The gathering today provides a rare opportunity for impact investors to assess the progress made thus far on the African continent and in particular, Nigeria. A glance at the impact investing landscape in Africa shows how investors are transforming sectors hitherto regarded as a no-go area to places of limitless opportunities. Impact investors such as Leapfrog, Sahel Capital, CDC Investment works, Injaro, Oikocredit, Carlyle, Goldman Sachs and Gulf Capital, in no small measures, have broken barriers in agriculture, Fintech, micro-insurance, healthcare, logistics and e-commerce.

The impact investments made by the aforementioned organisations have provided guides to local players, who might not have had the technical know-how to assess risk and viability of different sectors.

BusinessDay Research provides additional information to the general public with emphasis on the leading impact investing firms, the direction of the flow of investments, recipient firms, among others.

Importantly, what should African nations do to further attract impact investment? BusinessDay Research has painstakingly provided some articles that provide additional insights to impact investing in Africa.
SNAPSHOT OF IMPACT INVESTING IN AFRICA

Impact investing has started to gain momentum in Africa, particularly in Sub-Saharan Africa (SSA). In the last few years, a number of countries in SSA have received impact investments running in millions of dollars. From Mauritius to Kenya, Ghana, South Africa, Cote d’ivoire, Tanzania and Nigeria, some of the leading impact investors have made their presence known in high-growth companies in financial services, insurance, healthcare and pharmaceuticals. Leapfrog Investment has stake virtually in all the aforementioned countries. But how much and in what firms have the leading impact investors in SSA shown interest? The illustrations provide more insight.

DISTRIBUTION OF IMPACT INVESTMENTS IN AFRICA

* All amounts are in million dollars except Agriculture sector in Euro

Source: Africa Private Equity and Venture Capital Association (AVCA), Companies’ websites
In 2007, Kola moved from the US to Nigeria, his childhood home, to join a high impact early stage agro–company based in Port–Harcourt. It was here, located in the heart of the Niger Delta, that Kola witnessed first-hand one of Nigeria’s greatest challenges. Kola realized that as oxygen is to fire, so are unemployed youth to insecurity, and with a youth unemployment rate of above 60%, there a lot of unemployed youth in our country.

To do his part to solve the challenge, in 2012 Kola moved to a small village in Northern Nigeria with an idea. To halt the spread of insecurity by unlocking the power of agriculture as a job creation engine.

This is where BabbanGona was launched, a business dedicated to empowering smallholder farmers to transition from subsistence to highly productive and profitable commercial operations.

This is accomplished by franchising thousands of farmer cooperatives across Northern Nigeria. BabbanGona delivers an integrated package of agronomic and financial training, farm inputs, and marketing services, on credit to each cooperative, enabling its members to increase the productivity and profitability of their farm enterprise.

If youth see farming is a profitable venture offering a sustainable path to increased rural wealth and enhanced food security, they will be able to see a stable future for themselves and our country.

The vision at BabbanGona is to support one million farmers by 2025 and help improve the livelihoods of small holder farmers in all rural communities across Nigeria and the world.

For this notable feat, he won the Social Enterprise of the year in 2018

In 2007, following a career in investment banking and technology development, Tokunboh Ishmael alongside Jumoke Akinwunmi founded Alitheia Capital with the mission to broaden access to finance, homes and energy for small and growing businesses, low income households and the base of the economic pyramid population. Leading up to the the decision to start a company that invests in opportunities to not only make an economic return but also deliver significant social development and impact, Tokunboh had observed the dichotomy between her working on multi-billion dollar transactions from plush offices in New York, London and Lagos, and the reality of poverty on the ground and all around her each time she stepped out of the air-conditioned enclaves of her car, home and office. The problems they encountered daily in Lagos troubled them. There was the problem of access to finance and financial services for small businesses; problems of indoor air pollution and related infant mortality due to a lack of access to clean energy in low-income households; problems of poor infrastructure in schools in remote areas of Nigeria due to lack of affordable and sustainable construction methodologies.

Since its inception over 11 years ago, Alitheia has:

- Provided access to finance for over seven million clients via investments in microfinance intermediaries
- Enabled access to clean energy for over one million households through partnerships and investments between energy and financial intermediaries
- Activated digital accounts for over six million mobile payments users through financial technology investments
- Facilitated investment in excess of $10 million into affordable, sustainable and safe school buildings for over 12,000 children in rural communities by deploying a simple manually-installed building components system
- Alitheia was founded on the premise that the same skills and finance deployed in the growth of private-equity backed businesses could be deployed into businesses alongside an injection of social consciousness to solve market failures that contributed to poverty. It was as a result of the need to do achieve these twin and sometimes perceived conflicting goals that our mission statement, (call it our mantra) was born: Doing well by doing good.

In appreciation of her contributions to impact investing in Nigeria, she won the Investor of the year- individual category 2018
It is over ten years since a coalition of philanthropists and investors introduced to the financial-services industry impact investing, a practice aimed at generating social and environmental benefits alongside financial returns. Today, impact investing has developed to become one of the most exciting social movements following the growing needs for investment to protect the planet and increase prosperity.

Source: 2019 GIIN ANNUAL SURVEY
Impact Investment

2019

36.261bn
Investment planned

Global Investment By Asset

Deposit & cash equivalent A $0.3bn
Equity like debt B $1bn
Private debt C $1.3bn
Public debt D $4.4bn
Private Equity E $5.5bn
Public Equity F $6.4bn
Real Assets G $20.1bn

Global Investments Activity By Organisation Type

<table>
<thead>
<tr>
<th>Organisation Type</th>
<th>2018 Capital invested</th>
<th>2019 Investment planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension funds</td>
<td>$122m</td>
<td>$115m</td>
</tr>
<tr>
<td>Permanent investment</td>
<td>$1.01bn</td>
<td>$144m</td>
</tr>
<tr>
<td>companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foundations</td>
<td>$673m</td>
<td>$907m</td>
</tr>
<tr>
<td>Family offices</td>
<td>$78m</td>
<td>$71m</td>
</tr>
</tbody>
</table>

It is over ten years since a coalition of philanthropists and investors introduced to the financial-services industry impact investing, a practice aimed at generating social and environmental benefits alongside financial returns. Today, impact investing has developed to become one of the most exciting social movements following the growing needs for investment to protect the planet and increase prosperity.

Source: 2019 GIIN ANNUAL SURVEY
**What should Nigeria do to attract more impact investments?**

**TELIAT SULE**

Impact investment inflow into Africa is increasing, but the momentum could be better if certain hurdles are addressed. In the last few years, several billions of dollars on impact investments have come into the African continent, particularly, Sub-Saharan African countries. According to Rise Africa, over 107 organisations have invested in Southern Africa with the global development institutions such as the Industrial Development Corporation, investing about $25 billion on over 7500 deals among South African companies.

In May 2019, LeapFrog Investment, with focus on Asian and African companies, announced plans to invest $700 million in institutions in the two continents which are into healthcare and financial services. In June 2018, the African Development Bank (AfDB) approved $15 million for agribusiness and food security in Africa under the Africa Food Security Fund scheme.

And according to the report by the National Treasury of the Republic of Kenya, between 1998 and 2004, Kenya attracted $4.6 billion through impact investing, representing 46 percent of the impact investing inflows into East Africa. In the same economic bloc during the period, Uganda attracted 13 percent while Tanzania received 12 percent. Then, Ethiopia and Rwanda got seven percent and four percent of the total impact investing inflows into East African economic bloc respectively.

In 2016, IFC invested $66.8 million in Hygeia Nigeria, which is one of the leading private healthcare companies in the country. The firm offers comprehensive health insurance to individuals, families and small businesses. Impact investments could booster public spending and development assistance according to the Global Impact Investing Network (GIIN), through pooling together excess funds from the private sector and skills which will strengthen African countries’ vulnerability to external shocks, by providing solutions that would address environmental and social-economic needs.

One may be carried away by the few successes some countries have recorded as itemised above, that Africa is now a top destination for impact investing projects. Alas, this is quite not true because the global impact investments are worth $302 billion, which means, impact investments into Africa only account for a small percentage of the global impact investments.

To gain more attention from the global impact investors, there are quite a number of hurdles African countries; especially Nigeria must overcome to attract the desired level of impact investments.

Paul Boynton, chief executive officer, Old Mutual Alternative Investments, which is one of the largest private investment managers in Africa overseeing over $4 billion in investment, identified some of the challenges facing impact investments in Africa.

“A big-ticket institutional investor trying to find a home in impact in Africa will be constrained in terms of how much capital it can put away. A $300m pension fund, for instance, seeing to write a cheque for $300m into an impact fund in Africa will know that this is simply not viable, because underlying investment opportunities of that scale do not exist. Even the vast clean energy opportunity in Africa remains constrained because of heavy competition driving up prices and compressing returns”, Boynton said.

The reason for the above, according to Rachel Keeler, is because high impact companies in Africa do not exist. Even the vast clean energy opportunity in Africa remains constrained because of heavy competition driving up prices and compressing returns, Boynton said.

Another hurdle in Nigeria must overcome to get the needed impact investment is to be able to state clearly the problems they are addressing. What exactly is the focus of your investment? Which problem are you trying to solve? The ability to pitch the project in clear terms will go a long way to attract impact investors in the appropriate areas.

Some firms’ mission statements make them unattractive to impact investors, according to Rise Africa Rise, an online guide to social entrepreneurship and innovation in Africa.

“This is the first question they ask as part of their impact framework. A company’s mission statement is usually closely linked to the problem it seeks to address. This reveals a lot about your company’s determination and ambition. As many investors are also expecting some form of financial return (except if you are getting a grant) they will want to ensure that the problem you are addressing has a sustainable commercial potential to generate the expected financial return”, Rise Africa Rise, stated.

Furthermore, impact investors in Nigeria are also having challenges in exiting investments across a broad spectrum of sectors. Many factors are responsible for this which include shallow financial markets for listed firms while a number of firms are not even listed on the Nigerian Stock Exchange (NSE).

Perception about a firm or project could either make or mar a project. Consequently, the firms in the country also need to change the perception that impact investments are not that too viable within the Sub-Saharan Africa, especially Nigeria.

Infrastructure financing on the continent is yearning for support. Presently, it is estimated that Sub-Saharan Africa requires over $300 billion, to bridge infrastructure gap in the short to medium term. Nigeria, as the biggest economy on the continent is yearning for much of the funding for infrastructure financing. The global impact investor ecosystem is ready only that countries in Africa needs to make the infrastructure financing attractive.

Another challenge, according to GIIN, is inadequate policy and regulatory environment. The impact investment ecosystem in Africa is dismiss of stable and enabling regulatory policy environment. This concerns the need to have a stable exchange rate regime and improve the ease of doing business for local businesses to thrive.

More so, there is a poor linkage between social enterprises, investors and innovation networks. This perennial problem persists because most of the social enterprises do not belong to professional bodies or formal networks. This creates a herculean task to investors trying to find investible enterprises.

Nigerian firms should also develop and standardise their capacity to understand and measure impact investment. According to GIIN, there is lack of consistency and standardised frameworks and metrics that sufficiently address impact information needs which could enhance comparison with prospective investment, and to be able to measure the performance of the impact investment against targets.
It is over ten years since a coalition of philanthropists and investors introduced to the financial-services industry impact investing, a practice aimed at generating social and environmental benefits alongside financial returns. Since then, over $77 billion in assets are under management across the world.

Today, impact investing has developed to become one of the most exciting social movements following the growing needs for investment to protect the planet and increase prosperity.

The United Nations, on its part, has continued to canvas around the world for a Sustainable Development Goals (SDGs) which requires investments in the region of $2.5 trillion. One of such 17-goal initiative is to eradicate extreme poverty and hunger around the world including Nigeria.

While the figures could be intimidating, the good news is that there is a growing interest, and individual investors are now demanding opportunities to do so and the retail industry can provide that window.

In Nigeria, impact investors seem to have concentrated on financial services, agriculture, health, housing, ICT, energy, and services, as the sectors of importance to them. Other sectors that attract their attention include manufacturing, infrastructure, education, tourism, water and sanitation, construction, and real estate.

However, these investors have paid little attention to the food and consumer goods retailing and how such investment or intervention could be used to help grow the sector.

Retail in Nigeria was once confined to traditional open markets and small local storekeepers – loosely referred to as the informal retail sector of the Nigerian economy – which serviced communities. Between 1960 and the early 1980s, there were standard retail malls which operated chain stores across the country; their number reduced because of the harsh business environment and the decline in business activities in that era, leaving the country without standard malls for retail businesses.

However, over the past two decades, the retail sector has undergone a dramatic transformation with top international brands seeking to expand international footing in Nigeria, and many other local players also competing for the same market space.

Today, these retailers and wholesalers are crucial links in Nigeria economy, accounting for 16 per cent of Nigeria’s Gross Domestic Product (GDP) in 2018. A report by McKinsey and Company, a New York-based management consulting firm, also estimated that the growth opportunity in food and consumer goods in Nigeria will reach $40 billion in 2020 driven largely by a market of over 180 million people, a growing middle class with spending power and rising urbanization, nevertheless, having the best conditions does not translate into actual success.

The Mackesity & Co report in 2014 titled ‘Africa’s growing giant’; Nigeria’s new retail economy further describes the Nigerian market as both captivating and too large to ignore.

“Companies that act now to build a winning business model will be getting in on the ground floor of one of Africa’s biggest growth opportunities. Although 90 percent of Nigerians have limited discretionary income, there is an important and growing opportunity within a subset of the population. Given the country’s large population (174 million, 37 million households), the portion of people defined as middle and upper class represent a sizeable pool of potential consumers. A significant 11 to 18 percent of urban households – numbering over 2 million – have purchasing power and annual incomes over $10,000, which puts them in the modest affluent class. Half of the country’s growth in wealth will come from these households. On the next rung of the income ladder – the emerging middle class – there is also considerable growth. Nigerian households with incomes of more than $5,000 a year will increase from a current 20 percent of the population to 27 percent by 2020, putting them within the target customer base of formal retail chains’; the McKinsey report says.

The last few years have seen folding up of start-up retail companies, especially in the online space. Analysts therefore are of the consensus opinion that the sector remains in dire need of high impact investment, if players must be part of the future which the retail economy promises especially in job creations.

In other emerging markets for example, most retail employees are women who for the first time are gaining an opportunity to work outside of their homes. In those countries, the evidence is that modern retailers create more jobs than they displace – particularly when employment across the entire distribution chain is taken into account.

Bulgaria has seen retail jobs increased by 25 percent between 2000 and 2010, which coincided with the rise of several international chains. Modern retailers, moreover, are key sources of foreign investment. For example, in Poland, foreign investments account for about 40 percent of the money pumped into the retail sector.

In those countries, the evidence is that modern retailers create more jobs – particularly when employment across the entire distribution chain is taken into account. This value is evident in the large numbers of consumers choosing to shop in modern retail outlets where they are available.

Economic studies also show that the expansion of major retailers can also have a profound effect on consumers, giving them more choices and driving down prices.

This investment will help create modern retailers which will help drive the development of local industry. Most people buy at least some of their products from domestic suppliers – a win-win that bolsters the local economy, while insulating retailers from fluctuating exchange rates.

These joint ventures help local suppliers gain access to financing, technology, and global best practices, making them more efficient and also help in raising environmental, health and safety standards.

The development impacts of retail sector are important and if properly channelled, could help meet the goals of ending extreme poverty and boosting shared prosperity in Nigeria.
How development funds can drive sustainable agriculture and improve rural livelihood

ADEMOLA ASUNLOYE

Agriculture has been the staple diet of the Nigerian economy providing employment and means of livelihood for the increasing population as it contributed 22 percent to the GDP of Nigeria as at Q1 2019. As a major source of livelihood for rural dwellers, a strong and efficient agricultural sector has the capacity to enable a country feed its growing population, generate employment, add foreign exchange, and improve the standard of living.

The agricultural sector also has the potential to be the engine of economic growth from which a country can experience speedy development. Through agriculture, environmental benefits such as sustainable management and renewal of natural resources, preservation of biodiversity, land conservation over and above contribution to the development and viability of rural areas can be derived. At micro and macro levels, the agricultural sector is strategically positioned to have a high multiplier effect on the nation’s quest for socioeconomic and industrial development as it creates employment opportunities.

While the majority of Nigeria’s population live in the rural areas and depend on agricultural production, the supply of financial services to the sector is inadequate, with the average accounts, accounts for a mere 5 percent of domestic resources being allocated to the agricultural sector. There are development funds that exist in Nigeria like the Agricultural Credit Support Scheme (ACSS) managed by the CBN, Commercial Agriculture Credit Scheme (CACS) and Agricultural Credit Guarantee Scheme Fund (ACGSF) which are the initiatives of the Federal Government and the Central Bank of Nigeria; with the aim of fast tracking the development of the agricultural sector in Nigeria by giving loans and support to agricultural businesses.

The primary objectives of these schemes are to fast-track the development of the agricultural sector of the Nigerian economy by providing credit facilities to large-scale commercial farmers at a single digit interest rate; enhance national food security by increasing food supply and effectively lowering agricultural production and products’ prices; reduce the pressure of low food inflation; reduce the cost of credit in agricultural production to enable farmers exploit the untapped potentials of the sector; and increase output, generate employment, diversify Nigeria’s revenue base, raise the level of foreign exchange earnings and provide input for manufacturing and processing on a sustainable basis.

A case study of Root Capital and Serendipalm in Ghana shows how development funds schemes can drive sustainable agriculture and impact livelihood in the rural community. Root Capital is a social investment fund that uses agriculture to improve rural livelihoods in poor, environmentally vulnerable places in Africa, Latin America, and Indonesia. The fund seeks to reduce poverty by increasing access to agricultural markets. To do this, Root Capital provides loans and technical assistance to small agribusinesses that operate as aggregators and buy from small-scale producers in their communities. Increasing credit to these enterprises means that they can buy more products from the farmers as well as invest in community services like health clinics, schools, and electricity.

Serendipalm is the world’s first and largest fair trade and organic palm oil farm. Located in Ghana, the company was started in 2006 by the personal care product company Dr. Bronner’s, which uses sustainable palm oil in its soaps. The trees are cultivated by 670 farmer members who, by learning organic practices, are able to achieve higher yields and premium prices for their goods.

Serendipalm also operates a processing mill, which employs over 240 people at wages 25 percent higher than comparable local wages. Root Capital became the company’s first external lender in 2014, and continues to provide financing to pay farmers in a timely fashion to grow Serendipalm’s operations. Together, they are demonstrating that palm oil production can, in fact, be done in an environmentally and socially sustainable manner, rather than through land grabbing.

Through funds from Root Capital, Serendipalm which started by persuading a group of 200 small farmers to switch to organic cultivation was able to grow its business and at the same time improve the livelihood. Serendipalm’s success with the production and sale of organic palm oil, and their useful local impact show that responsibly-run trade and production can indeed be at the heart of sustainable rural development: by getting small farmers to switch to more sustainable and more profitable cultivation, and by realizing fair trade development projects that motivate local communities.

Food and agricultural systems therefore provide numerous entry points for financing much more sustainable, long-term solutions to feeding a crowded planet while generating community health and wealth within ecological limits. Taking a total portfolio approach to sustainable agriculture provides investors with a constructive way to grapple with the widest array of investment opportunities because each asset class presents its own specific opportunity set related to food and agriculture — whether financing small-scale local food systems or intervening in large-scale global supply chains.

Interest in sustainable food systems and agricultural value chains grows, increasing numbers of investors are beginning to explore high-impact investing opportunities in food, farming, and forestry across asset classes. Equity investment can help finance sustainable agricultural technology (AgTech) companies and other businesses in the food and agriculture sector. Private equity and venture capital investors can provide critical seed and growth equity financing to private companies in the sector, and they can often become highly engaged with management to ensure that positive social and environmental impact is being measured, managed, and maximized.

As for public equity managers, they can invest in small and mid-cap companies working on AgTech innovations, assess their portfolios for climate, water, and other sustainability risks, or use shareholder engagement strategies to hold companies accountable for their often large-scale social and environmental impacts across the value chain.

Some investors may choose to invest in small- and mid-cap companies that provide exposure to innovative AgTech, ranging from efficient water irrigation to smart transportation that reduces food waste through increased efficiency in distribution. Other investors may seek direct exposure to large-cap food and beverage companies, either as a pro-active investment or as a target for shareholder engagement on environmental and social issues.

Real assets provide some of the most direct forms of investing in agricultural productivity through ownership of farmland, forests, and fisheries. They can give portfolio additional stability while offering a hedge against inflation. Real assets can also provide investors with revenues from two sources: capital appreciation and income from active land management.

Several real asset managers run strategies focused specifically on sustainable farmland and ranchland management, both in the United States and around the world. These funds tend to utilize practices such as regenerative agriculture and holistic planned grazing in order to mitigate climate change through carbon sequestration and building healthier soil with greater resilience to erosion and drought. These funds generally have strong environmental impacts, and varying degrees of social impact, for example, investing in sustainable, pasture-raised beef and dairy farms.

In addition to farmland and ranchland, sustainable forests also offer compelling social and environmental impact investment opportunities. When managed responsibly, timber, a renewable resource can provide a source of income for generations.

From conventional asset classes such as cash, fixed income, and public equity to alternatives such as private equity, venture capital, and real assets, opportunities to invest in sustainable agriculture with positive impact now extend across diversified portfolios. The nature of impact investment opportunities is by no means equally developed across all asset classes. In some cases, such as farmland and ranchland, investors can get very direct exposure to sustainable agricultural production trends, like the growing market for certified organic crops or pastured livestock. In other cases, investors can focus on financing sustainable AgTech innovations or engaging with publicly traded companies that drive social and environmental impact trends across global value chains.