate returns while retaining favourable tax treatment.

  - Start-up Act: Only two countries in Africa – Tunisia and Senegal – have developed such an act. A start-up act has the potential to further innovation and entrepreneurship, outlining legal conditions for registering social enterprises as well as tax policies and incentives to promote the growth of the industry.

  - CSI policies and laws: CSI laws, similar to the ones in South Africa and India, can serve as a benchmark providing learnings to the East African countries as they seek to enhance corporate giving.

  - Tax incentives for philanthropy: Tax incentives for philanthropy across the focus countries are less than other SSA regions. Favourable tax incentives need to be introduced. Additionally, accessibility of information on tax incentives applicable to philanthropy remains challenging with the tax exemption application highly bureaucratic. An online platform can be developed to streamline and simplify such activities.

- **Focused mobilisation and deployment of philanthropy funds:** Currently, most philanthropic organisations deploy funds individually and on a sporadic need basis. There is potential for support organisations in the form of "philanthropy advisors/managers" who can mobilise and deploy such funds in line with the objectives of the philanthropists. Such players can also be leveraged to raise awareness on venture philanthropy practice, ensuring a balanced portfolio between philanthropy and venture philanthropy. Also, they can advise on co-investment opportunities for philanthropists and promote engagement between them and impact investors to drive the development of blended finance funds.

Example: FNB Philanthropy Centre in South Africa was set up to provide support and guidance to individual and institutional philanthropists on the execution of their philanthropy agenda. To date, FNB Philanthropy Rand 11Bn (approximately US$ 583Mn) as assets under management (AUM), about 70% of this directed towards education and youth development programmes. Currently, the centre supports over 200 clients, including corporate, SMEs, individuals etc.

- **Data building and development of knowledge tools:** One of the key limitations for the social investment sector across all the focus countries is inadequate data and knowledge on activities of different players, including the quantum of funds available and their deployment. Particularly, the disparate sources of data on philanthropy, corporate social investments, venture philanthropy and impact investments make it difficult to drive collaboration. Furthermore, key challenges have been identified in building pipeline and identifying co-investment opportunities for different social investors. Continuous research on the sector can provide data-backed evidence on success models, identifying additional opportunities for strategic interventions amongst key social investors. Information gathered can further help in setting up performance benchmarks related to the outcomes that can contextualise different investment strategies. Moreover, a data portal that brings together different types of investors would enable more collaboration along the continuum of capital and can also be leveraged to collect data on the different investors.

  Example: Asia Venture Philanthropy Network (AVPN) deal share platform – the platform seeks to bridge the gap between the supply and demand of social investments in Asia. It streamlines funding opportunities and highlights collaboration opportunities by supporting its members (providers of financial and non-financial capital) to identify investable social purpose organisations (SPOs) - NGOs, and social enterprises. The AVPA is in the process of launching the deal share platform for Africa.

  Example: European Venture Philanthropy Association (EVPA) knowledge center – EVPA conducts regular research, data and insights, gathering and documenting impactful stories on venture philanthropy. Research and thought pieces are aggregated at a central knowledge hub. The threefold objectives of the deal share platform are to; a) enhance capital deployment by ensuring financial, human and intellectual capital are channelled towards building scalable and impactful SPOs; b) drive collaboration by connecting multiple funders, resource providers and SPOs to break down barriers and create collective impact and c) generate insights on the SPO landscape.

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

  Example: Acumen Lean Data Approach – The approach is an initiative launched by the Acumen to measure impact in the entire social sector through the social enterprise, 60 Decibels. The Lean Data methodology seeks to put the voice of the customer at the centre of impact measurement, leveraging mobile technology for a fast and reliable response. It is an exciting tool for social enterprises, investors and beyond.

- **Developing a blueprint to harness local sources of capital and diaspora funds of capital:** In addition to faith-based institutions and individual philanthropists, SACCOs, MFIs and informal investor clubs also play a huge role in supplying social investment. These categories, however, remain overlooked with their potential not fully exploited. Furthermore, despite the massive amounts of diaspora funds coming into the region, the potential for structured deployment of these funds has not been fully exploited, with only a few diaspora bonds issued mainly for infrastructure projects. There is thus a need to develop a blueprint for harnessing these sources of capital.

6.2 SCOPE FOR FUTURE RESEARCH

The limitation of data on social investments, particularly on philanthropy, venture philanthropy and corporate sustainability programs across the focus countries, is substantial. This inaugural report sought, in broad strokes, to develop a picture of the sector. The comprehensiveness of information within countries and investor categories varies widely. While the information on some countries – e.g., Kenya – is relatively comprehensive, the information on the other geographies remains inadequate. Furthermore, while comprehensive information exists on impact fund managers, DFIs and international foundations, limited data can be accessed for locally headquartered social investors. While the reported data are useful in identifying broad trends and regional and national differences, they also leave scope for further research.

Key areas recommended for future research include:

- Blended finance and catalytic financing mechanisms have demonstrated how various players can collaborate to mobilise capital for social causes. An in-depth analysis is required to understand which structures work best in which sectors and how those can be structured to maximise impact. Blended finance has also largely been leveraged for larger deal sizes; however, there is a need for research on blended and innovative finance for smaller transactions at the early stage enterprise stage.

- With an increasing shift in models as several foundations and grant makers transition into and engage with impact investing and venture philanthropy, there is a need for advisory support on innovative finance so they can fully strategically use their scarce grant capital for maximum impact.

- Further analysis is needed to understand the impact of corporate social responsibility policies in enhancing social investment. The guidelines have not been fully launched in the region; hence, a benchmark study with other countries should be considered to draw recommendations.

- Diaspora bonds have the potential to raise significant social investments, but these however, remain minimal. A study to understand effective ways of engaging with the diaspora would thus be beneficial.

- The research has attempted to present some of the activities of local foundations in the region, despite key challenges in finding data from Uganda and Tanzania, where philanthropic activities are not as pronounced as in Kenya. Continued engagement with local foundations through dialogues and development of shared value collaboration is envisioned to create confidence amongst this investor category and demonstrate the high need for data. Frequent data gathering e.g. through annual surveys will thus be key.

- Most investors have adopted various models of Technical Assistance to support NGOs and social enterprises to enhance impact. It will be important to undertake a thorough analysis to identify various TA funding models that exist in the region, effective models of mobilizing local capital for TA and the effectiveness of the various models across sectors.

- Demand-side research was mainly desktop-based. It will thus be important to also engage with social enterprises and NGOs to understand their changing needs further. Furthermore, data on the number of social enterprises and NGOs across all countries are limited and thus presents a big research gap.

- While the research has highlighted the existence of Gender Lens Investment (GLI) adopted by various investors in the region, it has not comprehensively delved into the analysis of various models and criteria adopted by the investors. A detailed analysis would be important to establish the level of adoption and investor consideration of GLI and the role of ESOs in the space.

- Data and information on faith-based giving in the region remain inadequate and could not be comprehensively covered during this research. While the general understanding is that religious institutions are highly involved in philanthropy, the extent of these activities, as well as the impact generated are not documented. Moreover, religious-based NGOs and CSOs also exist in the region; thus, it will be important to understand how they operate - their fundraising strategies and operational structures, potential to leverage inherent strengths to engage with other social investors for solving development challenges.

- Evaluation of the impact generated by the various investment structures and models will be needed to guide decision making in the industry.

Annexure 1:

CASE STUDY: YOUTH EMPLOYMENT

THE CHALLENGE

The youthful population in the East African region is substantially lower than other SSA regions, yet the unemployment challenge is still persistent in the region.

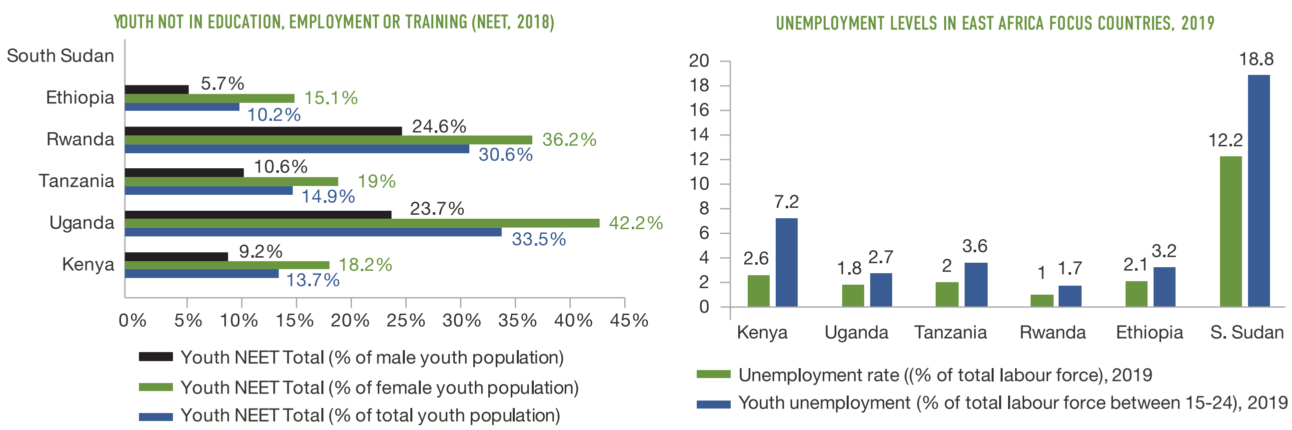
The proportion of youth aged between 15 and 24 years averages 21% across the focus countries compared to 40% in West Africa and 31% in Southern Africa[94]. Similar to the other regions, youth unemployment, and underemployment is a major social and economic challenge facing the countries particularly Kenya and South Sudan where youth unemployment levels are more than double the adult rates. Unemployment is particularly higher among female youths attributed to unequal access to education and training opportunities, gender relations in the households, and the general perception that women's caregiver roles will affect their productivity at the workplace. Furthermore, the proportion of young people not in education, employment or training (NEET) is sizeable in the region – averaging 21% with NEET rate for females averaging 26%. However, with various policies and youth-specific initiatives, youth unemployment decreased by an average of 17% in the focus countries between 2010 and 2019, with the highest reduction realized in Uganda (51%).

SPOTLIGHT: STATE OF YOUTH UNEMPLOYMENT IN SOUTH SUDAN

South Sudan recorded one of the highest adult and youth unemployment levels in the region. Youth unemployment rate is more than 1.5 times of the adult rate. Various events occurring in recent years, notably the civil war that broke out in 2016 and the decline in global oil prices, have negatively affected the economy, leading to the high unemployment levels. More than 90% of the youths currently lack formal employment opportunities as most of the population relies on subsistence livelihoods to provide for their families. Even with the goal of meaningful implementation of the Revitalized Peace Agreement (R-ARCSS), the persistent youth disenfranchisement remains a threat to the growth of the country.

Youth employment in the region remains mostly informal, driven by several supply and demand challenges.

Figure 53: Youth Unemployment Indicators in East Africa



Source: World Bank Development indicators, 2018
N/B: No data on South Sudan

[94] World Bank Development Indicators

Most of the young population in the region is employed in the informal and agriculture sectors. These sectors while crucial to the economies of the East African countries, are characterised by less structure and organisation, increasing the chances of underemployment and unfavourable working conditions. Particularly, the agriculture sector in the region is seasonal and subsistence in nature, resulting in low and unpredictable income for the population engaged in the sector.

On the supply side, access to quality and relevant education for the youths remains low. Low transition rates from primary to secondary to tertiary have been witnessed across the focus countries. Completion rates, particularly at the secondary education level, are also low except for Kenya, which has higher rates compared to both SSA and global averages. This could be attributed to the free education programs introduced by the Kenyan government both at the primary and secondary levels which have enhanced both enrolment and completion rates at those levels. The tertiary level enrolment rates are in single-digit levels and significantly lower than the world average due to inadequate tertiary infrastructure in addition to lack of funds by the students to finance tertiary education.

70-80%

of the youth are employed in the informal & agriculture sector.

On the demand side, the number of jobs created on an annual basis is not adequate to meet the supply of youths entering the workforce. In addition, there is a growing skill mismatch in the region, particularly in essential growth industries such as the ICT sector. A bigger challenge also arises in the market linkages for youths, particularly those in rural areas facing challenges in accessing employment opportunities.

Figure 55: Job demand and supply gap in Kenya

Figure 54: Key Education and Literacy Statistics across the Focus Countries

	PRIMARY SCHOOL COMPLETION RATE	LOWER SECONDARY SCHOOL COMPLETION RATE	TERTIARY ENROLLMENT RATES	YOUTH LITERACY RATES	ADULT LITERACY RATES
ETHIOPIA	54%	29%	8%	73%	52%
KENYA	100%	79%	11%	88%	82%
TANZANIA	69%	30%	4%	86%	78%
UGANDA	53%	26%	5%	89%	77%
RWANDA	87%	37%	8%	87%	73%
SOUTH SUDAN	27%	18%	-	48%	35%
SSA	69%	44%	9%	76%	66%
WORLD	90%	77%	38%	92%	86%

<50% 50-80% >80%

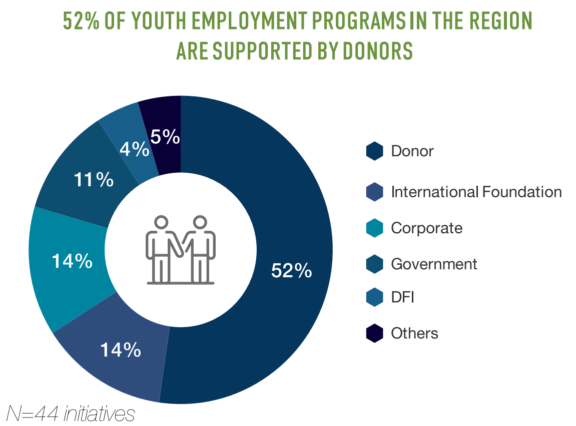
Source: World Bank Development indicators, 2018

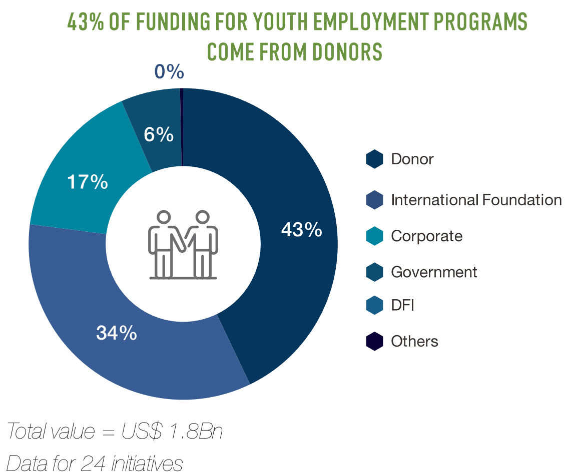
KEY PLAYERS AND INTERVENTIONS FOCUSED OON YOUTH EMPLOYMENT

While donors and international foundations dominate youth initiatives in the region, corporate foundations in the region have also been focusing on the sector.

A total of 44 youth-focused initiatives[95] were mapped across the focus countries with an estimated amount of US$ 1.8Bn[96] in project value. The World Bank, GIZ, USAID and DFID have been the main donors supporting youth initiatives in the region, accounting for the largest proportion of both in terms of the number of youth initiatives as well as the amount of funding. Corporate foundations, particularly in the banking sector, have also been highly focused on enhancing youth employment as an avenue to generate shared value for the banks. The foundations provide skilling and entrepreneurship development support to youths who, in turn, can graduate to get loans from the banks. In addition to developing strategies and policies aimed at encouraging youth employment, governments in the region have also established youth-focused agencies such as the Youth Livelihood Programme in Uganda, Youth Enterprise Development Fund (YEDF) in Kenya, and the Youth Development Fund in Tanzania that provide capacity building and funding support to youths.

Figure 55: Overview of Youth Initiatives by Investor Category





Source: Intellecap Analysis
A list of youth employment initiatives in the region is outlined in Table 13

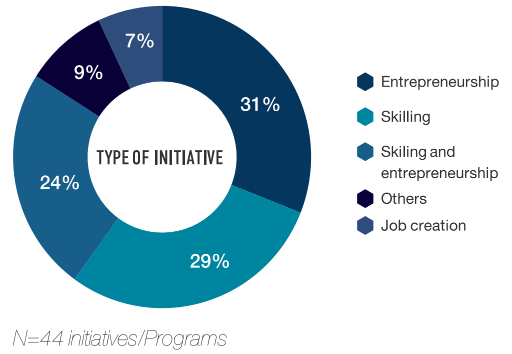
Local and international philanthropists are collaborating to fund and implement youth programs

To implement its recently launched Young Africa Works initiative, the MasterCard Foundation partnered with KCB and Equity Bank Foundation, where the two corporate foundations can scale their entrepreneurship programs with a target of 1.5 million youths. GIZ's Employment and Skills for Eastern Africa (E4D/SOGA) has also been running in partnership with KCB Foundation since 2017 – the partnership leverages foundations 2jiajiri model to empower and equip youth in the informal agribusiness and construction sectors.

Similar to the West Africa region, most of the initiatives have been in the form of skilling and entrepreneurship development and primarily focused on the supply-side.

Broadly, youth initiatives in the region have focused on building the capacities of the youth and have taken four forms: skilling, entrepreneurship development, employability enhancement, and job creation. A significant proportion of these initiatives have focused on building the skill sets of youths and supporting them in venturing into entrepreneurship through the provision of micro-loans and business development services.

1. Skilling, upskilling and apprenticeship programmes: Supporting vocational training and skills development



The education system in the focus countries is mainly focused on providing education for the formal sector and, thus, skill development is almost non-existent for the informal sector. While technical and vocational training institutes providing practical training in areas such as carpentry, masonry, tailoring, among others exist, they face financial, human, and infrastructure constraints, which compromises the quality of training as well as the number of trainees. Conversely, companies that have launched intensive internal skills development courses for their employees often report high attrition, with trained employees leaving to work for other companies. This limits corporate ability to invest in training, especially in the case of SMEs that are resource constraints. Skill-based programmes in the region include Rwanda Priority Skills for Growth (PSG), E4D/SOGA (Employment and Skills for Eastern Africa), and Tanzania Education and Skills for Productive Jobs Program (ESPJ). Given the increasing use of ICT in various sectors, several initiatives have also been explicitly launched to enhance digital skills amongst the youths.

[95] Only programs running currently were mapped
[96] This is the aggregated amount for 24 initiatives where project budget amounts were available

2. Entrepreneurship development: Supporting young entrepreneurs

With limited opportunities for formal employment, entrepreneurship and business creation remain critical in enhancing the livelihoods of young people in the region. The region has experienced rapid growth of the start-up economy, which is mainly driven by tech-savvy young people. Consequently, more programs to support youth entrepreneurship have been launched. Such include the MasterCard Foundation Young Africa Works initiative, Kenya Catalytic Job Fund, and Youth Enterprise Grant Programme (YEG) Kenya. Additionally, procurement policies established by several public and private sector institutions in these countries aim to support youth-based businesses. In Kenya, for example, 30% of all government goods and services tenders are allocated to youth businesses.

3. Employability programmes: Facilitating the transition from school to work

Despite the large number of youths entering the job market in the East African countries every year, the countries still face a significant shortage of skilled, market-ready labor. The skillset, education levels, and experience offered by many young jobseekers in the region are not sufficient even for the limited number of jobs available in the formal economy. Consequently, most corporates in the region have reported difficulty finding employees with the required skills. Additionally, the education system in most of these countries is theory-based, leaving students with hardly any practical experience. Audit and advisory firms such as KPMG, PWC, Deloitte and Ernest and Young have particularly been active, absorbing hundreds of youths on an annual basis.

4. Job creation: Incentivising the public and private sector to generate more jobs

Social investors have supported initiatives tackling the issues of the inadequate supply of jobs for the youth, although this has been on a small scale – the governments are mainly leading it. In addition to attracting foreign direct investments, special economic zones established by the government in most of the focus countries have significantly contributed to employment creation. The Kigali Special Economic Zone in Rwanda, for example, employed 2% of all permanent employees in Rwanda in 2016[97]. Additionally, the governments and NGOs provide opportunities for unemployed youths to take on voluntary jobs like community health workers and agricultural extension officers.

CHALLENGES FACING ORGANISATIONS WORKING IN THE YOUTH EMPLOYMENT SPACE

Social organizations, such as NGOs and social enterprises, as well as investors and funders focusing on the youth employment space, face several challenges that hinder the operations and effectiveness of the programs.

Challenges faced by social organisations and enterprises focused on enhancing youth employment

- Lack of an ecosystem approach to program design: As previously highlighted, most of the youth programs in the region have focused on solving the supply-side issues, yet youth unemployment issues across the continuum of demand, supply, and market are interlinked and need to be resolved using a consolidated approach.

- Funding sources: Most of the programs identified across the focus countries rely primarily on external financing from donors and international foundations, which can jeopardize sustainability, given the decreasing levels of international funding. Raising funds locally is often challenging, with the contributing philanthropic institutions spread thin across multiple competing social causes e.g., health and women empowerment.

- Lack of tailored financing support for youth businesses: While support organisations provide capacity building and mentorship support services to drive entrepreneurship amongst youths, they often don't have access to finance with limited to no tailored financial support provided by financial institutions. Furthermore, financial institutions such as microfinance institutions, SACCOs, and banks have credit underwriting and collateral requirements that also limit their access to finance. Consequently, this derails entrepreneurship-building efforts among the youths.

- Lack of an enabling regulatory environment for youth businesses: Across the countries, there is a lack of incentives to start and operate youth businesses. For example, early-stage youth businesses are still expected to pay taxes with minimal support from governments for the growing and scaling of the companies. The introduction of incentives such as free business registration, tax holidays, etc. would drive the growth of youth-owned businesses. In Uganda, for example, the levy imposed on internet usage increases the cost of running a business, especially for digital businesses.

- Mentor fatigue: Most programs rely on business professionals to participate as judges, consultants, and trainers to offer mentorship support to youth entrepreneurs. These professionals often do not receive any financial compensation and are thus unable to provide pro bono services year after year even though they believe in the concept and importance of the initiative.

[97] Analysing the impact of the Kigali Special Economic Zone on firm behavior, 2016

CHALLENGES FACED BY INVESTORS AND FUNDERS SUPPORTING YOUTH EMPLOYMENT

- High transaction costs: Most of the youth businesses are categorized as micro or small and thus have lower financing requirements. The proportion of transaction costs to loan value is, therefore, significantly higher for these loans discouraging financial institutions from financing these businesses.
- Lack of alternative underwriting frameworks: Traditional financial institutions' (FIs) underwriting frameworks leverage information such as credit and banking history, which is almost non-existent for youth businesses. Besides, FIs require collateral such as buildings, logbooks, and title deeds to minimize losses from non-repayment. Most youth, however, rarely have a possession that they can leverage as collateral. This presents significant challenges for FIs to assess and price the risk in lending to youths.
- Measurement of overall impact achieved: Youth unemployment is driven by challenges that cut across the demand side (factors that impede job creation), supply-side (factors that limit the development of appropriately skilled youth workforce), and linkages (factors hindering linkage between potential employers and youths). Most youth employment interventions, however, do not take an ecosystem approach and only address the supply side, thus limiting their overall impact.
- Scalability of interventions: Most of the programs/ interventions identified have not been able to scale post the initial funding support, as funders usually do not have scale-up plans that include collaboration with local capital providers and governments successfully.

OPPORTUNITIES FOR INCREASED COLLABORATION AND INVESTMENT IN YOUTH EMPLOYMENT

Several collaboration opportunities exist in designing, implementing, and scaling youth interventions in the region. Each investor category has its strengths that can be leveraged to build sustainable programs.

Collaboration for market linkage

Most of the programs offering training to youths have often not resulted in the absorption of the youth into the employment space. It is because some of the programs are not necessarily practical based and/or not private sector driven and, thus, they do not fully address the skill needs for the employers. Youths also face substantial challenges in accessing market information and networks to access job opportunities. The problem is also rooted in failures in the broader education system. For the collaborative approach to work well for a large number of youths, the education system needs to be revamped. Finding employees with the right skill sets who can produce quality outputs is an enormous challenge for employers. Many modern workplace relevant skills begin developing as early as primary education.

Opportunity: *Private sector-led training and internship programs where the private sector sets out the requirements and support process for the program. Donors, governments, and international foundations can provide financial and non-financial support to private companies, which will allow them to offer more internships and graduate trainee programs to youth for a fixed period before the company can fully absorb them. Governments and donors can further channel lessons from these programs back into public education system reforms.*

Example: *M-KOPA University is a programme launched by the M-KOPA Solar East Africa in 2015 to address the challenge of the lack of skilled talent. The programme aims to provide world-class technical and business development skills to employees, sales agents and partners. M-Kopa programmes include three levels of training i.e.*

- M-KOPA 101 is mandatory for all staff to understand how the company operates, its values, mission, products, and how they can be successful there.
- The M-KOPA 201 level is for rising managers who receive training in a variety of areas such as how to set targets, manage deadlines, and report progress on projects.
- Senior managers go through the M-KOPA 301 level training on how to grow themselves and their teams.

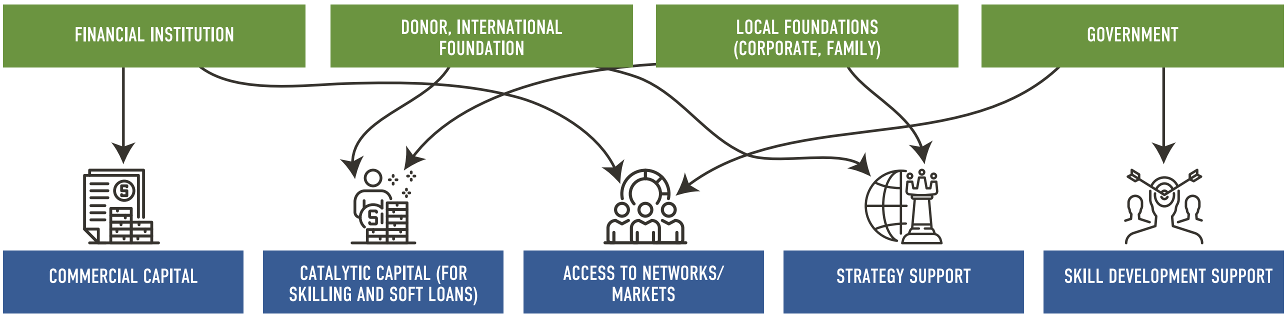
While the private sector can drive impact in this space by bridging the skills gap at the company level, the challenges also need to be addressed through backward linkages with the education system reforms with support from donors, foundations, and government. Such collaboration and linkages should help in aligning the curriculum to skills sought by employers. Many of these skills are less vocation-specific such as analytical thinking, problem solving, attention to detail, leadership, decision making, and communication skills.

Collaboration for increased access to finance

Young entrepreneurs often face substantial difficulties in securing adequate business capital due to lack of business experience, the absence of required collateral, and bias from banks against younger borrowers. This shortage of capital can kill off many good business ideas even before they begin. And when young entrepreneurs do win some financial backing, it is often not enough, leading to an under capitalization that threatens their business viability.

Opportunity: *Introduction of loan guarantees by government for the youth-funding programmes and the provision of incentives to the financial institutions* *to lend money to suitable young entrepreneurs who lack sufficient personal and business collateral, can assist in catalysing capital for youth businesses. Donors, governments, corporate foundations, and financial institutions (FIs) can also collaborate to provide more generous support for youths by providing access to flexible low interest or no interest - "soft loans". It would allow some level of cost recovery from successful young entrepreneurs while increasing funds for subsequent generations of entrepreneurs. Entrepreneurs who can build a sound repayment track can be graduated to get higher ticket loans from FIs. Such a program would thus benefit the FI as it acts as a pipeline generation avenue.*

Figure 57: Roles of Social Investors under Opportunity 2



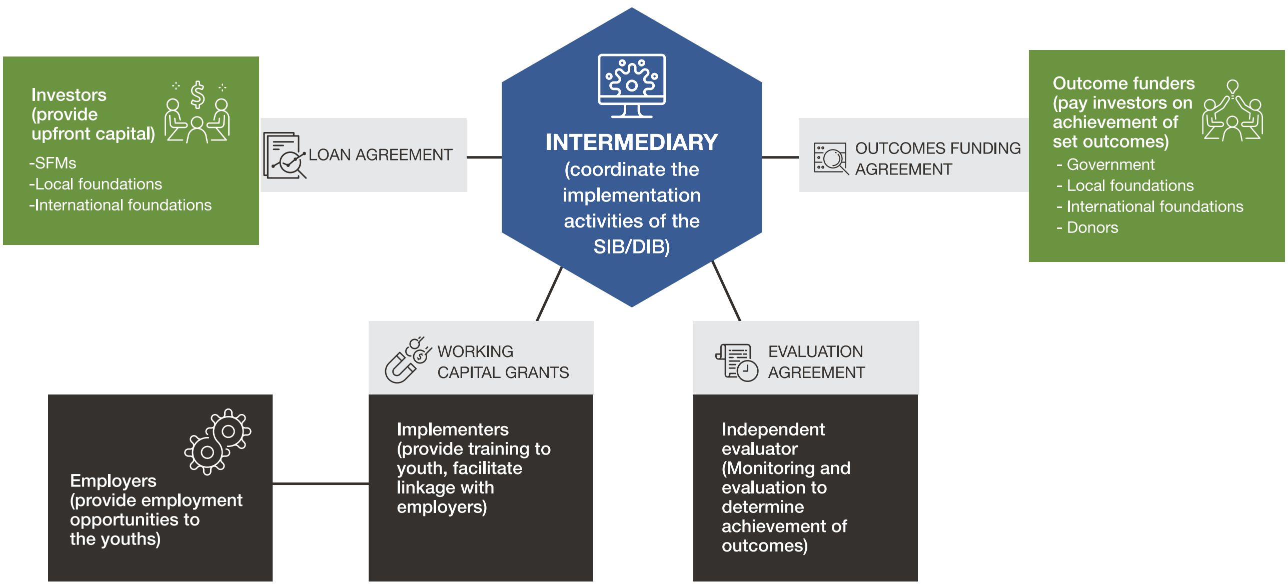
***Example:** KCB Tujiajiri - Kenya Commercial Bank (KCB) launched the KCB Tujiajiri in 2016 to address the problem of youth unemployment by creating jobs through skill development and vocational scholarships. Recruits of the programme include out of school youth and individuals operating MSMEs that need technical capacity, entrepreneurial development, financial management skills, working capital, and asset financing. KCB Tujiajiri assists in building technical capacity by training youth through its technical training courses that empower the young and micro-entrepreneurs to turn their passions into products or services. Thereafter, the bank advances low-cost loans to select entrepreneurs. Since its launch, the programme has skilled over 23,000 youth beneficiaries on technical skills and financial literacy across the country[98]. The bank has recently partnered with the MasterCard Foundation to scale up the program with a target of impacting 1.5 million small businesses.*

Development/social impact bond for youth employment

As highlighted earlier, funding for youth employment initiatives has mainly relied on international sources. With the declining financing from these sources, more sustainable approaches are needed to leverage local sources of capital in such programs and attract more private sector investments into the sector.

***Opportunity:** Youth employment is one of the most popular sectors that has leveraged the SIB structure to mobilise social capital, representing approximately 50% of the deals contacted globally[99]. A SIB for youth employment can help mobilise funding in addition to enhancing impact measures as private investors are only paid on the achievement of set targets. Governments and donors can be leveraged to finance outcomes.*

Figure 58: Roles of social investors under opportunity 3



98 https://kcbgroup.com/foundation/programs/2jiajiri/?program=2jiajiri#project-list

99 Brookings Institution: Impact Bonds Snapshot, 2019

__Example:__ Bonds for Job South Africa SIB, launched in 2018, seeks to accelerate the transitions of excluded South African youth into growth sectors of the economy through alternative methods of skilling and training. It targets supporting 6,000 youths over a period of two years.

BENCHMARKING CASE STUDY ON YOUTH EMPLOYMENT

Generation

Generation is a global demand-driven skilling initiative that offers a two-sided solution to youth unemployment. On the one hand, the program provides high-quality entry-level talent for employers, while on the other hand, it prepares the underemployed and unemployed youth for jobs. Generation offers 26 employment programs in 25 professions across four sectors: Customer Service and Sales, Digital & IT, Healthcare, and Skilled trade. The program is guided by a seven-step approach i.e. jobs and employer engagement, learner recruitment, technical, behavioral, mindset & professional skills training, interviews with employer partners for immediate job placement, and mentorship during and after the program to ensure consistency in quality. McKinsey & Company founded Generation in 2015, initially piloting in USA and Spain, but it has since rapidly grown its operations to 14 countries in America (USA, Brazil), Europe (France, UK, Italy), Australia, Asia (India, Hong Kong, Singapore, Pakistan) and Africa (Kenya) graduating more than 37,000 young adults in collaboration with over 3,000 employer partners. To date, the initiative's graduates have made US millions in cumulative salaries in their new careers[100].

GENERATION IMPACT NUMBERS

14 countries across America, Europe, Asia and Africa

37,520 graduates

3,000+ employer partners

US$ 135Mn in cumulative salaries for the graduates

Table 14: Generation's Funder List across Countries

COUNTRY	FUNDERS
INDIA	IKEA Foundation
KENYA	• USAID, IKEA Foundation, Swedish International Development • Cooperation Agency (SIDA) • Safaricom Foundation • McKinsey & Company • The East Africa Trade and Investment Hub The program has more than 200 employer partners with more than 18,000 graduates supported so far
MEXICO	• Secretaría de Innovación, Ciencia y Tecnología • del Estado de Jalisco, Bécalos, Oracle, Tele urban More than 2,300 graduates supported so fare
SPAIN	• Ministerio de Trabajo, Migraciones y Seguridad Social
ITALY	• Intesa Sanpaolo • Google
PAKISTAN	• Punjab Skills Development Fund (PSDF)
SINGAPORE	• Skills Future Singapore (SSG),
FRANCE	• McKinsey& Co • Google Co. • Unibail-Rodamco Westfield

[100] https://www.generation.org/wp-content/uploads/2019/05/Generation_Annual-Report-2018_FINAL.pdf

Table 15: List of Youth Employment Initiatives in East Africa

NAME OF ORGANISATION	COUNTRY	NAME OF INITIATIVE	PROGRAM SIZE (US$ MN)	DESCRIPTION
World Bank	Tanzania	Digital Tanzania Program Phase I: Digital Foundations Project	US$ 127.10 Mn	The Digital Tanzania Program Phase I: Digital Foundations Project aims to help Tanzania harness its digital potential boosting the digital economy for growth, innovation and job creation. The project specifically targets three core enablers of digital development. 1. Digital ecosystem: includes strengthening the laws, policies, regulations and human and institutional capacity needed to promote sector, market competitiveness, job creation and innovation. 2. Digital connectivity: ensures access to affordable, high quality internet services for all citizens 3. Digital platform and services: build technical capacity, institutions and infrastructure for the government to deliver services to citizens.
World Bank	Kenya	Kenya Youth Employment and Opportunity Project	US$ 150 Mn	The project was rolled out in 2016 to help 280,000 Kenyan youths between the ages of 18-29 by increasing their earning and employment opportunities. KYEOP responds to the increasing numbers of new entrants into the workforce who are presently outpacing the capacity of the economy to absorb them into productive employment. The four key areas the project focuses on include: a) Engaging training providers and private sector employers in offering training and work experience to improve youth employability. b) Supporting self-employment by focusing on job creation initiatives such as supporting new start-ups, improving productivity and job creation potential of existing business while offering innovative approaches to help the hard to serve youth. c) Improve labour market information by improving its access and quality. d) Strengthening youth policy development.
World Bank	Rwanda	Rwanda Priority Skills for Growth (PSG)	US$ 120 Mn	The Priority Skills for Growth program in Rwanda targets the increase of opportunities for the acquisition of quality, market relevant skills in specific economic sectors. The program's specific result areas include: a) Reinforcing governance of the skill development system b) Ensuring the provision of quality market relevant training programs c) Expanding opportunities for continuous upgrading of job relevant skills for sustained employability d) Capacity building for implementation.
World Bank	Tanzania	Tanzania Education and Skills for Productive Jobs Program (ESPJ)	US$ 120 Mn	The Education and skills for Productive jobs program supports the establishment and strengthening of institutional mechanisms operationalising the country's National Skills Development Strategy (NSDS 2016-2021) that seeks to increase the supply of skills for industries with high potential for growth and job creation in Tanzania. The project targets 30,000 beneficiaries including trainees enrolled in university, technical, vocational and alternative training in the six key economic sectors namely agriculture, tourism and hospitality, agribusiness and agro processing, construction, transport and logistics energy, Information and technology.

NAME OF ORGANISATION	COUNTRY	NAME OF INITIATIVE	PROGRAM SIZE (US$ MN)	DESCRIPTION
World Bank	Uganda	Skills Development Project	$ 100 Mn	The project's objective is to improve governmental institutions and enable them to provide high quality, demand-driven training programs in key areas of the economy. The project is under the department of Business, Technical, and Vocational Education and Training (BTVET) in collaboration with the Ministry of Education and Sports. The program aims to: a) Raise the economic relevance of the BTVET b) Increase the quality of skills provision c) Provide equitable access to skills development d) Achieve great management and organisational effectiveness in BTVET e) Increase internal efficiency and resource available for BTVET
World Bank	Rwanda	Skills Development Project	US$ 30 Mn	The objective of the project was to improve the skills of the Rwanda labour force by expanding their access to quality vocational training and general secondary education. 5,490 individuals enrolled in vocational training centres and Industry-based training centres. The implementation competition report highlights that 14,872 individuals enrolled in training financed through the SDF, which nearly achieved the Phase I and II targets (of 15,900 and 15,275 individuals enrolled, respectively). The project also introduced a pilot Skills Development Facility that provides financing for the rapid delivery of high-priority skills through competitive sub-grants ranging from US$10,000 to $100,000 to both public and private training providers.
GIZ/DFID	Kenya, Uganda, Tanzania	E4D/SOGA (Employment and Skills for Eastern Africa	US$ 29.8 Mn (£22,826,266)	The project intended to provide skill training, matching and supplier development services to help East African women, men and young people exploit employment and economic opportunities in natural resource-based industries and adjacent sectors. After completion of the program, trainees would have access to jobs and economic opportunities in and around the oil and gas sector leading to an increased economic contribution of the sector to growth in Eastern Africa. The project's success was measured by three outcome indicators: 1. Number of additional local people in sustainable jobs across the four target countries (target 23,0003) 2. Percentage of income increase of people reached by the program (target 10%) 3. Percentage of male and female training graduates obtaining and maintaining a job after completion of training (target 75%)
Rockerfeller	Kenya	Ajira Digital Project to scale Demand Driven Training and develop a sustainable model for connecting disadvantaged youths to online jobs	US$ 1 Mn	The Ajira Digital Program is a government initiative funded by the Rockefeller Foundation that aims to empower over one million youths to access digital job opportunities. The project also aims at bridging the gap between skills demand and lack of jobs and further seeks to gather lessons learnt to inform the project scale up. The Ajira Digital Project seeks to position Kenya as a choice of labour destination for multinational companies as well as encourage local companies and the public sector to create digital work. The overall objective of the project is to make the country a freelance hub and the global destination for online work by the year 2022. The program has trained over 40,000 young men and women to perform microwork online.

NAME OF ORGANISATION	COUNTRY	NAME OF INITIATIVE	PROGRAM SIZE (US$ MN)	DESCRIPTION
Safaricom	Kenya	Wezesha Program	Unknown	The Wezesha Program partnered with Generation in Kenya to provide the youths with support to access job opportunities. Since the launch of Generation in Kenya in 2015, it has graduated 9000+ youths through 56 training locations in 18 counties and has placed 88% of the graduates into meaningful employment through financial services, customer service agents, sewing machine operators, distributed sales and retail and restaurant services training programs.
MasterCard	Uganda	U-LEARN 2 (2016-2021)	Unknown	The program is improving opportunities for the youths with limited education and skills through labour relevant skill training. It also connects young people with large companies for internships and employment opportunities mostly in the informal sector through skills development, youth business associations, market linkages, access to financial services and mentorship. The target is youths aged 18-24 who come from families at or below the international poverty line. The program targets 7,500 beneficiaries, 50% will be young women, at least 20% of whom will be young mothers. It works across 11 districts in Uganda. Approximately 70% rural / 30% peri-urban or urban. Other impacts include improved employment and micro-entrepreneurship opportunities available to 5,500 young women and men, and 2,000 additional young entrepreneurs will be supported to grow their small businesses.
MasterCard	Tanzania	Pathways to Work (2015-2021)	US$ 29.8 Mn (£22,826,266)	The program, in partnership with Tanzanian Vocational Education and Training Authority (VETA) and the Tanzania Entrepreneurship and Competitiveness Centre (TECC), is strengthening the capacity of three VETA training centres, VETA's Teacher's Training centre, and TECC. Pathways to Work uses a systems approach in engaging public, private, and NGO actors to improve the quality and delivery of services for youths. The program has three components: 1. Systems change: Through strengthening partner institutions' capacity to serve young people and work within the larger ecosystem of key stakeholders to effect systemic change for improved/sustained youth outcomes. 2. Improved youth outcomes related to employability and entrepreneurship: Labour market assessments and market systems-driven analyses will ensure youths are trained in relevant skills that meet employer and market needs. Youths in the entrepreneurship pathway receive a holistic package that includes life skills training, entrepreneurship training, mentorship, and access to finance. 3. Monitoring and evaluation for learning: Learning is a priority in implementation and it is achieved using a Monitoring, Evaluation and Learning (MEL) system and robust learning strategy so that best practices are adopted, scaled, and disseminated widely. The program targets vulnerable youths aged 16-24 who are unemployed, under employed and those economically disadvantaged living in urban and peri-urban areas of Tanzania. It is estimated that the program will directly impact 22,550 vulnerable youth in Tanzania.

NAME OF ORGANISATION	COUNTRY	NAME OF INITIATIVE	PROGRAM SIZE (US$ MN)	DESCRIPTION
MasterCard	Kenya	Young Africa Works initiative	US$ 3Mn	The Young Africa Works by the MasterCard Foundation outlines how focus needs to shift to finding solutions to the youth employment challenge and reducing poverty in Africa. Using youth employment as a measure of their progress, MasterCard will work to help millions of young people find a pathway out of poverty ensuring that, by 2030, over 30 million young people in Africa, particularly young women, secure dignified and fulfilling work.
KCB Foundation	Kenya	2jiajiri	US$ 10Mn (total deployment - 2jiajiri (70-80% of total)	2jiajiri is a program founded by the KCB Foundation that addresses the problem of the young and unemployment by creating jobs through skill development and vocational scholarships (upskilling) and existing micro entrepreneurs (skilling) where the initiative provides business development services, discount asset and capital financing for the graduates of the technical training and lastly provision of market and industry linkages.
Equity Foundation	Kenya	Entrepreneur ship	US$ 623Mn	The objective of the program by the Equity Group Foundation (EGF) is to build entrepreneur capacity through training mentorship and coaching and facilitating digital learning. So far KES 62.3B has been transferred to enterprises benefiting 1.948,668 households. In partnership with the MasterCard Foundation, EGF rolled out the Financial Knowledge for Africa (FiKA) in 2010 to deliver quality financial literacy training to women, youths and MSMEs from low income areas. The program, which covers budgeting, savings, debt management and financial services and products, has trained over 1.8 million people.
Government	Kenya	Youth Enterprise Development Fund (YEDF)	US$ 40 Mn (Kshs 4 Bn)	The YEDF is a state corporation under the Ministry of Public Service, Gender and Youth Affairs with a strategic focus on enterprise development, as a strategy that will increase economic opportunities for the Kenyan youth. The fund seeks to create job opportunities for young people through entrepreneurship and encouraging them to be job seekers. YEDF mandate includes providing loans to youth-owned enterprises, providing market support to youth enterprises, facilitating youths to obtain jobs abroad, among others.
UNDP	Kenya	Economic Empowermen t Program (EEP)	$ 2,791,957	UNDP's Economic Empowerment Program (EEP) promotes inclusive and equitable economic growth in Kenya and seeks to ensure that the poor and vulnerable participate in and benefit from economic growth. The formation of county-level Biashara [Business] Centres is a key intervention in the implementation of the EEP – these centres function as incubators for grassroots commercial ventures, acting as sites where primarily women, youths and PWDs can receive business advice, access to ICT facilities and funding to support their entrepreneurial activities. The key objective of establishing Biashara Centres is to promote inclusive economic growth and job creation through supporting the implementation of MSE program and activities of the Medium Term

NAME OF ORGANISATION	COUNTRY	NAME OF INITIATIVE	PROGRAM SIZE (US$ MN)	DESCRIPTION
				Plan (MTP II). Key target beneficiaries are MSEs, support structures for women and youth, aspiring entrepreneurs, and MSE associations and/or smallholder communities. The following are key objectives of the EEP: 1) Access to Business Development Services 2) Inclusive Business & Value Chain Development 3) Vocational, Industrial and Technical Training Potential
Government	Uganda	Youth Livelihood Program	US$ 71.8 Mn (UGX 265 Billion)_	The program was implemented under the Ministry of Gender, Labour and Social Development in collaboration with local governments and covers all the present 122 districts and 41 municipalities. Local governments are responsible for mobilisation & sensitisation, beneficiary selection, facilitating projects preparation, appraisal and approval of projects, monitoring and supervision. The majority of the beneficiaries were school dropouts (34.6%), followed by those who have only completed primary education (19.6%). It is also important to mention that 2.8% of the beneficiaries are youths with disabilities. The program consists of the following components: 1). Youth Empowerment: the greater involvement of the youth in mobilisation, sensitisation, prioritisation, and planning for their needs, implementation and monitoring and evaluation. 2). Youth Economic Engagement: the supported youths are engaged in self-employment through vocational trades and income generating activities financed under YLP. 3) Financial Inclusion: under the program, YIGs access project funds through commercial banks. Beneficiaries have also opened accounts in Savings and Credit Cooperative Organisations (SACCO) and are engaged in Village Level Savings Associations (VLSA). The total amount repaid on January 12, 2018 was UShs. 15.249 Billion, [representing 67 % of the UShs. 22.903 Billion that is due to-date]. 112 groups have, to date, fully paid up (100% Repayment). 4) Support to Local Economic Development: the YIGs procure products and services locally and thereby support the community like the supply of agricultural inputs, trainers for skills enhancement projects, thus increasing local entrepreneurs who deal with the YIGs. 5) Increase in Income Levels for the Youth: a number of the funded youth projects have been productive enabling the youths to earn commensurate income, which has enabled some YIGs to make 100% repayment. The process evaluation report rated 51% of YIG enterprises as successful, 46% struggling, and 3% failed/disbanded. 6) Increased Acquisition of Skills: a number of youths have acquired employable skills under apprenticeship training provided by local experts. This has resulted into a multiplier effect and self-reliance of projects. The program started in December 2017 – the process of revolving the funds recovered to various Districts and Municipal Councils. To date, 703 projects worth USHs. 6.269 Billion have been funded under the revolving funds. This is benefiting 8,112 youths.

NAME OF ORGANISATION	COUNTRY	NAME OF INITIATIVE	PROGRAM SIZE (US$ MN)	DESCRIPTION
Government	Uganda	Uganda Women Entrepreneur ship Program (UWEP)	US$ 3.2 Mn (UGX 340,249,500)	The initiative by the Government of Uganda works to improve women's access to financial services, facilitate them with the necessary skills for economic growth, value addition and marketing of their products.
USAID	Kenya & Tanzania	Rural-Based Girl-led Innovation & Entrepreneur ship	Unknown	The initiative was designed to address systemic unemployment problems in rural areas in Kenya and Tanzania. Training from the program is intended to build personal development, entrepreneurship and job readiness to prepare youths for school, employment and entrepreneurship. The project operates in more than 15 regions in Kenya (urban and rural) and 11 rural regions in Tanzania in 2018. There are plans for new regions in 2019. The Girl-led Innovation and Entrepreneurship Program has impacted over 300,000 youths alongside the Adolescent Girl Advancement Program (elements of financial literacy and economic assets) that has impacted over 130,000 young girls.
USAID	Tanzania	Feed the Future Tanzania Advancing Youth	US$ 19.7 Mn	Advancing Youth, an initiative funded by USAID and Feed the Future, helps young people aged 15-29 to enhance their employability, leadership skills, become business savvy and participate in civil life. The program collaborates with the youth participants to design, implement, and build public private partnerships to bolster employment opportunities. These activities include: 1) Identifying potential employment market gaps that youths could fill and partner with local organisations to develop curricula and deliver vocational training to match skills needed by employers. 2) Utilising a grants program to support businesses in implementing new on-the-job training opportunities, internships, and placements for youths. 3) Fostering leadership among youths by adapting the successful Champions for Change experiential leadership development methodology created by USAID's Africa Lead project. 4) Collaborating with the government of Tanzania to implement healthy life skills curricula in schools and roll out community-based healthy life skills services through pre-existing networks.
USAID	Kenya	Kenya Youth Employment and Skills Program (K-YES), 2015 – 2020	US$ 21.9 Mn	The project promotes a shared understanding of positive youth development (PYD) whereby young people are empowered to reach their full potential. PYD transitions away from problem-focused responses to youth crises, to proactively building skills, fostering healthy relationships, transforming systems, and making youth an active partner in development efforts. The project aims to: 1) Enhance the employability of Kenyan youths 2) Increase wages and self-employment for the underemployed youth who have not completed secondary school 3) Increase youth workforce competitiveness 4) Increase the private sector's engagement in the development of youth employment and job placement

NAME OF ORGANISATION	COUNTRY	NAME OF INITIATIVE	PROGRAM SIZE (US$ MN)	DESCRIPTION
DFID	Kenya	Kenya Catalytic Job Fund	US$ 5.9 Mn (€ 5 Mn)	The UK's Department for International Development (DFID) through the Kenya Catalytic Jobs Fund aims to provide technical assistance and grant funding to organisations with the potential to implement innovative solutions and create large scale, productive jobs for both youth and women. The Kenya Catalytic Jobs Fund is a £5m, 4-year catalytic jobs fund that, through a mix of technical assistance and grant support, will test competitively selected innovations that have potential to unlock market constraints and create jobs, including for the most vulnerable, e.g. people living with disability. The program will contain a strong emphasis on learning and evidence. It will seek to generate knowledge, data and evidence on ways of addressing barriers to job creation and disseminate findings to relevant stakeholders, including potential investors.
DFID	Kenya	British Council Kenya	US$ 12.3 Mn (€ 10.4 Mn)	The council through the program contributed to development of young people through projects which support improvements in their education, increase collaboration in higher education and research and promote the development of arts and culture.
USAID	Tanzania	Empowering Youth in Tanzania	US$ 0.96 Mn (€0.813 Mn)	The project engaged youths in rural Tanzania as a vehicle to drive growth in the rural economies of Tanzania by developing and delivering training and mentoring focused on life skills, livelihood and leadership. The Youth Economic empowerment (YEE) activity is working to achieve three overarching intermediate results: 1) Increasing youths' entrepreneurship and workforce-readiness skills 2) Strengthening youths' leadership and positive community engagement 3) Enhancing young people's life skills.
FSD	Kenya	Youth Enterprise Grant Program (YEG)	Unknown	The YEG project focuses on the problem of youths' un- and underemployment in urban slums in Africa. The pilot project is providing enterprise grants and a smart phone to, primarily, young people living in Mathare, a low-income (slum) settlement in Nairobi. The payments, totalling approximately $1,200 per beneficiary, are made via mobile money. The project does not dictate how young people use or invest the money – but they are being 'nudged' or encouraged to invest or expand their existing business or income-generating activities. To support their propensity to invest in economic activities, recipients have been given a low-cost smartphone onto which a range of business and money management apps has been loaded. Targets: 1,000 young adults aged between 18-35 in the Mathare low-income settlement in Nairobi.
AfDB	Kenya, Tanzania, Uganda	ENABLE-TAAT Project	Unknown	ENABLE TAAT is part of the Technologies for African Agriculture Transformation Program (TAAT). It assists in the promotion of its key agricultural technologies, operation of technologies and innovation centres for the youths on specific commodity value chains and to stimulate youth-led agribusiness start-ups.

NAME OF ORGANISATION	COUNTRY	NAME OF INITIATIVE	PROGRAM SIZE (US$ MN)	DESCRIPTION
GIZ	Ethiopia	Special Initiative Jobs Program	Uknown	The program targets private sector development for selected geographical areas and economic clusters and promotes sustainable investments that lead to more employment. It is also collaborating with the public sector to create a solid institutional framework, improve the business environment, and promote Ethiopia's image abroad. The program aims to create 35000 jobs by 2021 17,500 of which will be for women and 1000 for youths.
GIZ	Ethiopia	Sustainable Training and Education Program (STEP)	US$ 28.7Mn (€24.4 Mn)	The GIZ Program for Sustainable Training and Education (STEP) aims at improving the employment prospects of young Ethiopians by promoting more relevant and demand-oriented TVET and Higher Education.
GIZ	Kenya, Ethiopia	Sport for Development in Africa: Partners with Concepts!	Unknown	The Sport for Development in Africa (S4DA) project works in close collaboration with governmental and non-governmental partner organisations, with the private sector and academia to promoting development perspectives for the youths through sports. The project's impact includes: 1) Training roughly 650 trainers to integrate the Sport for Development approach into their trainings. 2) More than 190 instructors have received training on the Sport for Development methodology. They act as multipliers to train other trainers. 3) Around 15,000 children and young people regularly take part in trainings promoting life skills, education and prevention of violence.
WB/KCDF	Kenya	Youth Development Program	-	The youth program focuses on life skills development, youth-led entrepreneurship and employment creation. They invite youth-led and youth serving organisations at the grassroots to collaborate with them in delivering support for the youth countrywide.
Heifer International	Uganda	Learn for Agribusiness (L4AB)	Unknown	L4AB is designed to enable uneducated and unemployed youths who have grown up suffering from the civil war, to make decent living in the agricultural sector. Target youths (18-30 years, 50% women) are trained in sustainable agriculture, soft skills and entrepreneurship. Training curricula for the sunflower, groundnut, maize and soy value chains are developed, and community facilitators and commercial extension workers are capacitated to advise youth farmers. Agribusiness curricula based on sunflower, maize, groundnut and soy value chains have been established and two agribusiness hubs are founded. 3881 youths have enrolled as students in the project, organised in 135 youth groups linked to the two agrihubs.

NAME OF ORGANISATION	COUNTRY	NAME OF INITIATIVE	PROGRAM SIZE (US$ MN)	DESCRIPTION
Kenya	Ethiopia	Empower Disadvantaged Young Women through Construction	-	Buildher is a project that empowers and enables women to work in construction by providing an accredited youth skills training program that trains disadvantaged women from informal settlements in construction skills and life skills. The skillset offered by Buildher includes basic business and finance, gender-based violence awareness, sexual health, family planning, and leadership. So far, 1500 women have been trained through on-site construction training with more than 100 women from 3 informal settlement communities in Nairobi reaching for ongoing registration. Buildher has an objective to train 16,000 women by 2023 and plans to scale up through both influencing the youth employment ecosystem in Nairobi and replicating Buildher model in other urban/rural locations in East Africa.
World Bank, Rockerfeller	Kenya	Coding Bootcamps for Female Digital Employment	-	The program focuses on delivering coding boot camps for women in Nairobi, Medellin and Peshawar. Randomised Control Trials will be carried out in Nairobi and Medellin to test the impact of youth coding boot camps as compared to women-cantered coding boot camps on the employment and wages of women.
Akazi Kanoze Access (USAID Funded)	Rwanda, Uganda	The Educate! Exchange	-	Educate! Works to bring leadership, entrepreneurship and workforce readiness education and support to youth in secondary school. Educate Rwanda serves as a technical advisor to the government on the skills based entrepreneurship curriculum reforms for upper secondary school. From 2016-2020 the program will reach over 550 teachers and impact 34,000 youth. Educate! is running workshops for government trainers and entrepreneurship teachers to prepare for the new curriculum, and is helping teachers adopt the new curriculum components: Skills Lab and Student Business Clubs.
World Bank	Kenya	Kenya Industry and Entrepreneurship Program	-	The Kenya Industry and Entrepreneurship program's development objective is to increase the productivity and innovation in select private sector firms. It achieves this by having three key components
Several Investors (+ angels)	Kenya	Lynk	-	Lynk is an online platform that partners with Kenyan artisans to showcase and promote their products and services. It has launched its online platforms which consist of a customer website and App where customers can make a unique request. Lynk has, to date, facilitated 22,961 jobs for 1,336 Pros on the platform, in addition to jobs for over 500 Helpers and assistants have transferred over Ksh225,506,754 (roughly US$2.2m) from customers to Pros. 43.9% of Pros are female, and over 60% are youths. Lynk has reached 855 youths in Kenya so far and aims to reach 20,000 youths ongoing. Lynk is particularly interested in expanding into markets with large middle-class populations, such as Ethiopian, Nigeria, South Africa, and Angola.

NAME OF ORGANISATION	COUNTRY	NAME OF INITIATIVE	PROGRAM SIZE (US$ MN)	DESCRIPTION
GIZ/Global Affairs Canada	Rwanda	Youth Delivering Digital Skills at Scale	-	Youth Delivery Digital Skills at Scale targets the unemployed and underemployed youths aged between 18-29 who are passionate about community change and can affect hundreds of people in the community. To address the equal gender representation question, the project adopts a 50:50 young men and women gender ratio. This model resulted in 40,000-trained citizens from 110 deployed youths, 75% of the participants have improved their ability to use ICT. Furthermore, 87% of the participants increased their household income because of the newly acquired digital skills, whereas some acquired full-time jobs because of their participation in the program.
AfDB	Kenya, Ghana, Nigeria, Ivory Coast, S.Africa	Jobs for Youth in Africa	-	Launched in May 2016, the strategy aims to support African countries scale up responses in the wake of the youth unemployment and underemployment crisis in Africa. In the first year, 1.6 million jobs were created and 652,000 people trained, the majority of whom are women. Over 1000 participants convened at five high-level to build momentum for the project's strategy implementation. More than 200 AfDB staff received training to mainstream the job lens in the company's operations.
Centum Foundation	Kenya	Centum Foundation Entrepreneur ship Program	-	Invested over KES 30 million into 5 start-up companies and other small-scale businesses in the sector of e-commerce, FMCG, EdTech among others.
Centum Foundation	-	Vocational Technical Training Program	-	The program aims to equip young people from the local communities with technical skills that could enable them gain competitiveness in the job market. September 2018 is when the first 50 participants graduated and, to date, 30 of the 50 have jobs.
Cooperative Bank Foundation	Kenya	Jijali	-	Jijali offers underemployed and unemployed youths aged 18-30. The participants come from the middle-income class in Kenya and are keen to grow their skills through attending a three-month free program. The program is now on to its third phase after the completion of Phases 1 and Phase 2 in 2018 and 2019, respectively. In Phase 2, the number of participants in Phase 2 (333 people) was double the number of those who attended Phase 1 (118 people).
Chandaria Industries	Kenya	Chandaria Business Innovation and Incubation Centre (BIIC)	-	The Chandaria-BIIC was founded to support new and innovative ideas from students at the Kenyatta University. The centre does not charge a fee for the services rendered to young innovators; it is run using donations from corporate bodies and foundations.

Annexure 2

KEY SOCIAL INVESTMENT SECTORS IN EAST AFRICA

The East Africa region presents immense opportunities across several impact sectors. This chapter outlines the social investment activities across some of the key sectors in the region.

FINANCIAL INCLUSION

THE CHALLENGE

Financial inclusion in East Africa has undergone a massive transformation over the last decade. However, there are still significant gaps in quality access, with inactive accounts and poor credit history affecting access to credit for MSMEs.

Financial inclusion in the region, driven by the high adoption of mobile-money, particularly in Kenya (73%) and Tanzania (51%), tripled from 22.5% in 2006 to 68.5% in 2019[101]. Kenya's financial inclusion of 82.9% is the third highest in Africa after Seychelles and South Africa[102]. Financial inclusion has been driven by the growth of Fin-tech companies seeking to fill critical gaps in lending, savings, and insurance services left by the formal financial institutions. However, this has not been able to create a significant impact on the accessibility of financial products. A substantial proportion of the mobile money accounts in the region are inactive – an indication that the holders are unable to access mobile-based products such as loans and savings. Furthermore, the MSMEs continue to underserved due to challenges such as lack of credit history, poor financial management, and lack of audited books of accounts. Access to credit in the focus countries remains a challenge, especially for the microenterprises, with above 60% of the enterprises in the countries reporting a challenge in accessing credit and as high as 70% in Ethiopia and Tanzania.[103]

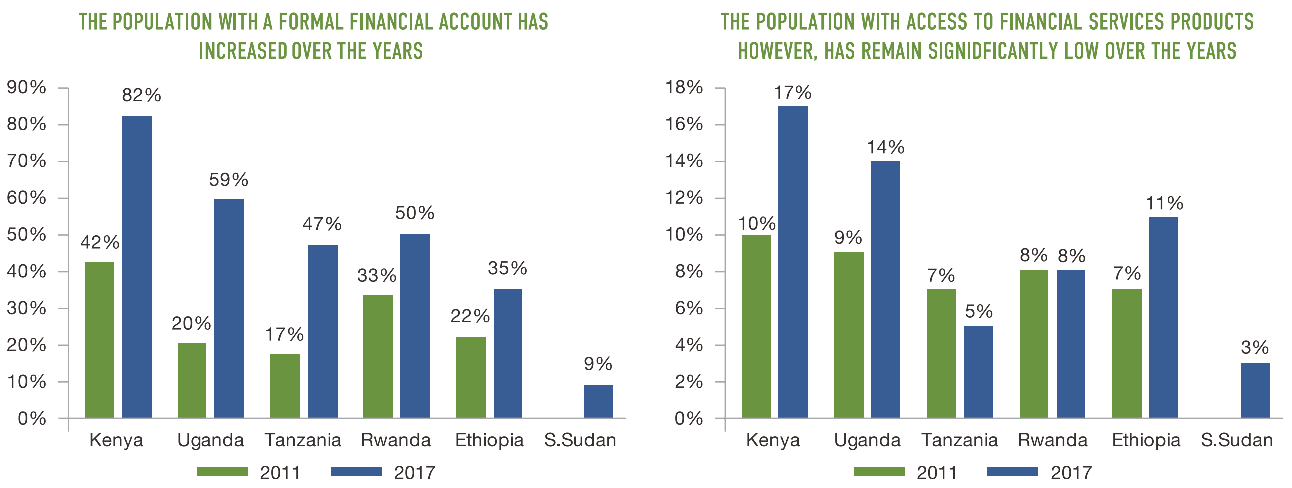
Financial inclusion in East Africa tripled from 22.5% in 2006 to 68.5% in 2019

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

DFIs and SFMs prefer financial inclusion sector initiatives, with 39% and 31% of their total portfolio dedicated to the sector.

The social investors in this space focus more on the supply-side challenges, working with other financial services providers (FSPs), including banks, microfinance and fintech institutions. The social investors provide lines

Figure 59: Financial Inclusion Rates in the Focus Countries



Source: Global Findex Database

[101] EADB: Financial Technology in East Africa
[102] 2019 FinAccess Household Survey by CBK, KNBS, and FSD Kenya
[103] Banking in Africa: Delivering on Financial Inclusion, Supporting Financial Stability, 2018

of credit, credit guarantees, as well as capacity building and technical assistance support to the FSPs. Some of the key DFIs in the sector include AfDB, IFC, FinnFund, EIB, Norfund, Proparco and FMO, which also invest indirectly through the impact funds and MFIs focusing on financial inclusion. FinnFund, for instance, invested US$ 5Mn in Letshego Group Uganda in 2018 to provide financial services to the financially under-served, while Proparco invested over US$ 10Mn in Accion to develop young fintechs in developing countries, i.e. the Accion Venture Lab fund and Accion Quona Inclusion Fund in 2019. On the other hand, international foundations such as the BMGF and the MasterCard Foundation focus on enhancing financial inclusion in the region through various programmatic interventions. Some of the interventions include the Financial Services for the Poor in Tanzania, Kenya and Uganda (BMGF), The MasterCard Foundation Fund for Rural Prosperity covering Kenya, Uganda, Tanzania, and Ethiopia with a US$50 million seven-year commitment launched in 2018. Most of these initiatives support through donations, training and capacity-building of the financial inclusion focused-organizations.

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

The governments contribute to the financial inclusion sector through the establishment of financial institutions providing credit guarantees and loans to various underserved groups.

The role of governments' in establishing regulatory frameworks targeting the financial sector has been pivotal in contributing to financial inclusion in the focus countries. In Kenya, for example, the government has been at the forefront in promoting the digital economy and leveraging technology to achieve financial inclusion in the country, in partnership with other social investors and private sector players. Some of the successful digital products in the country include Mpesa, M-Akiba and the recently launched Stawi, a mobile loan product by the Central Bank of Kenya in partnership with commercial banks and targeting to provide unsecured financing to MSMEs in Kenya. The M-Akiba, on the other hand, provides an avenue to save at least a dollar a day and invest in government securities after 30 days. Other mechanisms adopted by the governments include the provision of credit guarantees and direct lending to SMEs and various groups such as youth and women through government established financial institutions including Women Enterprise Funds, Youth Funds etc. Additionally, in Uganda, the government has partnered with the United Nations Capital Development Fund (UNCDF) in creating an operational planning and financial system for sustainable and inclusive local development.

AGRICULTURE AND FOOD SECURITY

THE CHALLENGE

The agriculture sector is one of the significant contributors to East Africa's economy, accounting for 25.7%[104] of the region's GDP.

28% of the East African population are undernourished compared to the SSA average of 22.7%

The agricultural sector contributes to a significant proportion of the region's GDP. It employs the largest proportion of the population, accounting for about 80% of the livelihood for the region's population[105]. The region, however, faces a challenge in achieving the desired levels of agricultural productivity, food security, and nutrition due to climate change and variability as most of the countries in the region depend heavily on rain-fed agriculture. Besides, the sector is dominated by smallholder subsistence farmers adopting unsustainable agricultural approaches, which leads to low productivity. The average cereal yield across the focus countries is 1,717 Kg/Ha against the global average of 4,074 Kg/Ha[106] while the average fertiliser consumption is 15.6 Kg/Ha[107]. The population growth estimated at 2.5% annually (2018), coupled with the increasing rates of urbanisation put pressure on the existing resources to adopt more productive agriculture practices. The trends in agricultural production, poverty levels, and undernourishment in the region underline the need for greater efforts if the targets of SDG 1 and SDG 2 are to be achieved by 2030.

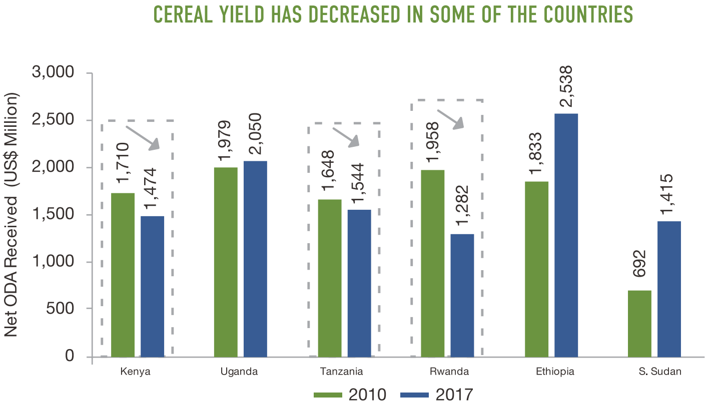
HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

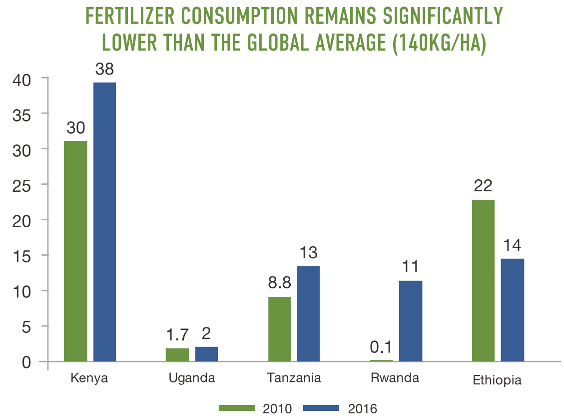
Funding to the sector has focused on initiatives that increase productivity, enhance access to financial services and market linkages with the sector receiving significant focus by international family foundations.

Agriculture received the second highest value of investment (29%) by North American Family foundations with a total of 60 grants deployed in the sector in the form of program support, agronomic research, agricultural extension and policy advocacy, environmental management issues, capacity building and technical assistance. On the other hand, the DFIs made 38 investments in the sector in the same period, 78% of which were direct investments focusing on agribusinesses such as agri-export companies, agri-processing company, horticultural companies, among others. The SFMs in the region also made 37 investments into the sector, focusing majorly on ag-techs and agri-marketplaces, including East Africa Fruits, Twiga Foods, iProcure, Tulaa and M-farm. Agtechs in the region focus on addressing challenges such as access to agricultural input and access to financial services, thus contributing to improved productivity.

[104] Africa Development Bank: East Africa Economic Outlook, 2019
[105] Investment in Agriculture
[106] World Bank Development Indicators, 2019
[107] World Bank Development Indicators, 2019

Figure 60: Agriculture Sector Indicators across the Focus Countries





Source: World Bank Development Indicators

Some of the active donors in the region, such as IFAD, USAID and DFID have supported the sector through technical assistance, capacity building programs as well as through the provision of first-loss guarantees to the other social investors in the sector. The research did not establish any financing deployed to farmer cooperatives in the region between 2015-2019, which, to some extent, can be attributed to the governance and management challenges facing the cooperatives. However, cooperatives still present a good opportunity for the investors due to their role in the region in empowering farmers, facilitating access to the market, financing, and other capacity-building services, which would be beneficial, especially to smallholder farmers in the region. Some social investors such as the Acumen have established a facility targeting the farmers in the region such as the Juhudi Kilimo (since 2011), providing micro-loans in Kenya that allow the smallholder farmers to access agricultural assets and enhance productivity.[108] International foundations, such as the DRK Foundation, also support the agriculture sector, working with agriculture-focused investors in the region such as the One Acre Firm. Furthermore, international corporate, Balton, has contributed to the agriculture value chain finance through a partnership with the local Kenyan company, Amiran, in collaboration with the Shell Foundation.

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

The role of governments in the sector has primarily been in the form of incentives to farmers and programmes to facilitate access to market and financing

Across the focus countries, governments have focused on providing incentives and establishing sectoral frameworks to enhance agricultural productivity. In Kenya, for instance, the government has rolled out plans to facilitate irrigation of 1.2 acres of land, a subsidy program to supply 200,000 MT of fertilizer annually. In Rwanda, the government plans to double the credit to the agriculture sector from 5.2% in 2016 to 10.4% in 2024. Besides, there also exist several programmes financed by the government in partnership with the development partners to support the sector; these include the Agricultural Sector Development Support Programme (ASDSP) implemented by the Government of Kenya in collaboration with development partners, with the overall aim to support the implementation of the agricultural sector development strategy.

ENERGY, ENVIRONMENT AND CLIMATE CHANGE

THE CHALLENGE

Climate change continues to take a toll on the East African region amidst the concerted efforts to mitigate the devastating impact of global climate change.

Access to electricity in East African countries averages 40%; less than the Sub-Saharan average of 44.7% in 2017.

Climate change remains a threat to the achievement of sustainable development goals in the region. Access to energy is also a significant challenge in the Sub-Saharan Africa region, with less than half of its population accessing energy (the lowest energy access rates in the world)[109]. This trend almost reflects in the East Africa region, with only about 41% of the population in the region with access to electricity[110], second-lowest in Sub-Saharan Africa after Central Africa (27.1%).[111]

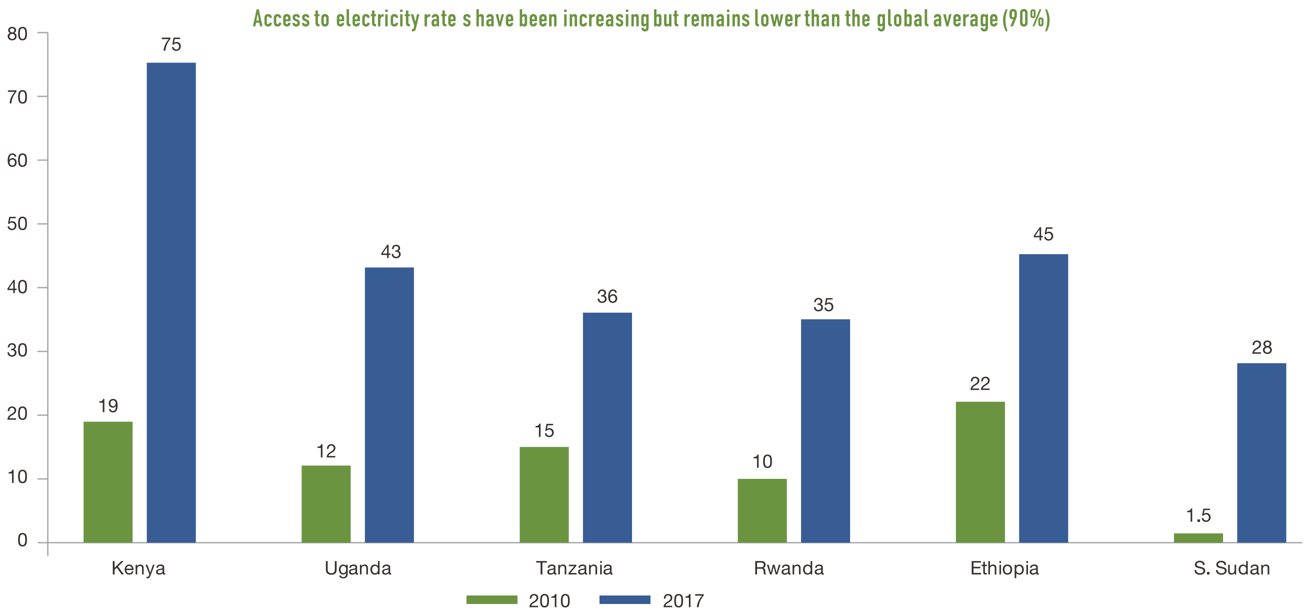
HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

The sector accounts for the largest portfolio for the SFMs and second-largest for the DFIs in the focus countries.

DFIs reported a total of 88 transactions in the sector, 78% of which were direct investments into renewable energy and power generating and distributing companies. DFIs have also deployed funding to impact funds focusing on

[108] Accumen: Juhudi Kilimo
[109] OECD: Achieving Clean Energy Access in Sub-Saharan Africa
[110] OECD: Achieving Clean Energy Access in Sub-Saharan Africa
[111] Africa Development Bank: East Africa Economic Outlook, 2019

Figure 61: Access to Electricity Rates across the Focus Countries



Source: World Bank Development Indicators

renewable energy generation such as Frontier Energy Fund and Energy Access Ventures Fund as well as funding small-scale renewable energy projects such as the Facility for Energy Inclusion (FEI) On-Grid Fund. DFIs also deploy funds through programmatic interventions aimed at enhancing access to electricity e.g. the Sustainable Energy for All (SE4All) initiative implemented by the Kenya Power and Lighting Company, a multiple scheme electrification project targeting the connection of customers to the distribution network, primarily in rural areas, in 32 of Kenya's 47 counties, to ensure universal access to modern energy services. SFMs in the focus countries had 50 transactions with investments focusing on financing pay-as-you-go energy solutions such as the M-Kopa Solar, Azuri Technologies, SolarNow, SunFunder, among others that enhance consumer access to energy in the region.

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

Governments across the region are focusing on electrification programs particularly targeted towards rural areas.

In Kenya, the government is implementing the Rural Electrification Programme, a "Last Mile Connectivity Program" towards achieving universal access to energy for the Kenyan population by 2022. The programme aims to increase the number of households connected to the grid by increasing the number of distribution transformers and by connecting every household within a 600-metre radius of the distribution transformers; the program is funded by the AfD, EIB, and EU. Uganda is currently implementing the Energy for Rural Transformation Program Project (2015-2021), in partnership with the World Bank, to increase access to electricity in rural areas. The collaboration includes facilitating on-grid and off-grid energy access, and financing the TA and capacity development required to accelerate electricity access. In Tanzania, the government is working with the World Bank to implement the Rural Electrification Expansion Project aiming to increase access to electricity (approximately 1.3 million connections) in rural areas between 2016 and 2022.

HEALTHCARE

THE CHALLENGE

The health financing gap is acute in East Africa with low health expenditure per capita by government and high out of pocket expenditures for the population.

The region still battles with strategies to combat infectious diseases, reduce maternal mortality, infant and child mortality rates, and improve the overall life expectancy. Mortality rates remain high with infant mortality rates (IMR) of 39 per 1,000 live births[112] and maternal mortality rates (MMR) of 497 per 100,000 live births against the SDG target of 25 child deaths per 1000 live births[113] and maternal mortality of less than 70 per 100,000 live births by 2030[114]. Rwanda has made remarkable progress and is almost achieving the SDG targets on IMR with 27 per 1,000 live births.

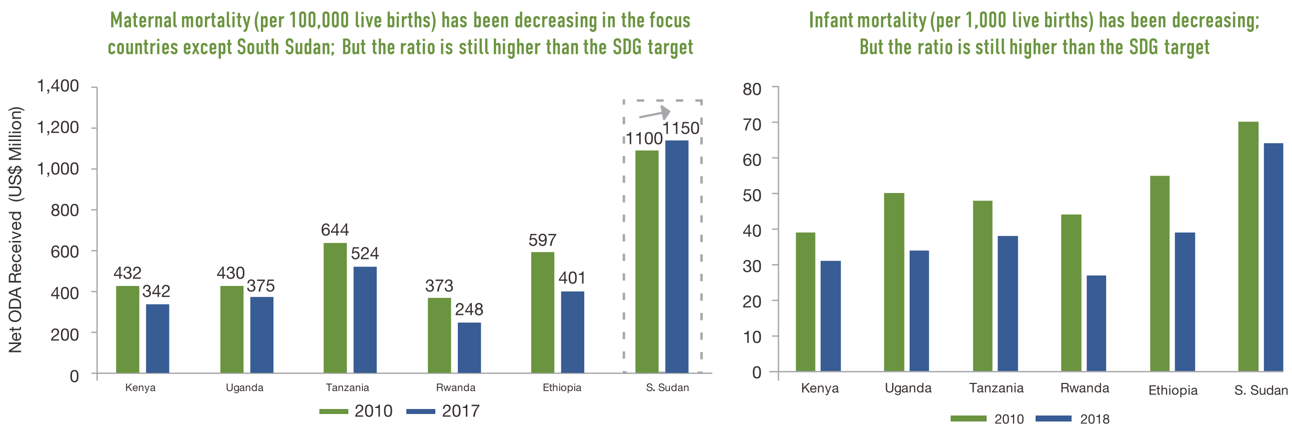
The average health expenditure per capita in the focus countries in 2017 was US$ 15, which is much lower than the African average of US$ 60[115]. The majority of the countries in the region are yet to achieve the target of at least 15% expenditure of the annual budget to the health sector, as per the 2001 Abuja Declaration. Among the focus countries, only Rwanda achieved this target in 2017[116]. On the other hand, the out of pocket expenditure

[112] Africa Development Bank: East Africa Economic Outlook, 2019
[113] World Bank Data, 2017
[114] The United Nations Sustainable Development Goals
[115] WHO: Global Health Expenditure Database
[116] UN: Africa Renewal

The Average IMR and MMR in the focus countries is 39 per 1,000 live births and 506 per 100,000 live births; remaining higher than the SDG of 25 and 70, respectively

(OOPE) continues to be a significant challenge with households spending large proportions of income on healthcare, with an average OOPE of 25%[117] of the total health expenditure in the focus countries. Moreover, the region has experienced a general decrease in international financing to healthcare from an average of 41% in 2010 to 33% in 2017[118], among the focus countries.

Figure 62: Health Indicators across the Focus Countries



Source: World Bank Development Indicators

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

International family foundations such as BMGF are actively supporting the healthcare sector in the region and across Africa.

With 255 grants valued at US$ 305.4Mn deployed between 2015 and 2019, the North American based family foundations have been very active in the health sector in the region, supporting various programmatic interventions implemented by the government agencies and international NGOs. Furthermore, the sector has received a significant focus from the donors active in the region including the USAID, DFID and the World Bank funding health programmes such DFID's Reducing Maternal and Newborn Deaths programme in Kenya (2013-2023), and support to the government in strengthening the response to Malaria in Uganda (2017-2022). The USAID, on the other hand, has funded several health programs in the region, mainly focusing on preventing maternal and child deaths, controlling HIV/AIDs and TB. The SFMs have also focused on the sector with 41 transactions reported between 2015 and 2019, accounting for 18% of the total value of the investments targeting scalable innovative healthcare SMEs such as health techs, pharmacy chains and health insurance enterprises. Additionally, the sector continues to receive a large focus from faith-based organisations managing health facilities, corporates and local family foundations.

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

The governments across East African countries are making concerted efforts to achieve Universal Health Coverage for its population.

The governments in the focus countries have established and supported various health insurance schemes both in the formal and informal sectors. Some of the schemes include the National Health Insurance Scheme (Uganda), National Hospital Insurance Fund (Kenya), National Health Insurance Fund and the Community Health Fund (Tanzania), Community-based Health Insurance (Rwanda), Social Health Insurance and Community-based Health Insurance in Ethiopia, and the National Health Insurance Fund (South Sudan). The governments are also working towards achieving a Universal Health Coverage (UHC) with various initiatives launched, including partnerships with private sector players and international development partners such as the USAID, World Bank, German Development Corporation and WHO. For instance, in Kenya, the government plans to achieve 100% coverage by 2022 through its initiative of focusing on collaboration between the national health insurance scheme (NHIF) and private insurance providers. In Tanzania, the UHC initiative focuses on combining the NHIF and the Community Health Fund, which provides basic healthcare coverage to low-income households in the informal sector with fixed premium rates. On the other hand, in Uganda, the NHIS is implemented concurrently with three sub-schemes: Community-based Health Insurance (CBHI), social health insurance, and private-commercial health insurance. The use of insurance schemes in the region has started to reduce out-of-pocket expenditure for the general population.

[117] WHO: Global Health Expenditure Database

[118] WHO: Global Health Expenditure Database

WATER AND SANITATION

THE CHALLENGE

According to UNICEF, around US$15 billion of the new financing is required every year until 2030 to achieve the WASH-related SDGs in Eastern and Southern Africa, with Ethiopia and Kenya accounting for 50% of the resources needed.

The national governments financed 22% of the total financing in the water sector in 2017

The Eastern and Southern Africa (ESA) region accounts for the lowest percentage of households with access to water across all regions. It also lags behind basic sanitation coverage[119]. The population using basic drinking water services across most of the focus countries is lower than the SSA average of 61%[120]. Similarly, the population with access to basic sanitation services in the focus countries averaged 27% in 2017, lower than the SSA average of 31%[121]. The inadequate WASH services in the region have a significant impact on the population, with 75% of the national disease burden in the countries being attributed to sanitation and hygiene[122]. Furthermore, Kenya loses an estimated amount of US$ 365 million annually due to poor sanitation[123]. The major challenge in achieving this goal in the region is inadequate funding supporting WASH initiatives. The total water financing in East Africa, however, increased by 64% from US$ 2.5Bn in 2016 to US$ 4.05Bn in 2017[124], with the national governments financing 22% of the total amount.

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

The WASH sector has received less focus from the social investors with very few transactions reported in the sector.

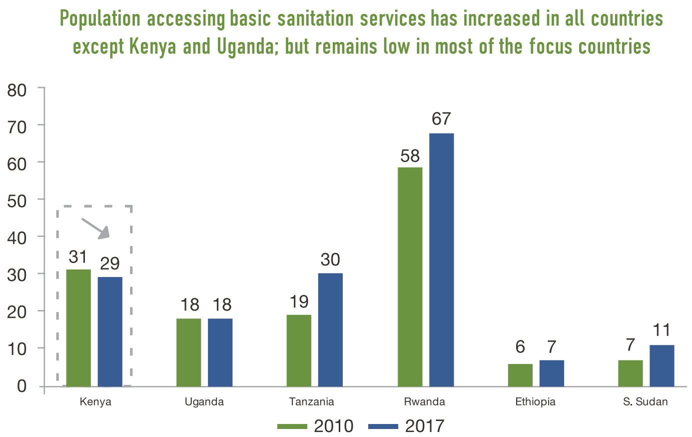
North America based family foundations deployed US$ 27.5Mn across 36 grants to the sector, accounting for only 4% of the total portfolio. Most of the grants in the sector were general support and programmatic interventions towards capacity-building and technical assistance in the sector. Only 4 DFIs have invested in the sector, mainly indirectly, through 37 transactions accounting for 7% of the value of investments. Donors and international NGOs such as the World Bank, USAID, UNICEF, Charity Water and Water.org have also been active in the region running WASH programmes. The USAID, for instance, has been running Water, Sanitation and Hygiene Finance (WASH-FIN), a three-year programme in Kenya since 2017, working with the government, private financial institutions among other stakeholders, to reduce the financing gaps in the sector. However, the number of SFM transactions in the sector was insignificant. The Charity Water project has also provided several water sector solutions in the region, including digging and drilling wells, piped water, and rainwater catchments in partnership with Amref, Welthungerhilfe, and other donors.

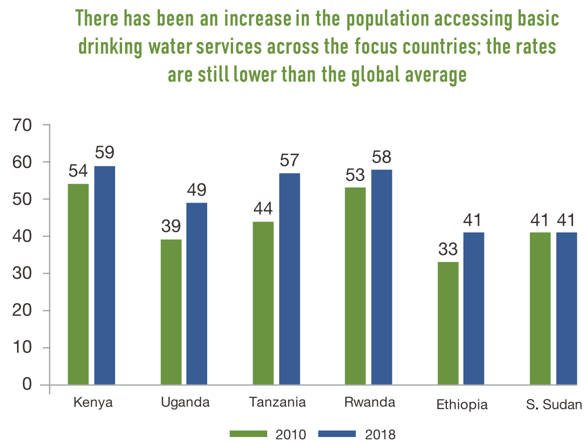
HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

In the absence of sustainable business models and low funding from governments, donors, and foundations will need to continue playing a pivotal role in the WASH sector.

The government financing to the sector in the focus countries remains significantly low, accounting for only 22% of the water sector financing in 2017[125]. Government focus in the sector has mainly been in developing the WASH infrastructure, supporting capital investments in the sector and leveraging collaboration opportunities with the international development partners in the provision of access to water and sanitation services.

Figure 63: Water and Sanitation Indicators





Source: World Bank Development Indicators

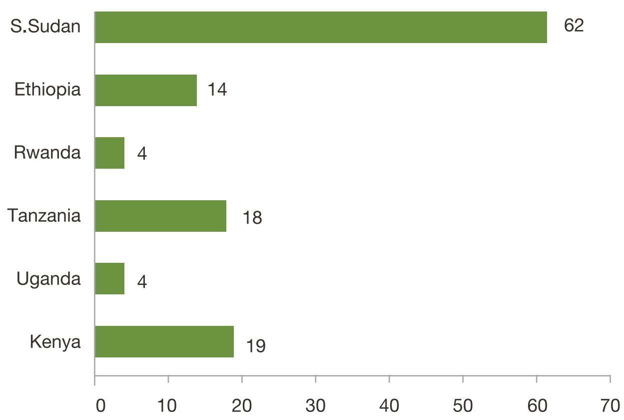
[119] The State of WASH Financing in Eastern and Southern Africa
[120] World Bank Development Indicators, 2017
[121] World Bank Development Indicators, 2017
[122] Trading Economics, 2015-2016
[123] Kenya Water and Hygiene Unit: Annual Report, 2013
[124] Infrastructure Consortium for Africa's Infrastructure Financing Trends in Africa – 2017
[125] Infrastructure Consortium for Africa's Infrastructure Financing Trends in Africa – 2017

EDUCATION AND LEADERSHIP DEVELOPMENT

THE CHALLENGE

The region still contends with 'education exclusion' with the number of primary school-age children out of school in the focus countries higher than the global estimate of 8%[126].

Proportion of primary school going children that are out of school in the focus countries.



Based on the recent data; Kenya (2014); Uganda(2013), Tanznaia (2018), Rwanda (2018), Ethiopia (2015), South Sudan (2015)

The proportion of out-of-school children in the region is still high, despite the numerous strategies and initiatives to enhance the enrolment in schools. The proportion is, however, lower than the SSA average (20%), in almost all of the focus countries except in South Sudan (62%), which could be attributed to conflicts and insecurity witnessed in the country over the past years. Several reports have established gaps in literacy and numeracy skills amongst young students as well as lack of requisite basic and technical skills in more than half of East Africa's graduates[127]. For instance, the Uwezo report of 2013 indicated that one-fifth of the children completing primary school in East Africa had not mastered basic numeracy and literacy skills.

Furthermore, while the advent of universal free primary education in countries like Kenya has seen positive development with improved enrolment at the primary level, the transition to secondary and tertiary education levels remains significantly lower. Enrolment ratio to tertiary institutions, for example, is, on average 7% in the region and as low as 4% in Tanzania[128]. The adult literacy rate is also significantly low in South Sudan (35%).

HOW SOCIAL INVESTORS ARE CONTRIBUTING TO THE SECTOR:

The education sector has received minimal focus from international investors but increased focus by local investors, especially local philanthropists.

The research noted very few transactions focusing on the education sector with only four DFI deals in the sector between 2015 and 2019, both through a direct investment to the education institutions and indirectly through impact funds to enhance the quality of education in the region. The SFMs, on the other hand, had eight (8) transactions in the sector, funding edtechs, and private education institutes. Educate Global Fund is one of the active SFMs in East Africa with a thematic focus on improving the educational outcomes of children. The fund, however, focuses on much larger deal sizes investing between US$ 5Mn to US$ 10Mn in capital. North American family foundations made 185 transactions to the sector valued at US$ 40.2Mn, accounting for 6% of the total value of investments deployed within the period. Local foundations have supported academic institutions and NGOs with research, curriculum development, policy advocacy grants as well as infrastructure development like renovations of schools to enhance access and quality of education. The Rattansi Trust, for instance, has longstanding work in the Kenyan education sector, working with various stakeholders in the sector.

HOW GOVERNMENTS ARE CONTRIBUTING TO THE SECTOR:

Across the focus countries, the government is focused on enhancing access to inclusive and quality education with an emphasis on free primary education, expansion of TVETs, and provision of affordable loans mainly for tertiary education.

All the focus countries in the region are implementing free and compulsory primary education, with some countries like Kenya planning to achieve a 100% transition from primary to secondary education by 2023. Most of the government policies and initiatives are geared towards addressing the challenges in the sector, including teacher-pupil ratio, the gross enrolments in the schools, and the provision of learning facilities. Besides the primary and secondary education, the governments are also keen to promote the tertiary level education through various strategies, including the expansion and equipping of Technical and Vocational Education Training (TVET) institutions and polytechnics to improve the quality and quantity of the middle-level workforce and the provision of higher education loans to students. South Sudan's strategy, among others, is to improve grant transfers system to education institutions and learners, increase the percentage of inclusive educational infrastructures constructed from 0% to 50% by 2021, and the proportion of learners completing primary education from 30% to 64%.

[126] World Bank Data 2018

[127] State of East Africa Report

[128] World Bank Development Indicators, 2017

Annexure 3

CASE STUDY: COLLABORATING FOR COVID RESPONSE

The COVID-19 (Coronavirus) pandemic has necessitated effective immediate action by governments, businesses and the philanthropic actors across the globe.

At the time of writing this research, the coronavirus was an imminent threat that had caused disruption in the economic and societal systems of all the countries in the world. The first COVID-19 case in East Africa was reported in Kenya on 12th March 2020, followed by Ethiopia and Rwanda on 13th and 14th March 2020, respectively. By the end of March, the virus had spread to all the countries in the region. By 7th September 2020, more than 107,000 cases were recorded in the 6 focus countries in East Africa, with Kenya and Ethiopia reporting the highest number of cases in the region at 35,460 and 60,784 respectively[129]. More cases of the virus continue to be recorded on a daily basis as the countries expand their testing capability.

As has been the case in previous calamities that have befallen the countries, social investors have been at the forefront in establishing measures, and strategies to contain the impact of the virus; in most cases, the investors have been forced to re-align their programmes and commitments.

Social investors in the region have put together strategies to combat the impact of the pandemic on their portfolio companies. Some of the strategies adopted by select investors;

- AECF established REACT Relief fund to provide emergency grants and technical support ranging between to energy access companies supplying solar home systems and clean energy solutions.
- United States African Development Foundation (USADF) launched the USADF Capital for African Resilience-building and Enterprises Support (C.A.R.E.S)COVID-19 to build resilience among African enterprises and entrepreneurs while combating COVID-19 in Africa. The program provided funding and TA needed to help African enterprises and entrepreneurs mitigate the impact of the pandemic.
- Acumen established the Acumen Global Emergency Facility to support their portfolio companies serving low communities in 18 countries including Kenya, Tanzania, Uganda where Acumen operates.
- The Asia Africa Investment and Consulting (AAIC), on the other hand, engaged with the Limited Partners (LPs) to discuss the possibility of extending the repayment terms.

THE POWER OF MANY: BUSINESS AND PHILANTHROPISTS JOINING HANDS TO COMBAT THE PANDEMIC

Aside from the individual initiatives by various social investors, a unified and collaborative approach was also leveraged in Kenya to respond to the crisis.

Source: NBCC website accessed on 8th september 2020. Sum of commitments made between March and April 2020

The National Business Compact on Coronavirus (NBCC) in Kenya was launched in March – a few days after the first case was reported in the country. Convened by the Marketing Society of Kenya, the coalition consists of corporates in the hygiene business, Kenya Association of Manufacturers, Kenya Private Sector Alliance, AMREF, SDG Partnership Platform among others. Jointly with the government's National Taskforce for COVID-19 response, NBCC established a flexible emergency fund (Flexi Fund) to raise funding to support the work of the Ministry of Health in Kenya. The fund has been mobilizing contributions from the business community, philanthropists, and development partners and utilizing the funds on public campaigns to create awareness about the virus, community activation, support to frontline health service providers, and the purchase of basic equipment, supplies, or services needed to respond the crisis. During a convening of over 30 philanthropists brought together by EAPN, philanthropists also agreed to a coordinated approach and decided to join the efforts of the public and private sector by contributing to the flexi fund.

[129] Worldometer: Corona Virus Cases by country

Annexure 4:

LIST OF STAKEHOLDERS INTERVIEWED

S.No.	Type of stakeholder	Organization Name	Country
1	Angel Network	ViKtoria Business Angels Network (VBAN)	Kenya
2	Angel Network	Intellecap Impact Investment Network (I3N)	Kenya
3	Corporate Social Investor	Rafiki Microfinance	Kenya
4	Corporate Social Investor	Johnson & Johnson	Kenya
5	Corporate Social Investor	KCB Foundation	Kenya
6	Corporate Social Investor	Equity Group Foundation	Kenya
7	Corporate Social Investor	Ford Foundation	Kenya
8	Corporate Social Investor	Optimizer Foundation	Kenya
9	Development Institution	Alliance for a Green Revolution in Africa (AGRA)	Kenya
10	Demand	Micro Health Initiative	Tanzania
11	Demand	Jhpiego	Kenya
12	DFI	DEG Kenya	Kenya
13	DFI	IFC	Kenya
14	DFI	International Fund for Agriculture Development	Uganda
15	DFI	African Development Bank	Kenya
16	Donor	DFID	Kenya
17	Donor	U.S. African Development Foundation Kenya	Kenya
18	Ecosystem Facilitator	SEVIA and East-West Seed Foundation	Tanzania
19	Ecosystem Facilitator	Consortium for Enhancing University Responsiveness to Agribusiness Development (CURAD)	Uganda
20	Ecosystem Facilitator	BiD Network Uganda	Uganda/Rwanda
21	Ecosystem Facilitator	Swiss Contact	Kenya
22	Ecosystem Facilitator	Individual (Social Investment and Ecosystem Consultant)	Kenya
23	Ecosystem Facilitator	Amref Health Africa	Kenya
24	Ecosystem Facilitator	United Social Ventures	Uganda
25	Ecosystem Facilitator	Nasvick Initiative	Sudan
26	Ecosystem Facilitator	Anza Entrepreneurs Ltd	Tanzania
27	Ecosystem Facilitator	ECO2LIBRIUM	Kenya
28	Ecosystem Facilitator	East Africa Philanthropy Network (EAPN)	Kenya
29	Ecosystem Facilitator	Inkomoko	Rwanda
30	Ecosystem Facilitator/SFM	Graca Machel Trust	Kenya
31	Family Foundation	Blue Haven Initiative	Kenya
32	Family Foundation	Bill & Melinda Gates Foundation	Kenya
33	Family Foundation	Rattansi Educational Trust	Kenya
34	Family Foundation	Segal Family Foundation	Kenya
35	Other Foundation	Aga Khan Foundation	Kenya
36	Other Foundation	Children Investment Fund Foundation	Kenya
37	Other Foundation	International Youth Foundation, Tanzania	Tanzania

S.No.	Type of stakeholder	Organization Name	Country
38	*Other Foundation*	*Kenya Community Development Foundation*	*Kenya*
39	*Other Foundation*	*Asian Foundation*	*Kenya*
40	*SFM*	*Acumen*	*Kenya*
41	*SFM*	*Capital Solutions Ltd*	*Uganda*
42	*SFM*	*Pearl Capital*	*Kenya/Uganda*
43	*SFM*	*OPES-LCEF Impact Fund*	*Kenya*
44	*SFM*	*AlphaMundi*	*Kenya*
45	*SFM*	*Fanisi Venture Capital Fund*	*Uganda*
46	*SFM*	*TBL mirror Fund*	*Kenya/Uganda/ West Africa*
47	*SFM*	*Energy Access Ventures Kenya*	*Kenya*
48	*SFM*	*Incofin*	*Kenya/Nigeria*
49	*SFM*	*Vested World*	*Kenya*
50	*SFM*	*Asia Africa Investment and Consulting (AAIC)*	*Kenya*
51	*SFM*	*Africa Enterprise Challenge Fund (AECF)*	*Kenya*

Annexure 5:

KEY SOCIAL TRANSACTIONS BY TOP EAST AFRICAN CORPORATE SOCIAL INVESTORS (2014-2019)

S.No.	Corporate Social Investor	Country of donation	Amount (US$ Mn)	Recipient organization	Recipient type	Sector/Cause focus	Instrument	Start year
1	Safaricom Foundation	Kenya	1.17	Multiple recipients	Multiple/ Other	Health	Grants/ Donation	2019
2	Safaricom Foundation	Kenya	2.26	Multiple recipients	Public sector	Education	Grants/ Donation	2019
3	Safaricom Foundation	Kenya	0.61	Multiple recipients	NGOs/ CBOs	Economic empowerment	Debt/ Donation	2019
4	Safaricom Foundation	Kenya	0.09	Multiple recipients	NGOs/ CBOs	Disaster response	Grants/ Donation	2019
5	Safaricom Foundation	Kenya	0.00	Multiple recipients	Public sector	Environment	Grants/ Donation	2019
6	Safaricom Foundation	Kenya	0.26	Multiple recipients	Public sector	Water	Grants/ Donation	2019
7	Safaricom Foundation	Kenya	0.06	Multiple recipients	NGOs/ CBOs	Disaster response	Grants/ Donation	2018
8	Safaricom Foundation	Kenya	1.21	Multiple recipients	Public sector	Education	Grants/ Donation	2018
9	Safaricom Foundation	Kenya	0.09	Multiple recipients	Public sector	Environment	Grants/ Donation	2018
10	Safaricom Foundation	Kenya	1.03	Multiple recipients	Multiple/ Other	Health	Grants/ Donation	2018
11	Safaricom Foundation	Kenya	0.39	Multiple recipients	Public sector	Water	Grants/ Donation	2018
12	Safaricom Foundation	Kenya	1.55	Multiple recipients	NGOs/ CBOs	Economic empowerment	Debt/ Donation	2018
13	Safaricom Foundation	Kenya	0.84	Multiple recipients	Multiple/ Other	Health	Grants/ Donation	2017
14	Safaricom Foundation	Kenya	1.32	Multiple recipients	Public sector	Education	Grants/ Donation	2017
15	Safaricom Foundation	Kenya	1.52	Generation	NGOs/ CBOs	Economic empowerment	Debt/ Donation	2017
16	Safaricom Foundation	Kenya	0.12	Multiple recipients	NGOs/ CBOs	Disaster response	Grants/ Donation	2017
17	Safaricom Foundation	Kenya	0.20	Multiple recipients	Public sector	Water	Grants/ Donation	2017
18	Safaricom Foundation	Kenya	0.71	Multiple recipients	Multiple/ Other	Health	Grants/ Donation	2016
19	Safaricom Foundation	Kenya	0.77	Multiple recipients	Public sector	Education	Grants/ Donation	2016
20	Safaricom Foundation	Kenya	1.67	Generation	NGOs/ CBOs	Economic empowerment	Debt/ Donation	2016
21	Safaricom Foundation	Kenya	0.06	Multiple recipients	NGOs/ CBOs	Disaster response	Grants/ Donation	2016

S.No.	Corporate Social Investor	Country of donation	Amount (US$ Mn)	Recipient organization	Recipient type	Sector/Cause focus	Instrument	Start year
22	Safaricom Foundation	Kenya	3.02	Multiple recipients	Multiple/ Other	Multiple/Other	Donation/ Grants/ Debt	2015
23	Safaricom Foundation	Kenya	3.35	Multiple recipients	Multiple/ Other	Multiple/Other	Donation/ Grants/ Debt	2014
24	Equity Group Foundation	Kenya	297.00	Equity Afia Clinics; Lupingazi Youth Group	Multiple/ Other	Multiple/Other	Debt/ Equity	2014-2019
25	Equity Group Foundation	Kenya	-	Equity Afia Clinics	Social enterprises	Health	Debt/ Equity	2019
26	Equity Group Foundation	Kenya	0.45	Equity Afia Clinics	Social enterprises	Health	Debt/ Equity	2018
27	Equity Group Foundation	Kenya	10.66	Education/ Scholarship	Academia/ Research	Education	Grant/ Donation	2019
28	Equity Group Foundation	Kenya	11.23	Education/ Scholarship	Academia/ Research	Education	Grant/ Donation	2018
29	Equity Group Foundation	Kenya	0.86	Multiple recipients	Social enterprises	Agriculture	Debt/ Grants	2019
30	Equity Group Foundation	Kenya	0.59	Multiple recipients	Social enterprises	Agriculture	Debt/ Grants	2018
31	Equity Group Foundation	Kenya	2.56	Multiple recipients	Social enterprises	Economic	Debt/ Grants	2019
32	Equity Group Foundation	Kenya	0.65	Multiple recipients	Social enterprises	Empowerment Economic	Debt/ Grants	2018
33	Kenya Commercial Bank	Kenya	18.00	Over 1500 beneficiaries; Agriculture; Beach management units	Multiple/ Other	Empowerment Education	Donation/ Grants/ Debt	2014-2019
34	Centum	Kenya	2.00	Vipingo Development Project Fund; Education for All Children; Longhorn Publishers	Academia/ Research	Multiple/ Other	Grants/ Donation	2017-2019
35	Co-op Bank Foundation	Kenya	5.00	Co-op Bank Foundation	Academia/ Research	Education	Grants/ Donation	2016-2019
36	Standard Chartered	Kenya	6.60	Standard Chartered Foundation	Multiple/ Other	Multiple/ Other	Grants/ Donation	2017
37	Stanbic Bank Kenya Foundation	Kenya	0.56	Palmhouse Foundation; Strathmore Foundation	Academia/ Research	Education	Grants/ Donation	2014-2018
38	Family Group Foundation	Kenya	0.69	Afya Elimu Fund	Multiple/ Other	Multiple/ Other	Grants/ Donation	2014-2018
39	NMB Tanzania	Tanzania	1.72	Multiple recipients	Multiple/ Other	Multiple/ Other	Grants/ Donation	2015-2019

S.No.	Corporate Social Investor	Country of donation	Amount (US$ Mn)	Recipient organization	Recipient type	Sector/Cause focus	Instrument	Start year
40	CRDB Bank Plc	Tanzania	0.11	Multiple recipients	Multiple/ Other	Health	Grants/ Donation	2019
41	CRDB Bank Plc	Tanzania	0.14	Multiple recipients	Multiple/ Other	Economic empowerment	Grants/ Donation	2019
42	CRDB Bank Plc	Tanzania	0.07	Multiple recipients	Multiple/ Other	Education	Grants/ Donation	2019
43	CRDB Bank Plc	Tanzania	0.14	Multiple recipients	Multiple/ Other	Multiple/ Other	Grants/ Donation	2018
44	CRDB Bank Plc	Tanzania	0.00	Ocean Road Cancer Institute in Dar es Salaam	Public sector	Health	Grants/ Donation	2017
45	CRDB Bank Plc	Tanzania	0.04	Dodoma Regional Hospital	Public sector	Health	Grants/ Donation	2017
46	CRDB Bank Plc	Tanzania	0.22	Multiple recipients	Academia/ Research	Education	Grants/ Donation	2017
47	CRDB Bank Plc	Tanzania	0.02	Tulia Ackson Marathon	Multiple/ Other	Environment	Grants/ Donation	2017
48	CRDB Bank Plc	Tanzania	0.02	Multiple recipients	Multiple/ Other	Multiple/ Other	Grants/ Donation	2017
49	CRDB Bank Plc	Tanzania	0.00	Tanzania Breast Cancer Foundation	Operational Foundation	Health	Grants/ Donation	2016
50	CRDB Bank Plc	Tanzania	0.00	Kasulu Hospital in Kigoma Region	Public sector	Health	Grants/ Donation	2016
51	CRDB Bank Plc	Tanzania	0.00	Mwanjelwa Health Centre	Public sector	Health	Grants/ Donation	2016
52	CRDB Bank Plc	Tanzania	0.02	Dar es Salaam Stock Exchange (DSE)	Private sector	Financial services	Grants/ Donation	2016
53	CRDB Bank Plc	Tanzania	0.01	Individual	Individual	Financial services	Grants/ Donation	2016
54	CRDB Bank Plc	Tanzania	0.04	Multiple recipients	Academia/ Research	Education	Grants/ Donation	2016
55	CRDB Bank Plc	Tanzania	0.03	University of Dar es Salaam	Academia/ Research	Education	Grants/ Donation	2016
56	CRDB Bank Plc	Tanzania	0.00	Multiple recipients	Academia/ Research	Education	Grants/ Donation	2016
57	CRDB Bank Plc	Tanzania	0.01	Tanzania Education Authority (TEA)	Public sector	Education	Grants/ Donation	2016
58	CRDB Bank Plc	Tanzania	0.00	Kibasila Secondary School	Academia/ Research	Education	Grants/ Donation	2016
59	CRDB Bank Plc	Tanzania	0.00	Jitegemee Secondary School	Academia/ Research	Education	Grants/ Donation	2016
60	CRDB Bank Plc	Tanzania	0.00	Rungwe District	Public sector	Environment	Grants/ Donation	2016

S.No.	Corporate Social Investor	Country of donation	Amount (US$ Mn)	Recipient organization	Recipient type	Sector/Cause focus	Instrument	Start year
61	CRDB Bank Plc	Tanzania	0.14	Multiple recipients	Multiple/ Other	Multiple/ Other	Grants/ Donation	2016
62	CRDB Bank Plc	Tanzania	0.15	Multiple recipients	Multiple/ Other	Multiple/ Other	Grants/ Donation	2014
63	Centernary Bank	Uganda	0.05	Multiple recipients	Health facility	Health	Grants/ Donation	2017
64	Centernary Bank	Uganda	0.06	Multiple recipients	Health facility	Health	Grants/ Donation	2018
65	Centernary Bank	Uganda	0.02	Multiple recipients	Financial services	Financial services	Grants/ Donation	2017
66	Centernary Bank	Uganda	0.04	Multiple recipients	Financial services	Financial services	Grants/ Donation	2018
67	Centernary Bank	Uganda	0.04	Multiple recipients	Public sector	Environment	Debt	2017
68	Centernary Bank	Uganda	0.27	Multiple recipients	Public sector	Environment	Debt	2018
69	Centernary Bank	Uganda	0.03	Prince Aly Khan Hospital	Private sector	Health	Grants/ Donation	2016

Source: Intellecap Analysis from publicly available data sources including websites of CSIs, data from EAPN Data Portal

Annexure 6:

KEY SOCIAL TRANSACTIONS BY TOP EAST AFRICAN FAMILY FOUNDATIONS (2012-2019)

S.No.	Family Foundation	Country of donation	Amount (US$ Mn)	Recipient organization	Recipient type	Sector/Cause focus	Instrument	Start year
1	*Manu Chandaria/ Chandaria Foundation*	*Kenya*	*2.26*	*USIU Business School; MM Chandaria Primary School; Getrude's Children's Hospital*	*Operating Foundation*	*Multiple/ Other*	*Grants/ Donation*	*2012*
2	*Zarina & Naushad Merali Foundation*	*Kenya*	*1.20*	*Kenyatta National Hospital*	*Health Facility*	*Health*	*Grants/ Donation*	*2012*
3	*Jomo Kenyatta Foundation*	*Kenya*	*0.26*	*JKF Scholarship*	*Operational Foundation*	*Education*	*Grants/ Donation*	*2015*
4	*Jomo Kenyatta Foundation*	*Kenya*	*0.00*	*Multiple recipients*	*Operational Foundation*	*Multiple/ Other*	*Grants/ Donation*	*2015*
5	*Jomo Kenyatta Foundation*	*Kenya*	*0.01*	*Multiple recipients*	*Operational Foundation*	*Education*	*Grants/ Donation*	*2015*
6	*Rattansi Trust*	*Kenya*	*0.25*	*Multiple recipients*	*Academia/ Research*	*Education*	*Grants/ Donation*	*2019*
7	*Rattansi Trust*	*Kenya*	*0.26*	*Multiple recipients*	*Academia/ Research*	*Education*	*Grants/ Donation*	*2018*
8	*Rattansi Trust*	*Kenya*	*0.60*	*Multiple recipients*	*Academia/ Research*	*Education*	*Grants/ Donation*	*2017*
9	*Rattansi Trust*	*Kenya*	*0.13*	*Multiple recipients*	*Academia/ Research*	*Education*	*Grants/ Donation*	*2012*
10	*Mo Dewji Foundation*	*Tanzania*	*0.00*	*Furahini Youth Learning Center*	*Academia/ Research*	*Education*	*Grants/ Donation*	*2015*
11	*Mo Dewji Foundation*	*Tanzania*	*0.01*	*Sekou Toure regional*	*Public sector*	*Health*	*Grants/ Donation*	*2017*
12	*Mo Dewji Foundation*	*Tanzania*	*0.04*	*Individuals*	*Individual*	*Economic Empowerment*	*Repayable Grants*	*2016*
13	*Mo Dewji Foundation*	*Tanzania*	*0.01*	*Mikocheni Secondary School*	*Academia/ Research*	*Education*	*Grants/ Donation*	*2016*
14	*Mo Dewji Foundation*	*Tanzania*	*0.00*	*Jangwani Girls High School*	*Academia/ Research*	*Education*	*Grants/ Donation*	*2016*
15	*Mo Dewji Foundation*	*Tanzania*	*0.04*	*Msoga Poultry Farming Project*	*Public sector*	*Economic Empowerment*	*Grants/ Donation*	*2016*
16	*Mo Dewji Foundation*	*Tanzania*	*0.05*	*Tumaini la Maisha*	*NGOs/ CBOs*	*Health*	*Grants/ Donation*	*2015*
17	*Mo Dewji Foundation*	*Tanzania*	*3.00*	*Multiple recipients*	*Multiple/ Other*	*Multiple/ Other*	*Grants/ Donation*	*2015-2020*

Source: Intellecap Analysis from publicly available data sources including websites of family foundations, data from Bridgespan Group

Annexure 7:

SUMMARY OF KEY REGULATIONS AND POLICIES APPLICABLE TO THE SOCIAL INVESTMENT INDUSTRY

COUNTRY	APPLICABLE REGULATIONS AND POLICIES
Kenya	• Income Tax Act Cap 470– The act outlines the various taxes within the law of the land and defines the various categories of individuals and organisations that are exempted from taxes. Corporate entities and individuals engaging in corporate social activities as well as charitable organisations are tax-exempt. NGOs are also accorded benefits in terms of tax exemption. • Cooperative Societies Act 2012 – The act provides for the structure, management, funding and oversight of Cooperative Societies in Kenya. It also outlines the rights and responsibilities of the cooperatives in society. • The Companies Act 2015 – The act defines the various classes of companies and the requirements for registration and operation in Kenya. It provides for the guidelines on the structures of the various company classes,including shareholding and ownership structures. • NGO Coordination Act, 1990 –The act provides for the rights obligation and the financial management of non-governmental organisations registered in Kenya under the act through the NGO coordination board. • Capital Markets (Foreign Investors) Regulations 2002 – Provides for the rights of foreign investors to invest without any restrictions in the level of holdings.
Tanzania	• Tanzania Investment Act of 1997 – The act provides for the guidelines needed for local and foreign investment in Tanzania. The purpose of this act was to ease investment in Tanzania. • Financial Laws Amendment Acts–The amendment of the financial laws takes place annually to address all the affected legislation such as the customs laws, Income Tax Laws and Tax Laws.
Uganda	• Uganda Investments Code Act 2019–Among other things, the act provides for incentives to encourage investment in Uganda as well as guidelines on investing • Uganda Income Tax Act – the act exempts some social enterprises including NGOs registered under the Uganda NGO Act from tax payments. The Income Tax Act and guidelines are issued every year.
Ethiopia	• The Ethiopian Income Tax Proclamation 979/2016 – Provides for the classes of incomes that are exempted from payment of income taxes. • Income Tax Regulation No. 410/2017–NGOs, also referred to as community-based organisations, are exempted from tax on grants and membership fees but will pay tax on any commercial activities.
South Sudan	• South Sudan Taxation Act 2009 – Related to the income of organisations registered with an appropriate government entity as non-governmental organisations with public benefit status.The income used exclusively for public benefit is exempted from tax payment.
Rwanda	• Corporate Income Tax 2015 – Provides for tax exemption to various entities including entities that carry out activities only of religious, humanitarian, charitable, scientific or educational nature; International organisations, agencies of technical cooperation and their representatives. • Special Economic Zones Act – Provides for a 0% corporate income tax at the rate, exemptions from withholding tax, and tax-free repatriation of profits for free-trade zone developers and foreign companies with headquarters in Rwanda. • Capital Markets (Registered Venture Capital Companies) Regulations 2007 – Provides for 0% tax to venture capital companies registered with the Capital Markets Authority. • Rwanda Law on investment and export promotion and facilitation – Companies that carry out microfinance activities benefiting from the investment incentive of paying a profit tax equivalent to zero per cent (0%) during a five-year period. • Investment Law, 2005 – Registered investors are entitled to a profit tax discount if they employ a certain number of Rwandans for at least six months.