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Evaluating Impact Investing
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www.clear-aa.co.za
Landscape of Development Evaluation

- Most demand for evaluation has been donor-driven and focused on accountability rather than learning and improvement
- Systems are emerging as demand grows; countries are in different stages of development
- Most countries have developed an M&E function within their Vision documents or National Planning units (e.g., Ghana, Zambia, Nigeria)
- But still limited commitment to building evaluation systems by national and sub-national governments
- While there is increase in the production of evidence for decision-making, there is still limited use of this evidence
- Can strengthen the overall demand for evaluation and use of it by bringing in more non-state actors (including voluntary organizations, Parliamentarians, civil society)
Landscape of Development Evaluation

• Need to do this holistically, moving beyond just ad hoc technical capacity development
• National evaluation capacity needs to be developed systematically to meet growing demand – needs to owned at country level
• Focus of ECD should be more on “learning by doing”; addressing the gender gap; engendering country ownership; training and professional experience opportunities for emerging evaluators; greater involvement and coordination of education with Higher Education Institutions; and greater harmonisation of effort between ECD organisations.

- **US$721 billion** of investment assets surveyed in Kenya, Nigeria and SA

- SA holds **94%** (US$678 billion), Nigeria holds 4% (US$30 billion) followed by Kenya 2% (US $13 billion).

- **SA still leads** with **70%** of funds managed implementing at least one **investing for impact (IFI)** strategy.

- Kenya comes second with **48%** of overall assets deploying at least one IFI strategy and Nigeria features last with **23%** of assets.
Investment make-up of two biggest African countries

Funds* describe their investment strategy as...

**Traditional investing**      **Responsible investing**       **Impact investing**

**ASSET MANAGEMENT**

**SOUTH AFRICA**

86%  
13%  
1%  

**NIGERIA**

86%  
9%  
5%  

**PRIVATE EQUITY**

**SOUTH AFRICA**

56%  
28%  
16%  

**NIGERIA**

54%  
12%  
34%  

*Percentage of the total number of funds **includes RI, SRI, ESG and Shari’ah
South African Pilot Workshop on Evaluating Impact Investing

Johannesburg, 26-27 October 2015
SA policy frameworks for private investment for development

(strong transformation drive)


Taxation Laws Amendment Act (2000) – tax deductibility PBOs

Dti - BBBEE Act (2003)
Industry Charters, Scorecards, Sustainability reports

Mervyn King Reports on Corporate Governance

JSI Socially Responsible Investment (SRI) index (2004)

Code of Responsible Investing in South Africa (CRISA, 2011)
Impact Investing field in SA is a niche but growing field
Social Entrepreneurship, Job Creation and SME development
Big Development Finance Institutions

(infrastructure is core to Africa’s development)
Evaluating Impact Investing. Why?

- Research for providing landscaping / diagnostic
- Monitoring for external compliance
- Monitoring for beneficiary impact
- Monitoring for investor returns
- Monitoring for innovation & adaptation
- How much evaluation is happening for learning and improvement?
IMPACT INVESTING

Current measurement systems and assessment tools
Some key questions

• What are the ways to standardize metrics at a country level?

• Would this help to get a broader understanding of how the field is performing at large? How it is evolving?

• How are Impact Investor stakeholders themselves working together to define a broader ToC for II in Ghana?
Evaluation needed throughout the Impact Investing results chain

Segment 1
Impact Investor → Investment Fund / Product - Debt (Loans, Guarantees) - Equity and Quasi-Equity

Segment 2
SME in Poor/Emerging Region → Employee Income

Segment 3
Household → Access to Education and Training

Social Enterprise (e.g., Education, Health)
Financial Services Institution (e.g., Microfinance)
Green/Social Infrastructure (e.g., Wind Farms)

Owner Income
Services to Beneficiary (e.g., Borrower, Smallholder, Consumer)
Environmental Benefits

Access to Health Services
Family Nutrition
Revenue from Other Businesses
Real Value of Family Assets (e.g., Housing)

Source: E.T. Jackson and Associates Ltd., 2015
What can Development Evaluation offer to Impact Investing?

- Bringing 50 years of development evaluation system to the private sector
- Stronger focus on beneficiaries (rather than investors)
- Better alignment to local, national and regional development goals
- Integrating financial objectives with environmental, social and governance (ESG) imperatives.
- A bridge between public and private sector to facilitate more PPPs for development.
- Participatory approaches and engagement of citizens and civil society.
- More rigorous and scientific methods and tools for impact evaluation
Group Discussion

1. What are the evaluation knowledge gaps in the Impact Investing field?

2. What are the ways in which evaluation could be strengthened in this field?

3. What potential partnerships could strengthen building evaluation capacity in the impact investing in Africa?