

Impact Investing in Africa: A Case Study on East Africa

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Philanthropy and the private sector are looking to social impact investing as a new approach to international development. Private equity is experimenting with innovative models that engage the nonprofit and public sectors with market investments that make a profit and support a public good. This approach offers the promise of sustainability and is an alternative to traditional non-governmental organization (NGO) models of programming where long-term sustainability is often in question. In these models, a for-profit company can create fair paying jobs that also generate company revenue. Knowing that the costs and risks of doing business in the developing world can be prohibitive, the not-for-profit sector should ask what services they can provide (e.g., workforce development training, curriculum, mentoring) that will in turn reduce operations costs for the for-profit endeavor and increase the return on investments. Furthermore, what assurances can the for-profit establish that places a premium on social impact in addition to a return on investment (e.g., fair wages, health care, day care, education)?

Ever since the financial crisis of 2008, global capital markets have found it difficult to acquire fiscally secure assets. This has pushed the world of finance into pursuing new capital ventures with low to medium risk, and seeking overall to combine financial returns with social and environmental progress.¹ In a concept commonly referred to as impact investing, investors in growing capital markets are starting to look for ethical funds—also known as socially responsible investments (SRI)—that promote a social good in addition to financial gains.¹ These funds have the potential to change the face of philanthropy in the developing world. Yet, unlike philanthropy, impact investing primarily focuses on returning a profit, but with a socially responsible investment. By investing in companies that provide for the social good, impact investing is “designed to serve a larger social purpose: providing underserved populations with the resources that they need in order to improve their lives. By delivering the products and services that empower the poor to lift themselves out of poverty, impact investing can scale solutions quicker than traditional philanthropy.”²

Impact Investing in East Africa

Since 2010, institutional investors, government regulators, and financial services firms have scaled up their approach to impact investing.³ Africa in particular has been a major site for impact investing as investors track GDP and sector growth as variables for potential investment. While Kenya remains the primary focus of impact investing in the region, Uganda has experienced significant growth in GDP over the past decade and the World Bank predicts that Uganda’s purchasing power parity (PPP) will continue to increase 170 percent by 2019, which will open new investment opportunities.⁴ Social impact investors take into consideration government incentives, repatriation of profits and dividends, foreign exchange controls, land ownership and local ownership requirements as they look to invest in East Africa and developing countries. Currently the sectors attracting the most social impact investment in East Africa are agriculture, energy, tourism, fast-moving consumer goods, and financial services.⁵

While there is increased interest in impact investing in Africa, such efforts face challenges of unpredictability, capacity, and market volatility.⁶ Capacity continues to be a major obstacle for social impact investment and it is difficult to find companies in Africa that are “investment ready.”⁷ Significant infrastructure issues coupled with

¹ Environmental progress can include sustainable forestry, renewable energy, and effective waste management.

limited local talent pools needed to manage assets creates barriers to investment. While the labor pool is robust, workforce development skills and relevant training to key sectors are lacking.

Furthermore, measuring social impact investing requires a new approach to outcome evaluation in order to determine if the capital invested is both showing a return on investment and resulting in positive social change. The following case study offers a micro-level analysis of a social impact company in East Africa and their approach to measuring social impact.

Staffable Africa

Staffable is a social impact recruiting and training company based in Kampala, Uganda working in close partnership with a nonprofit partner, the Global Livingston Institute. As a workforce accelerator, Staffable's mission is to match local entry-level talent with employment opportunities aligned with an individual's skills, knowledge, and background. This model has created a pipeline of job seekers who—as a part of the Staffable database—the company pairs with a current client or contacts them at a later time once an opportunity becomes available.

Since its inception in 2015, Staffable has facilitated over 200 job placements for Ugandan nationals within the local workforce. One of the company's most noteworthy partnerships is with Pizza Hut—an American restaurant chain and international franchise (subsidiary to Yum! Brands Inc.). A relatively recent addition to the Ugandan food and service skyline, Pizza Hut launched in Uganda in May 2016. Working alongside Pizza Hut's Human Resources department, Staffable Africa recruited over a hundred new employees to work for the chain in a range of positions, from Supervisor to Team Member.

Measuring Social Impact

Staffable collected this data from 50 Pizza Hut employees to measure its social impact in the workplace based on basic demographics, income generation, skill acquisition, and job satisfaction.

- a. Average Age: 26.38
- b. Average Household Size: 2.7
- c. Ratio of male-to-female employees: 20:30 (M:F)
- d. Average Income per month **before** employment at Pizza Hut: 465,613 UGX* (\$127) USD
- e. Average Income per month **after** employment at Pizza Hut: 807, 146 UGX (\$221) USD
- f. Average amount of time employee has worked at Pizza Hut: 9.2 months

*UGX = Uganda shilling;

The table below summarizes how individuals spent their earnings:

Education	Transportation	Housing	Living	Recreation	Savings
7 Employees (14%)	47 Employees (94%)	34 Employees (68%)	29 Employees (58%)	5 Employees (10%)	34 Employees (68%)

This table summarizes skills acquired through workforce development training:

Management Skills	Store Operations	Customer Service	Delivery	Marketing	Savings
37 Employees (74%)	21 Employees (42%)	33 Employees (66%)	9 Employees (18%)	16 Employees (32%)	34 Employees (68%)

Through this impact study, we concluded:

- a. The majority of Pizza Hut employees recruited through Staffable experienced an increase in their monthly salaries by an average of 68 percent.
- b. 100 percent of recruited Pizza Hut employees are satisfied with their working environment.
- c. The majority of recruited Pizza Hut employees are looking forward to expanding their career aspirations either within Pizza Hut (i.e., promotion), or outside of Pizza Hut in a specific field.
- d. Fairness throughout the recruitment process instilled feelings of equal employment opportunity.
- e. 70 percent noted that upward mobility within the company served as a primary point of job satisfaction.

Staffable will use this information and the feedback provided to evaluate the business model and ways in which impact is currently measured. Analyzing these outputs, Staffable and other companies with a similar focus could determine if they are having a social impact on the persons they are engaging. By employing people in a social impact company, it is important to determine if the employees in the workplace are truly improving their quality of life, and are able to sustain their families independent of outside support.

Policy Options:

To date, there is limited research and data outlining the best practices on measuring social impact. With new companies like Staffable forming every day, standardized measurements and evaluations are important tools for philanthropists and investors to use when assessing engagement.

1. For philanthropists, investors, and non-governmental organizations:

- a. **Standardize approaches to measure social impact investment in developing countries:** Social impact is not solely based on job creation from philanthropic organizations and the private sector. A company can hire thousands of low-income people in East Africa without having any positive social impact. It would be helpful to create measures rooted in addressing the needs of individuals and their families, such as income education, health care, and housing. These considerations will help to measure the efficacy of social impact on individuals and their families.

b. Invest in fair wages, workforce development training and skills, and safe work environments: On the micro-level, companies like Staffable measure how new jobs empower employees and their families. In doing so, social impact companies should ultimately pave the way for people to become self-sufficient. Moreover, because of this approach the NGO community and the government could consider shifting long-term support and services towards new programs that address immediate needs. Ultimately, social impact investing has the potential to reduce dependency and increase self-reliance.

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