IMPACTVEST ALLIANCE

# FINANCING THE SUSTAINABLE DEVELOPMENT GOALS IN AFRICA:

## CHALLENGES AND OPPORTUNITIES IN ENABLING PRIVATE FINANCE FOR IMPACTFUL ENTREPRENEURS

POSITIVE IMPACT IS AT THE HEART OF WHAT WE DO

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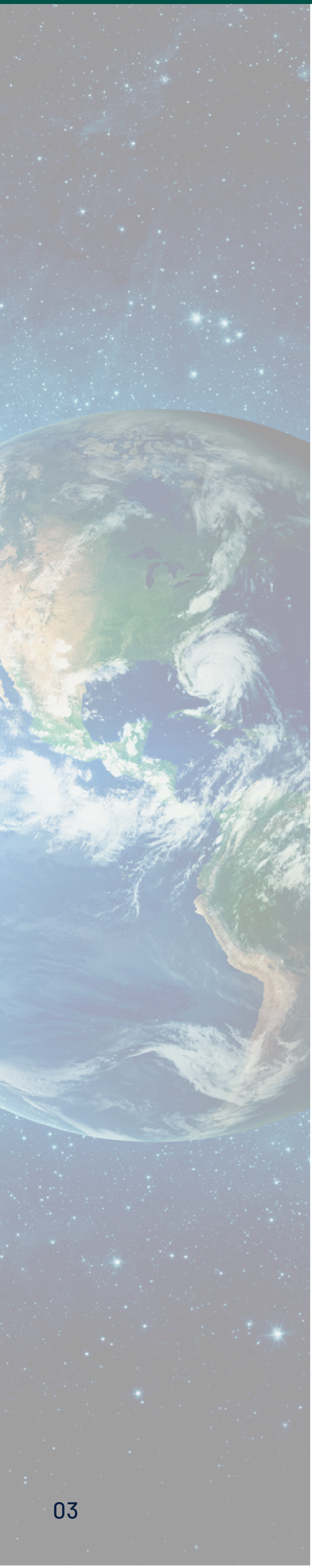

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As we approach the halfway point towards reaching the 2030 United Nations Sustainable Development Goals (SDG), we are faced with a growing SDG financing gap that places millions of families, communities, and businesses in peril. It is more important than ever to accelerate the transformation of our linear economy into one that places closing the SDG financing gap as its top priority. It is imperative to provide the funding needed for businesses actively building towards our sustainable and regenerative future.

By aiming to respect finite planetary resources, alleviate inequality, and protect the environment, we can provide equitable and effective action towards providing global businesses and entrepreneurs with the investment needed. This enables them to scale their innovations towards finding innovative solutions for our global sustainability challenges.

At ImpactVest, we believe that real, sustainable and positive outcomes require transparent and effective dialogue between entrepreneurs, the private sector and the public sector. It is a pleasure to continue our mission of supporting innovative, global entrepreneurs dedicated to building sustainable companies, while highlighting our ImpactVest Alliance members in our Q1 2023 whitepaper.

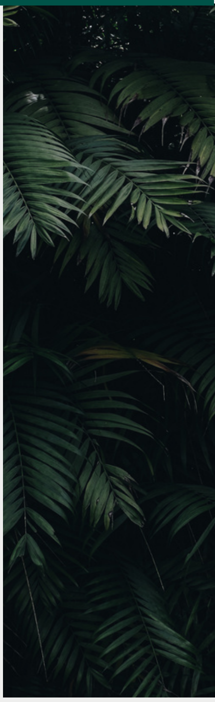
The time is now to accelerate action towards our sustainable future.

Aisha Williams

Founder and CEO
ImpactVest LTD

IMPACTVEST ALLIANCE

# EXECUTIVE SUMMARY

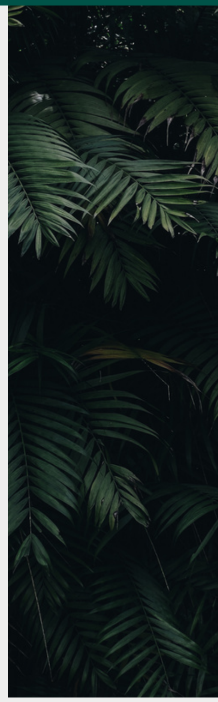


This whitepaper aims to promote the idea that the United Nations Sustainable Development Goals (SDG) finance gap in Africa is not a division that can be bridged by the financial industry alone. While private capital bears some responsibility for raising funds, this is a responsibility that falls on behalf of the global community. Ultimately, financing the SDG gap requires an integrated multi-level partnership between governments, non-governmental organizations (NGOs), academia, and private finance. Central for a partnership of this level to be successful is the reminder that Africa must be included not just in the outcome but in the very creation. Solving the SDG gap must not replicate past global intervention into the continent. Future involvement must find both its theoretical foundation of knowledge and leadership through origins within Africa.

This report does not offer an absolute understanding of the funding gap of the SDGs in Africa, nor does it solve the issue on display. Instead this report resolves to contribute to the current debate by featuring the voices of the seldom heard; that of Africa's entrepreneurial class. Although this is not a cohesive voice, in highlighting the various problems that startup founders face across the African continent this paper demonstrates the need for new paradigms of development that center from within the continent rather than outside of it. This paper calls on the global community to familiarise themselves with the perspective of African business leaders.

Ultimately this report maintains that the SDG gap is not restricted to that of limited monetary funds but also of a gap of investor knowledge and understanding of the African continent. In sharing the stories and perspectives of African entrepreneurs this white paper aims to transform the traditional problems that deter African investment into that of opportunities.

In order to achieve this objective seven different African based ImpactVest Alliance members were interviewed. These interviews structure the content and findings of this paper. While these interviews cannot fully encapsulate the breadth of information and opinion within the African business community, the depth and the passion behind these conversations makes them invaluable sources of information.



# FEATURED INTERVIEWS

Recognising the need for a more developed role of the private sector in financing improvements to the living standards, economy, and environment of Africa, the ImpactVest Alliance Whitepaper Working Group surveyed Alliance members to clarify how their businesses aligned with the SDGs.

Given that good Environmental, Social, and Governance (ESG) practices are increasingly sought-after in investment portfolios, it is critical to identify which businesses produce a beneficial social and environmental outcome, as well as to "name and shame" those which claim ESG credentials that they have not earned. A simple litmus test for understanding how a business contributes to sustainable development is to relate its practices — both in how it operates, and in the product or service it provides — to the 17 SDGs.


FIGURE 1: SUSTAINABLE DEVELOPMENT GOAL LIST [1]

1 UNITED NATIONS - SUSTAINABLE DEVELOPMENT GOALS - COMMUNICATION MATERIALS

An overview of select ImpactVest Alliance members' association with the SDGs is described below. We were extremely fortunate to interview the following entrepreneurs who shared their valuable experiences with raising capital for impact driven businesses:

### Olugbenga Abejirin: Co-founder & CEO of Kalibotics
### Mayowa Abejirin: Co-founder & CTO of Kalibotics

Kalibotics is an impact-oriented robotics company, driven to bring about positive economic and social change across the African continent.

Kalibotics aims to contribute to the Sustainable Development Goals of Good Health and Well-Being; Quality Education; Clean Water and Sanitation; and Industry, Innovation and Infrastructure.

### Tolulope Falola: Founder & Director of Digiscape Solutions Limited

Digiscape Solutions Limited is a Lagos-based, dynamic multi-disciplinary company with competencies ranging from energy management consultancy services, home and office automation systems, secure and back-up power systems, as well as training and energy advocacy campaigns.

Digiscape Solutions Limited aims to contribute to the Sustainable Development Goals of Affordable and Clean Energy; Decent Work and Economic Growth; Industry, Innovation and Infrastructure; Sustainable Cities and Communities; and Partnerships for the Goals.

### Hakeem Jimo: Founder & CEO of VeggieVictory

VeggieVictory is Nigeria's first plant-based food tech company bringing people a healthier and more sustainable lifestyle through plant-based meats and meals.

VeggieVictory aims to contribute to the Sustainable Development Goals of Zero Hunger; Good Health and Well-Being; Quality Education; Responsible Consumption and Production; Climate Action; and Life on Land.

### Tasneem Karodia: Founder & COO of Mzansi Meat Co.

Mzansi Meat Co. is the African continent's first cellular agriculture company. They are at the forefront of re-imagining food systems for the better and aim to bring cultivated meat cheaper and faster to consumers by leveraging their local expertise.

Mzansi Meat Co. aims to contribute to the Sustainable Development Goals of Zero Hunger; Good Health and Well-Being; Industry, Innovation and Infrastructure; Responsible Consumption and Production; Climate Action; and Life on Land.

### Fidelis Mashonga: Founder, Chairman & CEO of Sun Plugged Energy

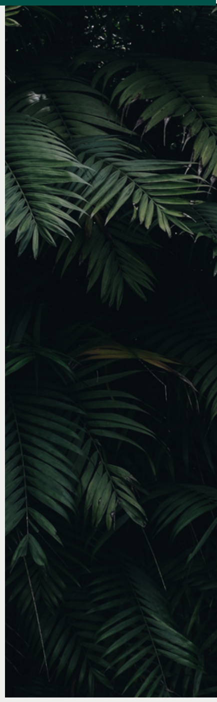
Bridging the energy gap in Zimbabwe to enable the achievement of the UN SDGs is the focus of Sun Plugged Energy. Currently, 9 million people in Zimbabwe lack access to energy, and Sun Plugged Energy aims to close this gap.

Sun Plugged Energy aims to contribute to the Sustainable Development Goals of Affordable and Clean Energy; Industry, Innovation, and Infrastructure; Sustainable Cities and Communities; and Climate Action.

### Soji Sanyaolu: Founder & CEO of AirSmat Inc.

AirSmat believes that accurate and precise data regarding farmland holds the key to timely management decisions at every level of the agricultural supply chain.

AirSmat aims to contribute to the Sustainable Development Goals of Zero Hunger; Industry, Innovation and Infrastructure; and Responsible Consumption and Production.



# UNDERSTANDING THE FUNDING GAP

In both Sub-Saharan Africa and Northern Africa and Western Asia, progress towards achieving many of the SDGs has been reversed by wide-ranging crises. A global pandemic, continued conflict, and the increasing pressures of climate change continue to undermine efforts to ensure a programme of sustainable social and economic development. By failing to turn the optimistic prospects of the Goals into reality, we risk worsening the lives of billions and causing untold damage to the natural environment.

Within a market society, the only way to ensure that development patterns are on track towards attaining the social and economic equalities set out by the Goals is to leverage sufficient funding from both the public and private sectors. Currently, this funding is deeply inadequate. Although there is some debate as to the exact figure of investment required above current financing levels, the Organisation for Economic Co-operation and Development estimated in 2021 that an additional $4.2 trillion per year would be required, or a total of $33.6 trillion over the period of 2022-2030.[2] This figure incorporates an understanding of the scale of resources committed to combating the pandemic as well as the temporary drop in external private finances when restrictions were most significant.

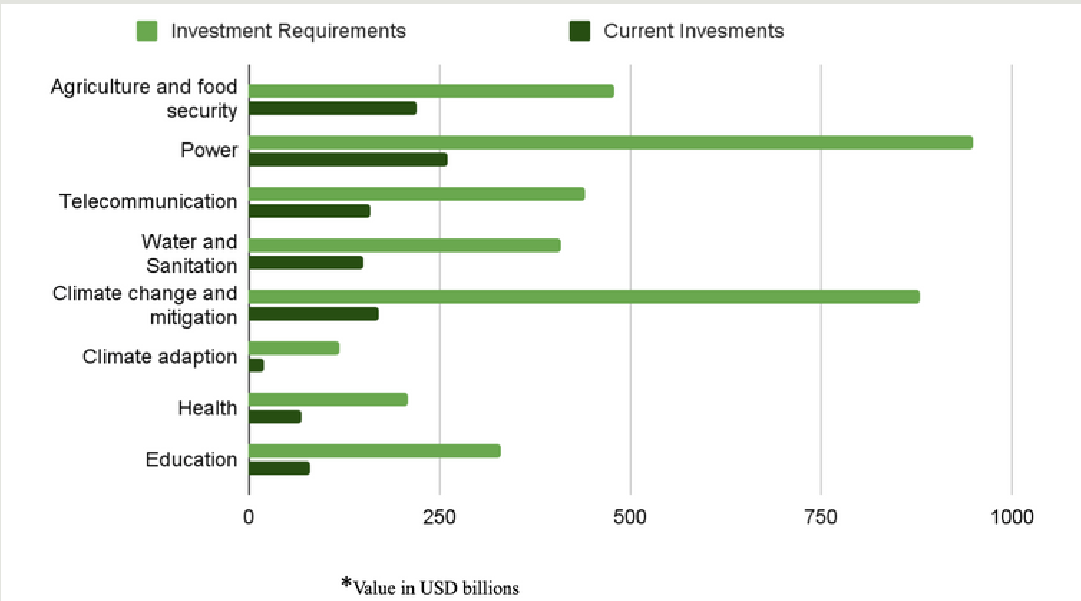



FIGURE 2: SDG INVESTMENT GAP

2 OECD - CLOSING SDG FINANCING GAP IN THE COVID-19 ERA

The conclusion that private finance must be mobilised in order to bridge the gap in sustainable development funding actually preceded the SDGs themselves. The Addis Ababa Action Agenda on Financing for Development, adopted three months before the 2030 Agenda, makes clear that domestic and international private business and finance ("Action Area B") [3] are drivers of economic growth, and when applied to impactful businesses, are also catalysts of social inclusion and environmental protection. Establishing effective mechanisms of investment and regulatory frameworks to allow new and diverse flows of capital to the continent is therefore required to enable both domestic and international firms to effectively scale up their operations to increase their effectiveness as responsible social and environmental actors.

## DOMESTIC AND INTERNATIONAL AVAILABILITY OF CAPITAL

Owing to historic and present inequalities in global trade and investment, the African continent is unable to finance the investments in infrastructure and businesses that are necessary for continuous and sustainable growth patterns by itself.

African public revenues are low compared to other developing regions, and despite an increasing trend of official international aid allocation towards the strengthening of administrative management (approximately $1bn annually across the continent), [4] the Covid-19 pandemic and related economic effects have reversed a decade of gains in tax revenues as a share of gross domestic product (GDP) for several African countries. [5]

Countries are primarily obligated to service national debt repayments, yet this is clearly an ineffective path to growth as it could result in a debt spiral, poor credit, and economic collapse. [6] Consequently, regional economies suffer from a lack of liquidity, [7,8] making the mobilisation of resources towards climate-friendly infrastructure and support for the private sector difficult. This is compounded by issues such as corruption and the illicit flow of funds, which limit the effectiveness of public sector resourcing. McKinsey & Company estimated in 2019 that $100bn of additional annual public financing in Africa could be made available through improved tax and tariff enforcement and reducing capital expenditure practices. [9]

3 UNITED NATIONS - ADDIS ABABA ACTION AGENDA - THIRD INTERNATIONAL CONFERENCE FOR FINANCIAL DEVELOPMENT
4 OECD - IMPROVING PUBLIC FINANCE, BOOSTING INFRASTRUCTURE - SUMMIT ON FINANCING AFRICAN ECONOMIES
5 OECD ILIBRARY - REVENUE STATISTICS IN AFRICA 1990-2020
6 UNECA - AFRICAN GOVERMENTS NEED TO FIND INNOVATIVE FINANCING MODELS TO OVERCOME COVID-19 CRISIS
7 UNECA - INNOVATIVE FINANCING NEEDED TO HELP AFRICA TACKLE CLIMATE CHANGE
8 NEW AFRICAN MAGAZINE - MEETING AFRICA'S URGENT LIQUIDITY NEEDS WHILE PROTECTING ITS ACCESS TO INTERNATIONAL MARKETS
9 MCKINSEY - UNLOCKING THE $100 BILLION OPPORTUNITY THROUGH GOVERMENT BUDGETING IN AFRICA

The international private sector must, therefore, play a greater role in supporting African sustainable development efforts - provided, of course, that they are willing to adopt a mindset of open and honest communication with recipients in order to provide mutual benefit for both the investor and the target enterprise.

## CURRENCY RISK

International investment is currently hindered by currency risk, also known as exchange rate risk. The mainstream perspective of investment in Africa is that instability in foreign exchange markets presents too high of a risk to justify meaningful investment. African economies are seen as weak, being vulnerable to commodity price shocks and political crises. International investment is weakened by the transaction costs necessary to mobilise capital across borders, such as conversion fees and the costs of hedging against currency fluctuations.

## CURRENT LEVELS OF INVESTMENT INTO AFRICA

Africa is currently a major beneficiary of international efforts to promote investment and sustainable development. In 2018-2020, just over a third of mobilised private finance - that is, finance that had been leveraged by official development finance interventions including guarantees, syndicated loans, and direct investments - went towards the African continent, amounting to USD $16.5 billion per year.[10]

Private finance has accumulated an estimated $379.8 trillion of global capital, with over 80% of the assets held within advanced economies. Fulfilling the $4.2 trillion SDG gap would only require a mere 1.1% of private capital's financial assets.[11]

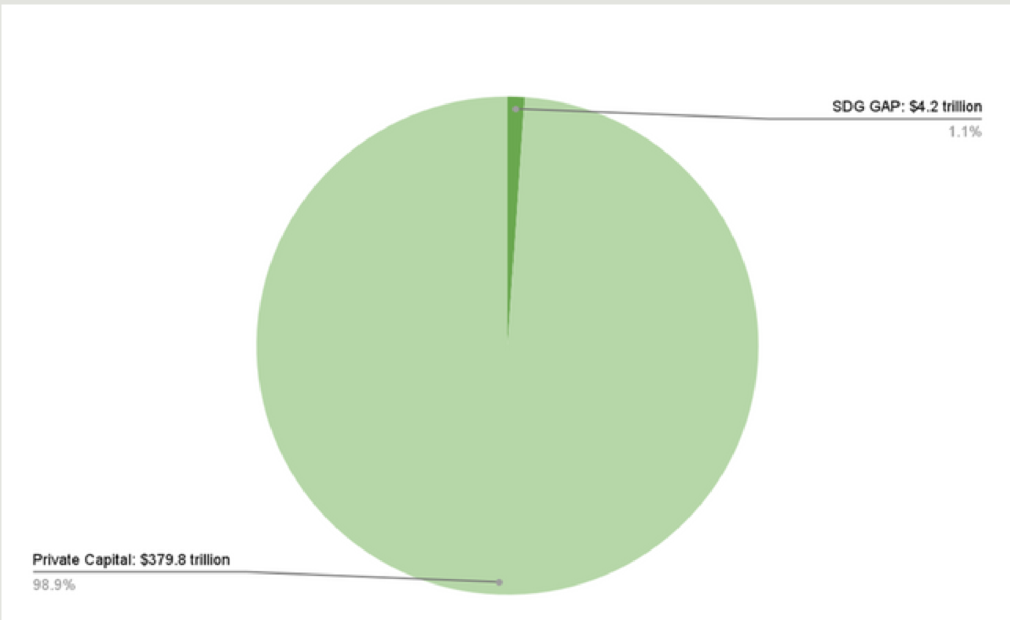



FIGURE 3: DIVISION OF PRIVATE CAPITAL FUNDS

10 OECD - PRIVATE FINANCE MOBILISED BY OFFICIAL DEVELOPMENT FINANCE INTERVENTIONS - DEVELOPMENT CO-OPERATION DIRECTORATE

11 OECD - TIME TO STEP UP PRIVATE FINANCE FOR THE SDGS - COP-PF4SD CONFERENCE

The money for financing the SDG gap in Africa already exists. It is not an issue of how to acquire the funds to equalise the division, but rather how to mobilise the already existing capital into emerging markets to establish the greatest impact. This paper suggests that efforts to effectively utilise private capital to finance this gap requires the implementation of long-term impact investing strategies, changing the paradigms of surrounding African business ventures, and creating multi-level partnerships across finance, startups, and governments. It is important to note that this report does not call upon the private finance industry to single-handedly close the SDG financing gap, but rather for an aggregated approach that involves partnerships across numerous industries and sectors.

While it is true that there is a tremendous amount of private capital available on the global scale and that only a small fraction of this must be mobilised to bridge the funding gap (see Figure 3), there remains a preference among most private financial lenders towards focusing on mature assets and remaining uninvolved with direct lending arrangements.[11] However private financial lenders have the potential to expand their influence over the implementation of the SDGs across Africa through concentrated investment into sustainable technology. Funding this technology also means financing its commercialization over a broad spectrum of consumers in the continent.[12]

Meeting the established SDGs requires the invention of technology, but for the potential technologies to create impact they must be able to be widely distributed.

"There remain significant barriers [in regards to development] which must be overcome by technological advance."[12]
**- David Warsinger, Assistant Professor of Mechanical Engineering at Purdue University**

Entrepreneurship is necessary for the propelling of vast technology over society, as they are able to transform lab outputs into products on the financial market. The commercialization of innovation streamlines theory into practice, and practise into development. Thus, private capital's involvement with the SDGs is a cyclical one that involves diverting interest from mature funds into startups with innovative technology and solutions to pressing issues of development.

The African continent's macroeconomic progress in recent years that can be measured through variables such as population growth, urbanisation, technological innovation, and growing consumer bases create a great opportunity for rapid economic growth within the entrepreneur community. Prior to the pandemic, venture capital (VC) rates experienced exponential growth, in regards to both funds invested and the amount of projects receiving capital.

11 OECD - TIME TO STEP UP PRIVATE FINANCE FOR THE SDGS - COP-PF4SD CONFERENCE
12 D. WARSINGER, DESALINATION INNOVATIONS NEEDED TO ENSURE CLEAN WATER FOR THE NEXT 50 YEARS, THE BRIDGE 50TH ANNIVERSARY ISSUE, NATIONAL ACADEMY OF ENGINEERING, 2020

While the increased involvement of venture capital with the African startup market is promising, much more needs to be done to meet the SDG goals. Not only must VCs expand their economic relations with Africa, but also ensure that the projects that they finance align with that of the SDGs. Currently, the largest amount of VC funding in developing market economies goes towards the energy and agriculture sectors. But the majority of agricultural and energy corporations receiving these funds are not those that align themselves with sustainability or impact. Thus, private capital must take a more concentrated approach in deciding which companies to invest in. To meet that of the SDGs, this must be an approach that prioritises impact and not just profit.

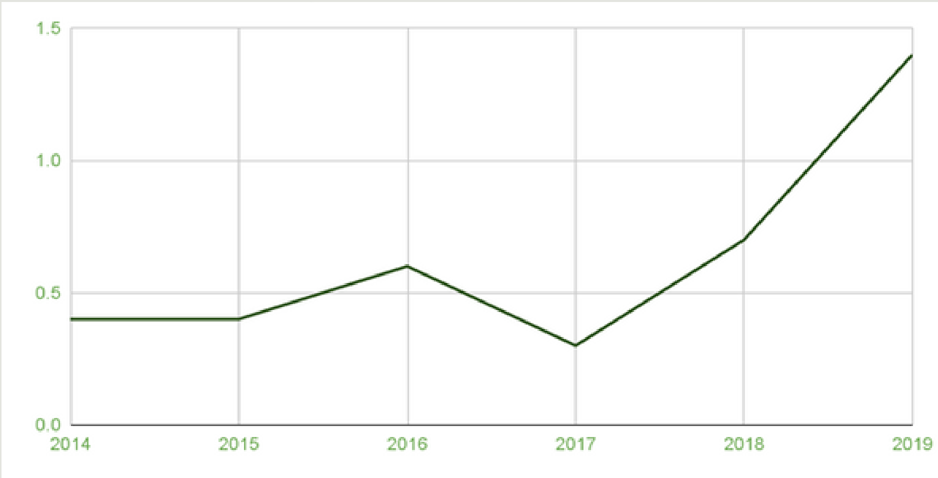



FIGURE 4A: VALUE OF VC DEALS (IN USD BILLIONS)[13]

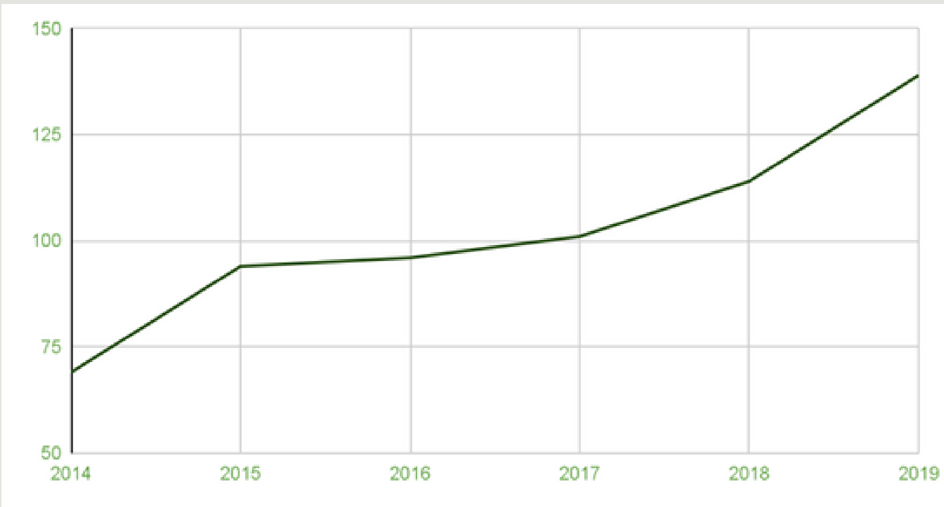



FIGURE 4B: NUMBER OF VC DEALS 2014-2019[13]

13 AVCA - VENTURE CAPITAL IN AFRICA: MAPPING AFRICA'S INVESTMENT LANDSCAPE

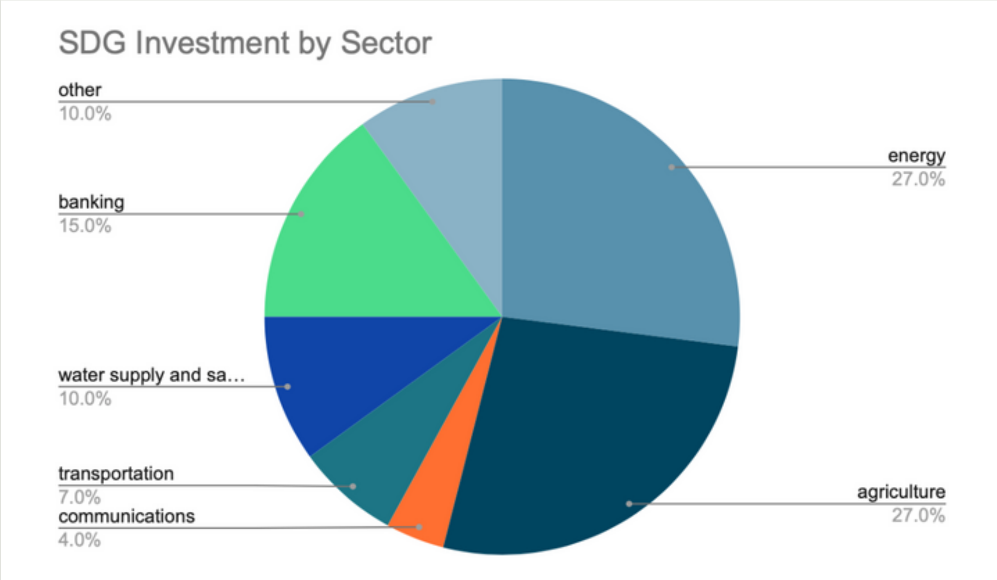


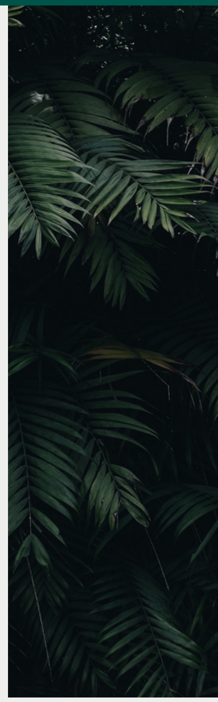

FIGURE 5: LEVEL OF SDG INVESTMENT BY SECTOR[14]

## SMALL-AND-MEDIUM SIZED ENTERPRISES

Small-and-medium sized enterprises (SMEs) are critical for creating economic development and growth across the African continent.[15] SMEs are responsible for approximately 80% of employment across Africa, yet over half of them report not having access to funds to maintain growth and development. Financing SMEs are crucial for bringing socio-economic growth, technological advancement, and achieving the SDGs in Africa. Africa's private sector is primarily made up of micro-enterprises due to barriers in obtaining private capital that delay small businesses from expanding and developing. The barriers in obtaining private capital include high interest rate loans, insufficient data, and misperceived risk. Large corporations are able to leverage their capital to protect themselves from legal and socio-political barriers that smaller corporations are unable to afford.[16] The main source of capital for SMEs across Africa is through private savings and loans that often carry high interest rates. The former fundraising options are highly unstable and antithetical to sustaining growth and development. Alternatives to raising capital can arise from formal international financial institutions, but these carry their own set of problems. Financial institutions often require small companies to provide documentation and guarantors from which many small businesses lack.[17] The shortage of data surrounding these companies creates an element of risk for potential investors and serves as a detriment to the flow of capital. Despite the major influence that SMEs have over the economy, their financing has been hindered by perceptions of risk.

14 UNCTAD - INVESTING IN THE SDGS - WORLD INVESTMENT REPORT 2020
15 CSIS - SUPPORTING SMALL AND MEDIUM ENTERPRISES IN SUB-SAHARAN AFRICA THROUGH BLENDED FINANCE
16 OECD ILIBRARY - FINANCING SMES IN AFRICA - OECD DEVELOPMENT CENTRE POLICY INSIGHTS
17 UN GLOBAL COMPACT - SME & AFRICA STRATEGIES

# QUALITATIVE FINDINGS



This whitepaper seeks to offer new insights into the challenges and opportunities of impact investment on the African continent. While it cannot claim to encompass the totality of experiences of sustainable entrepreneurship across the continent - which, as previously described, are both vast and ambitious - it can help to elucidate the nature of the SDG financing gap through a representative sample of sustainable business leaders across multiple sectors and countries. By conducting extended interviews with members of the ImpactVest Alliance, we were able to gather a detailed set of accounts of the difficulties faced in scaling up to meet the expectations of the SDGs. These accounts fit into 4 main themes:

- The availability of public financing and domestic capital
- An exaggerated view of the risk profile of African businesses
- The availability of extensive financial performance data
- The lack of directly-comparable metrics of social and environmental impact

Together, the interviews echo concerns about the practicability of traditional private investment approaches within the development space, and reaffirm the core principles of impactful investment. The 4 themes are explored in further detail, illustrated by quotes from our interviews. They also point to some expected “growing pains” within the impact investment space, including the need for a shift in the mindset of investors as well as a refinement of the tools needed to effectively balance positive environmental and social governance with profitability. Some remedies for the disconnect between investor and recipient actors are outlined in the next section.

## ACCESSIBILITY OF PUBLIC INVESTMENT AND DOMESTIC CAPITAL

Access to financing and capital availability are central to business development in Africa: without sustained and reliable funding opportunities, companies cannot scale their impact or profits. Our research consolidated this knowledge, finding that access to capital is a major bottleneck in the development of impactful entrepreneurship into a matured business. This bottleneck must be addressed by increased engagement from private investors, as current opportunities are scarce despite efforts being made to increase the domestic resource mobilisation capacity of African developmental states.

Firstly, the capacity of public financing in Africa is underdeveloped, with respondents finding that funding opportunities were scarce and highly competitive. Even when the amounts available were adequate, our research found that their delivery was unreliable, resulting in deferred payments and putting companies at a potential disadvantage in competitive markets. In lacking access to working capital, transactions faced unreasonable delays and undermined the momentum and timescales that had been carefully cultivated by business leaders and promised to investors.

> "It would be easier to get a donkey to pass through the eye of the needle than to access those [bank and public sector] funds."
> **- Tolulope Falola, Founder & Director of Digiscape Solutions Limited**

Unsurprisingly, the lack of access to public funding results in impact entrepreneurs spending a greater amount of resources courting niche private investors. While pitching to investors is standard practice among startup enterprises, African impact businesses face additional challenges in that they must either persuade investors to think beyond profit and consider social and environmental benefit as a key return on investment, or they must locate investors who already hold these beliefs. The likelihood of finding the right match, especially within economies lacking specialised platforms for networking, is low.

> "No, we've received zero public sector funding; I wish we had that! But we don't, which makes it difficult in terms of funding, you know, having to rely on private sector means."
> **- Soji Sanyaolu, Founder & CEO of AirSmat Inc.**

"I always say that we are the niche of the niche. Africa is the niche, and then alternative protein is a niche within that."
**- Hakeem Jimo, Founder & CEO of VeggieVictory**

These limitations stand in stark contrast to the financial requirements of many African SMEs, inhibiting their potential to effectively scale up. The lack of funding opportunities is consequently a significant disincentive to developing sustainable businesses beyond a startup scale, despite the clear potential for growth in emerging markets.

"So the bottleneck will be around funding investments. If you don't have that investment coming into the sector, then growth is going to be very small and stagnant."
**- Fidelis Mashonga, Founder, Chairman & CEO of Sun Plugged Energy**

This challenge of funding was exacerbated by the disjointed nature of paying for goods and services in multiple currencies. Cost structures are split between local currencies and globally-accepted currencies such as the US dollar, which is required for essential business platforms including Amazon Web Services.

## RISK AVERSION IN AFRICA: AN UNFAIR ASSESSMENT?

The flow of private capital, particularly that of foreign direct investment does not go very far within the African continent. Investing in Africa is a necessity not only for fulfilling international development quotas but also for increasing profit margins.

Africa is a large frontier market, encompassing one of the fastest growing regions in the world. It heralds the youngest population in the world with over 20% of residents being between the ages of 15-24. Around 10 million of the youth of the continent enter the labour market each year, and this number is anticipated to double due to urbanisation by the year 2030. Moreover, six of the thirteen fastest-growing markets are within the African continent. The substantial population growth and youthful population create a myriad of business opportunities. This economic potential does not get reflected when it comes to institutional financial interest. It is not the lack of opportunities that deters investors, but rather deeply enriched biases and ignorance.

"In looking at the international landscape, investors just do not understand Africa. There is a lack of understanding of what it means to run a business in Africa and what consumers look like. African consumers are just human beings, the same consumer mindset exists here [South Africa] as it does elsewhere."
**- Tasneem Karodia: Founder & COO of Mzansi Meat Co.**

While risk does exist within the African market, much of its expression is through a continuation of misinformation and ignorance surrounding the continent. Risk for potential investors in the continent surrounds rates of consumption, rates of return, poor currency exchange rates, and political instability. While these concerns are real in some countries within the continent, it is integral to note that Africa is not a monolith. Africa is a continent composed of 54 countries with different cultures, infrastructure, policies, and environments. The governing structures range from free market democracies to authoritarian regimes. The availability of natural resources range from gold, to oil, to nutrient dense soils. Understanding the African market means acknowledging the scope of diversity and opportunity across the country. Investors are allocating funds not to "Africa" but through distinctive countries within the continent. The instability of a singular political entity does necessarily impact the stability of a differing self sovereign country. Therefore when examining the risks and opportunities that pertain in Africa, investors must do so on account of the complexities of each individual country.

"Investors do not want to hear our story, they just want to hear about our products."
**- Olugbenga Abejirin, Co-founder & CEO of Kalibotics**

Central towards mitigating risk is establishing more knowledge on the individual markets that investors intend to finance. However, this knowledge is not for investors to create but rather to cultivate. Integral to reframing the perception of risk is giving Africa control of its own narrative. Rather than attempting to understand the scope of economic potential in the continent through robust calculations, investors should step back and listen. Africa must be able to reclaim its own story and history. Rather than being persuaded by sensationalist media coverage of war and violence that blurs the nuance of the continent, investors should turn towards the nuance that lies within the African stories.

The process of de-risking Africa pertains to the diversification in knowledge of the continent arising from sources originating from the continent. The investment approach towards African frontier markets must be a process of familiarising that of the unfamiliar, and un-familiarising from that of the familiar. Current investment must not replicate past systems of exploitation of the continent. Mitigating risk in Africa involves understanding the idiosyncrasies and the differences that pertain in each landscape in each country. In establishing a new paradigm of understanding the question for investors transforms from "Why should private capital invest in Africa?" into "Why not Africa?".

## FINANCIAL PERFORMANCE IN UNCHARTED WATERS: DATA AND FUNDING

Africa is plagued by perceptions of risk that extend to geopolitical systems, the economic marketplace, and that of everyday life. A contributing factor to the perceived risk adopted on behalf of investors towards the African continent is heightened due to the date driven approaches that foreign investors have adopted. The growing importance of big data and artificial intelligence has accelerated the specialisation of the western market and with it a precedent that companies must obtain niche metrics in order to garner investors. However, the African market place works very differently. Applying an investment approach reliant on data leaves investors ill-equipped to understand the market and the true risks of the market.

"Many foreign investors don't understand the landscape of Africa, and utilise a one-size fits all investment strategy by copying what has worked on other continents."
**- Tolulope Falola, Founder & Director of Digiscape Solutions Limited**

While these approaches work well in that of the global north, where businesses and individuals have easy access to these metrics, it fails to encompass the true potential of the African continent. Investing in Africa requires a new approach, one driven by analysis on the long-term trends facing the continent.

"Africa is a normal place that is just like the rest of the world."
**- Tasneem Karodia, Founder & COO of Mzansi Meat Co.**

Essential to establishing better investment strategies in Africa is better data. This data that offers greater comprehension of the realities of Africa already exists. It exists within business leaders, economists, and academics within Africa whom are producing a internal narrative. While these voices may differ in regards to their individual sectors and regions in which they operate, they nevertheless offer an influx of information into their fields that cannot be derived from that of traditional means of data collection. Thus, it is not Africa that needs to specialise, but rather investors considering investing in Africa who must specialise in their collection of knowledge. The continent's economic potential must be understood and measured within its own unique context.

## MEASURING PERFORMANCE: CHALLENGES IN COMPARING SUCCESS

Social and environmental progress can take place over extended periods of time, which may exceed the timeframes that investors are willing to wait for their choices to yield positive financial results. Venture capital that draws from the traditional expectation of high, near-future profits from investments is perhaps ill-suited for funding the African enterprises with business models oriented towards impact. These companies, in pioneering the development of their respective industries in Africa, utilise performance metrics that are tailored to the way that their business operates. These metrics not only allow for a comparison with others in their niche markets, but may also illustrate the progress made towards SDGs beyond the aggregate statistical data collected at the national level. An effective application of impact investment philosophy must integrate an understanding of how investment returns go beyond the financial benefit to the investor.

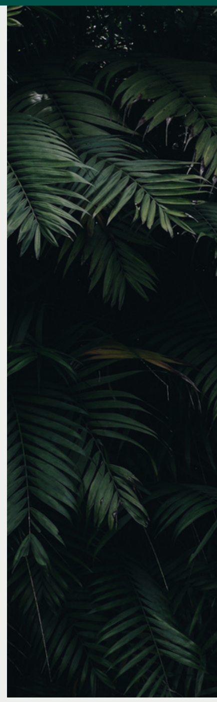
In order to integrate social and environmental factors into investment decisions, investors and businesses alike must have an in-depth understanding of what a successful project looks like. For instance, it is clear that the “impact” of a renewable energy company is wholly different to that of an agricultural technology company. Understanding performance in financial, social, and environmental terms requires a sector-specific knowledge of key performance indicators. While everyone can agree on the importance of properly quantifying impact as a core part of due diligence research, the task of matching performance indicators to impact enterprises is hindered by a lack of business-specific knowledge and tools to compare success between scales and industry landscapes.

Entrepreneurs have observed that during their conversations with investors, there were instances of inaccurate assumptions regarding the comparability of performance indicators. Such misunderstandings led to confusion and disappointment when inquiries were made about metrics that were not appropriately aligned with the enterprise's business model or client base. Often, the wrong questions are being asked regarding a company’s success.

> “Most venture capitalists, in our experience, do not understand impact-driven startups.
> They ask, “how many transactions does your business conduct per day?”,
> as if we were Amazon or an e-commerce business:
> well, farmers don’t do transactions per day, they do transactions per season.”
> **- Soji Sanyaolu, Founder & CEO of AirSmat Inc.**

Whereas the business world has a well-developed understanding of financial performance, it must still develop the tools to assess and compare the environmental and social consequences of a given investment portfolio. Most companies can claim to generate some form of social and environmental benefit as a result of their practices, such as in enriching a client and thus promoting social mobility and financial independence. Ensuring that such claims stand up to scrutiny is necessary for both the reputation of the impact investment strategy and for the integrity of the SDGs.

# DISCUSSION



Having considered the insights of entrepreneurs working within sustainable business models, there are some clear shortfalls within the current model of investment. It is arguable that these problems seem to stem from a core problem of communication rather than any particular technical or exogenous issue. With proper engagement between the investment community and potential recipients, the mobilisation of international funding towards more sustainable ends in Africa could be executed more effectively, bringing greater momentum to the change required to meet the 2030 SDGs.

Following this reasoning, one recommendation could be to improve lines of communication within the impact entrepreneur space in Africa, so that new ideas about how to navigate the continent's ESG implementation through business are readily shared and developed. Creating a forum for discussion of this nature can be strongly beneficial, as it encourages thought leadership and informed decision making across a diverse set of impactful businesses at the frontiers of their industries.

Secondly, engaging fully with the ongoing process of refining the indicators of impact is key to ensuring that the indicators are accurate, comparable, and widely understood. Being able to parse complex and sector-specific data can be a considerable hurdle to investors even in ideal circumstances, let alone within the data-poor setting of many African businesses. Comparability of environmental and social output is key to determining the strength of investments beyond standardised financial indicators.

Beyond this, Investors must reframe the current working knowledge of the African economy. This reframing involves giving recognition and sourcing data from that of an African based narrative. African businesses must be given power to share their own stories and information. The overwhelming coverage of conflict and poverty eclipses the complexity of economic potential across the continent. Understanding the nuance of financial relations must go beyond these stories and seek narratives that are not just derived but produced from within the continent. Therefore, investors must step back and source their information regarding Africa's potential from that of Africa.

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