

SOUTH AFRICAN  
**IMPACT INVESTING**  
NETWORK  
[SAIIN]

# Opportunities for Impact Investing in South Africa

Preliminary Findings







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## Foreword

**Seizing our defining moment**

The global financial crisis has proved to be a turning point in thinking around investment and socio-economic development. In Africa, as the crisis deepened, shrinking foreign capital investment has had a sobering effect. But it also marks the start of a new chapter, where we have to look to our own resources to address the needs of South Africa and the continent as a whole.

If events in the world of global finance have taught us anything, it is that we must find innovative ways to stimulate investment and unlock new sources of capital for social development. In the same way that we as consumers are making more informed choices about the products that we buy, we as investors must make more considered choices about where and how we invest our capital.

While South Africa lags international trends in the use of Socially Responsible Investments (SRI) for pension fund portfolios, it faces a huge infrastructure backlog that urgently needs to be addressed. In fact, despite ongoing development aid and significant levels of individual and corporate philanthropy, things have not improved for the very poor in South Africa. Our potential to fund sustainable socio-economic development, with approximately R3 trillion available in life and pension fund savings, has not yet begun to be tapped.

Our new government has their work cut out for them, but so do we. It is only through a cohesive effort by the public sector, business and individuals that we will be able to facilitate a new way of thinking about investing in sustainable social development. Socially Responsible Investment, also known as impact investing, combines investors' financial objectives with their commitment to social concerns like social justice, economic development, peace or a healthy environment.

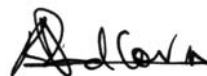
Mobilising even a small increase in the allocation of life and pension fund capital in South Africa could have a ground-breaking impact on poverty alleviation now and in the future. As concerned corporate citizens, as well as members of the financial services industry, we at Cadiz Asset Management and Noah Financial Innovation are enormously excited about this opportunity to be part of a new social enterprise movement which will give communities access to capital and investors the chance to get real social as well as financial returns on their investments.

The South African Impact Investing Network (SAIIN) will be a vital player in the development of impact investing to advance transformation in South Africa. SAIIN marks a milestone in the development of socially responsible investment in South Africa. As a member-led forum SAIIN aims to raise awareness about the value of investment in social enterprises and to advance the visibility, credibility and growth of SRI in the country by stimulating debate, providing research and examining the opportunities that exist for SRI investors.

SAIIN will help give South Africa the resources and direction it needs to advance investing for real impact to an international level. It is a defining moment, as we learn from what works elsewhere and apply these lessons to forge our own development path.



Frank Cadiz  
Managing Director  
Cadiz Asset Management



Raymond Ndlovu  
Chairman  
Noah Financial Innovation

## Introduction

This study is both the culmination of a process and the beginning of an exciting new venture. The first phase of this process was a GreaterGood South Africa study of South African organisations that are involved in sub-commercial social impact investing that I commissioned. The purpose of this study, which was the first of its kind in South Africa, was to determine if there was a critical mass of organisations capable of investing approximately R100 million over five years in sub-commercial revenue generating high social impact projects.

It was my hope to use this study to convince investors to support a South African Reconciliation and Development Bond. Whilst this has not come to fruition, the findings nevertheless are valuable and confirm both the feasibility and necessity of high social impact investing in South Africa.

GreaterGood South Africa have since updated this research and have decided to publish these preliminary findings in order to raise the profile of these opportunities and use the opportunity to simultaneously launch a South African Impact Investing Network (SAIIN).

It is our mutual hope that this study will convince the finance and investment community that social impact investing is an interesting and profitable investment opportunity and that they should get involved in financing such ventures.

This study would not have been possible without the generous support of the Wallace Global Fund and its then representative in South Africa, Scott Wallace. It also could not have been possible without the many people at the organisations studied who graciously agreed to meet with us to discuss their organisation and to share relevant information with us. There were many people who worked on this study, all of them sharing the GreaterGood South Africa vision that we all have something to give and invest in the future of our nation.

Finally, I hope that this will be the first of a series of research reports on the potential for social impacting investing. We welcome your comments on how we can make it more useful to all potential investors in this sector.



Daniel D Bradlow  
SARCHI Professor of International Development Law and African Economic Relations  
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## Background

South Africa is an upper-middle-income country in per capita terms. The number of South African dollar-millionaires increased by almost 14% between 2006 and 2007<sup>1</sup>, and a rapidly growing black middle class has boosted the country's house, car and retail sales over recent years. Despite the economic contractions of 2008/2009, the gap between the wealthy and poor has continued to grow wider in South Africa and is now thought to be the worst in the world<sup>2</sup>. Our country thus has two very different tiers; one well-developed and prosperous, the other poor and struggling to access opportunities for upliftment.

A great deal of money has gone into social and economic development in South Africa since the fall of apartheid. A recent Human Sciences Research Council national survey on social giving in South Africa found that regular citizens give roughly R12 billion a year from their own pockets to help others whilst corporate philanthropy stands at an estimated R5 billion per year. Nevertheless, things do not seem to be getting substantially better for the poor in the country and its major challenges – HIV/AIDS, housing, employment, income security, education and food security – remain significant.

With the 2015 deadline for the Millennium Development Goals (MDG) moving ever closer, it is saddening that sub-Saharan Africa is now the furthest away from achieving them. The current financial crisis is likely to further entrench the barriers to achieving the MDGs with expected reductions in social spending. This situation demonstrates more clearly than ever that philanthropy and corporate giving is not sufficient to achieve sustainable solutions to the world's problems.

The last decade has seen an explosion of innovation in the field of social finance as a growing international community has experimented with a variety of approaches to tackling some of the world's most intractable social problems. Social investment platforms like the South African Social Investment Exchange, the United Nations Human Development Social Exchange, the London Social Stock Exchange and the Social Stock Exchange of Asia have grown out of the need for effective, sustainable investment in social development. It is crucial that the allocation of capital for social good becomes as effective as possible, ensuring that social investment generates measurable returns.

By creating and adopting a rich diversity of strategies, all of which are now coming together within the field of Socially Responsible Investments (SRI), markets and business, capital and commerce can be harnessed not simply for the creation of individual wealth but also for the creation of social and environmental prosperity.

With a well-developed financial sector, South Africa represents a market with a largely untapped ability to support sustainable socio-economic development and growth through commercially viable socially responsible investment (SRI) in high social value initiatives.

Poorer communities represent significant opportunities for investment that could not only offer financial returns but also a wide-reaching and sustainable solution to our social challenges. These communities have large, unmet needs for infrastructure development, entrepreneurial opportunities, employment and consumption. Yet these investment opportunities remain relatively inaccessible to even the most interested investors.

### Investing for impact – SASIX

GreaterCapital's SA Social Investment Exchange (SASIX) is an innovative process and technology platform which connects social investors with the development world. SASIX lists evaluated projects in priority development sectors for corporate and individual donors to invest in, providing investment opportunities on a continuum from social investments through to investments offering market-related financial returns from socially responsible initiatives.

SASIX applies the same sort of assessment and due diligence consideration to projects as would be applied to financial investments and so helps to raise the bar for public, corporate and civil society participation in social development in South Africa. The Exchange also works to level the playing field by giving small, pioneering non-profit organisations the same access to funds and capacity development as the better-known causes.

SASIX has made a significant contribution to South African development issues with over R15million invested in 53 social development projects and a further R12million in high-impact investments in just over two years. The vast majority of SASIX beneficiaries come from poor, under-resourced, rural communities where SASIX has already directly or indirectly impacted on an estimated 159,680 lives.

[sasix.co.za](http://sasix.co.za)

<sup>1</sup> Capgemini Merrill Lynch World Wealth Report, 2008

<sup>2</sup> Business Report, 28 September 2009. South Africa has widest gap between rich and poor.

This research demonstrates the needs and opportunities for investment in mission-driven, community development projects, as well as providing insight into the specific challenges, barriers and potential solutions to investment into organisations that will yield a high impact social and financial return.

South Africa will not be able to escape the effects of the current financial crisis, particularly on the poor. Global cuts in development assistance and trade in response to the crisis will have a devastating effect on development and organisations delivering on social missions. These organisations will need to review their strategies for sustainability to ensure that they can weather the storm and continue to work towards sustainable poverty eradication. The particular implications and impact of the crisis at a local level are also considered in this report, although it is unlikely that the crisis has impacted significantly on South African organisations and their respective client bases yet.

## Objectives

The overall objective of this study was to identify those development organisations in South Africa that are currently, or could in the relatively near future, be capable of acting as Implementing Agents for financial investment in high social value Impact Investment opportunities. A second objective was to understand and define the main technical issues that these organisations are experiencing. Ultimately this study would like to inform a strategy for targeted engagement in order to best support and build capacity within these organisations so that they are able to absorb social capital to scale and maximize the social and environmental impact of their investments.

The study also strives to contribute to the longer term goal of building an accurate picture of the South African Impact Investing landscape for interested social and responsible investors. More specifically, it strives to build an understanding and appreciation of the potential and power of community investment in social mission-driven projects that will yield a high social and/or environmental impact together with a financial return.

### Specific objectives include to:

- provide a broad picture of the current South African landscape with respect to opportunities for impact investment
- enhance investor understanding of the potential and capacity of community investment opportunities as well as the environment in which they operate
- provide insight into the specific challenges and barriers to investment in community investment opportunities that can yield both a high social impact and a financial return
- make recommendations that will enhance and optimise the existing potential of these investment opportunities and overcome barriers to investment in order to ultimately increase the supply and demand of community investment and Impact Investment more broadly.

## Scope

This paper considers current trends in, and opportunities for, community investing in South Africa with a specific focus on the Community Development Loan Fund (CDLF) sub-sector. These opportunities encompass investing in revenue generating projects that create jobs, services and opportunities for historically disadvantaged individuals and communities.

This research, undertaken by GreaterGood SA, is based on an earlier study that was commissioned by Daniel Bradlow and funded by the Wallace Global Fund. The original study was commissioned to identify private development organisations in South Africa that are most capable of acting as Implementing Agencies for Retail Development Bonds. The participants of the original study constitute the Community Investment Institutions (CIIs) identified and reviewed for this paper, which were selected on the basis of their expertise and demonstrated success in working within the community investing sector. These CIIs generally work with individuals, small, medium and micro-enterprises, community based businesses or projects related to low income housing. They include organisations based and working in both urban and rural areas across South Africa.

### The South African Impact Investing Network (SAIIN)

SAIIN was established as an initiative of the GreaterGood Group and the South African Social Investment Exchange in 2008 to raise awareness about, and advance the concept, practice and growth of Impact Investing in South Africa. Operating as a national membership association, SAIIN aims to:

- Fulfil an advocacy role by raising awareness and stimulating debate around impact investing and its value to South Africa
- Grow the body of research available to facilitate the expansion of impact investing in South Africa
- Research and examine the capacity and technical challenges facing impact investing opportunities, and chart possible solutions to these
- Consider the impact of regulatory frameworks: how they create barriers and/or how they could be used to encourage, impact investing in practice
- Provide programs and resources to advance impact investing in South Africa through investor awareness and understanding
- Networking: develop effective mechanisms for investors, implementers and capacity strengtheners to work together to grow the impact investing sector in South Africa.

## Community Investing

Community Investing refers to the practice of capital from investors and lenders being specifically directed to communities that are under-served by traditional financial services and that are marginalised, if not excluded, from mainstream economic markets. It provides these communities with access to credit, equity, capital and basic banking products through Community Investment Institutions (CIIs) which combine the expertise of a financial institution with a commitment to serving lower income or distressed communities. CIIs broadly provide financial services to 'previously unbankable individuals' and a vehicle for providing capital for small businesses,

social/low-income housing and community services such as child and health care<sup>3</sup>. In South Africa, this sector is focused primarily on the provision of financial services to individuals, capital for small businesses and social/low-income housing.

The community investing industry comprises a wide range of types of institutions and initiatives focused on community development in under-served or distressed communities around the world. The primary types of CIIs include:



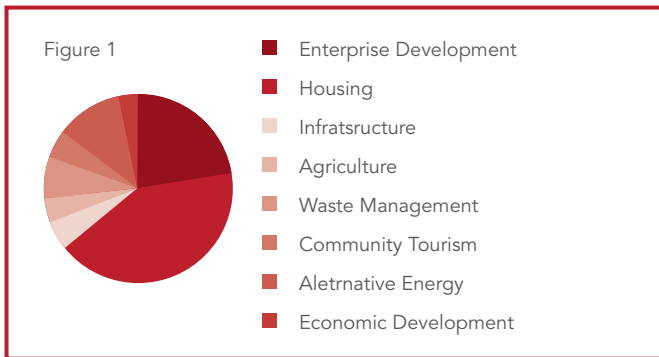
<sup>3</sup> The Social Investment Forum Foundation. 2008. 2007 Report on Socially Responsible Investing Trends in the United States. Washington.

## The Impact Investment landscape in South Africa

### Overview

Figure 1 reflects a sector overview of 67 identified Community Investing Institutions operating across South Africa's nine provinces.

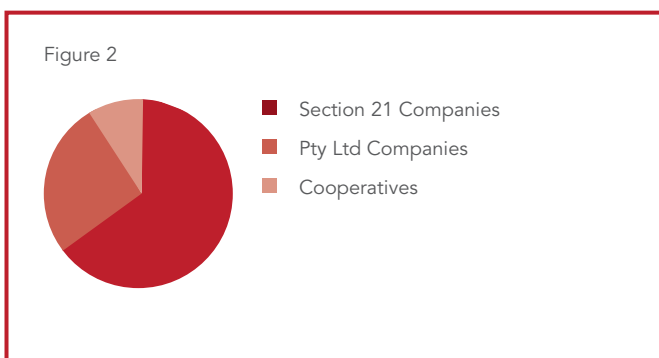
### Sectors



Source: SA Impact Investing Network

The research process narrowed this down to 14 evaluated CDLF organisations, with four of these representing a relatively higher level of capacity and more mature investment opportunity. One of the 14 participants in the original study has closed down during the last year.

### Structures

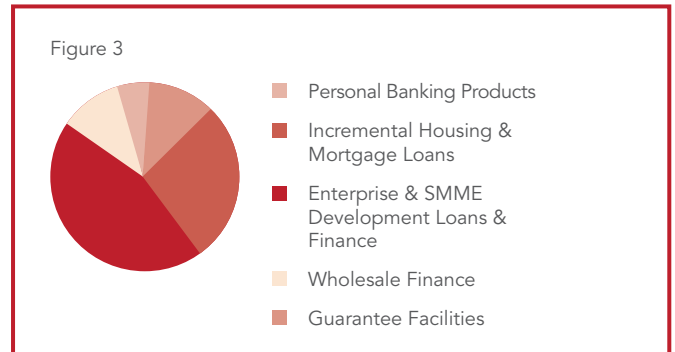


Source: SA Impact Investing Network

### Products, methodologies and monitoring

The products offered by the evaluated CIIs broadly include loan and savings facilities for individuals, incremental housing and mortgage loans, and a range of loan and finance products for enterprise and SMME development. The finance products for enterprise and SMME development represented by the evaluated CIIs do not currently include patient capital in the form of equity or near-equity.

### Product offerings



Source: SA Impact Investing Network

More specifically, the range of products and terms on offer include:

- Personal banking products including: short-term loans for 6 months at 60%pa, fixed deposit and fixed term savings accounts and cell phone banking for individuals
- Incremental housing, mortgage and property loans for 24 months at 29 - 45% pa and up to 15 years at prime +2, respectively
- Enterprise/SMME loans and liquidity and stabilisation loans for entrepreneurs and enterprises of various sizes, ranging from terms of 4 - 18 months at 22,5% - 60%pa
- Contract/bridging finance for emerging and established contractors/developers for 12 months 5 years at prime+5%pa - repo+10%pa
- Asset-based finance and asset finance for 48 - 60 months at 20% - prime+5%pa
- Equity finance for between 4 and 7 years
- Operating capital loans for 12 - 24 months at prime+5%pa
- Wholesale finance for on-lending to end users for 36 months at 13%pa
- Guarantee facility to banks on behalf of intermediaries for 36 months at 1 - 3% of the loan amount.

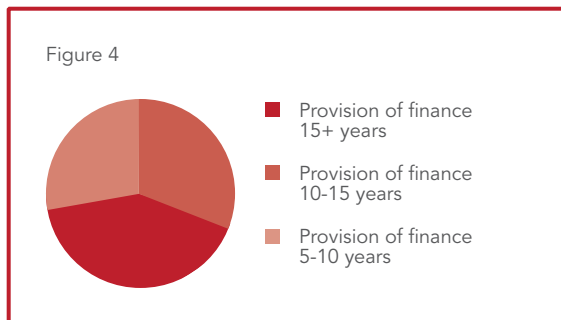
In terms of the methodologies, models, tools and processes used for identifying potential clients, most organisations identify clients through their loan officers operating on the ground and through other staff members that work within the communities. One of the CIIs uses their relationships with building material suppliers to grow their client base.

Most of the organisations conduct visits on a regular basis to monitor their clients' progress and maintain close working relationships.

## Experience and expertise

One of the criteria for reviewing organisations was that organisations must have been providing finance for at least ten years or that the senior staff members of the organisations have ten or more years experience in the industry. In all instances, the evaluated organisations have either the one and/or the other except in the instance of two organisations, which were established between five and ten years ago and the senior staff members have no prior experience in the industry.

### Business Lifespan



Source: SA Impact Investing Network

A fundamental challenge faced by organisations operating in this sector is the lack of leadership and management experience to develop good systems and capacity strengthening within organisations to scale their activities.

### Organisational structure and capacity

The information provided on organisational structures, numbers of staff employed, branch structures and staff experience differs vastly from organisation to organisation according to their specific requirements and it is therefore difficult to make comparisons. The CIIs evaluated broadly employ between 2 and 250 staff members operating from between 1 and 23 branches.

In terms of the number of clients managed per loan officer, or equivalent persons involved in making decisions to lend money or identify possible investments, these also vary substantially from one organisation to the next. However, one can broadly conclude that those organisations providing finance to small and medium enterprises operate with approximately 50 clients per loan officer. Separately, those organisations providing micro-finance typically service between 190 and 376 clients per loan officer.

### Provision of training for loan officers

In terms of training provision for loan officers, there appears to be a limited pool of organisations providing specialised training in this sector. Many of the evaluated organisations send their loan officers on Bank Sector Education Training Authority (SETA) accredited training programmes and courses provided by a government DFI.

Organisations working with large numbers of loan officers, such as those operating in the micro-finance sector, tend to provide intensive in-house training and in-the-field training and support to capacitate their staff members in line with their organisational culture and systems.

### Networking and collaborations

None of the evaluated organisations have any direct links to the South African Government; however most have received funding from government funded agencies.

### Affiliation to umbrella organisations

It would appear from the information provided by the evaluated organisations that there is no overarching umbrella organisation providing support services within this sector. However, many of the organisations stated that they are members of such bodies as the Association of Microfinance Institutions of South Africa (AMFISA), Africa Micro Finance Institution Forum, the Microfinance African Institutions Network, the National Association of Social Housing Institution (NASHO), and the Rural Housing Loan Fund Support Network.

### Partnerships and Technical Support

Networking takes place between organisations working within the same sectors and informal partnerships do exist in order to enhance service provision. Services provided by partner organisations generally include mentorship and the provision of technical support.

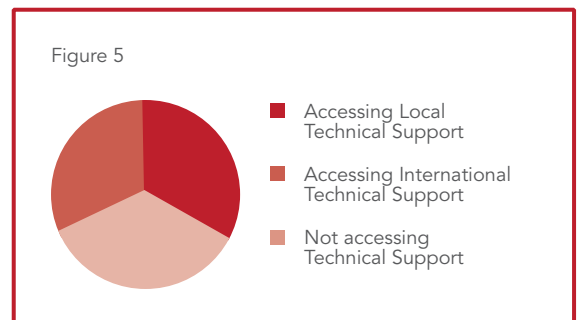
### Use of Intermediaries

Most of the organisations provide loans directly to the end-users, with the exception of a few organisations who work with intermediaries who in turn on-lend to end users.

### Management Information Systems

The management information systems utilized by the evaluated organisations range from Pastel for Accounting, Legal Suite (for Loan Management), Credit Union Banking Information System (Cubis), Abacus, Softline Products and Micro Loan Administration System (MLAS). Most of the organisations have also designed their own in-house systems to suit their individual needs.

### Technical Support



Source: SA Impact Investing Network

## Financial situation

### Changing financial climate

South Africa is Africa's largest economy and to date its banks have remained relatively sheltered from the global financial crisis. This is largely based on their limited exposure to the subprime lending or higher risk home-loan securities institutions, at the root of the crisis. Other factors contributing to South Africa's relative insulation include the high interest rates, the National Credit Act which tempered borrowing and guards against excessive lending and exchange controls limiting international exposure. Local banks also tend to lend to each other rather than relying on overseas lenders for finance.

The evaluated CII's are certainly conscious of the likely increase in defaults due to the high interest rates<sup>4</sup> in South Africa. There is a prevailing sentiment that this context of high interest rates and inflation<sup>5</sup> in South Africa has resulted in a sharp increase in the number of people desperate to access finance and seeking micro-credit as the vehicle. Despite increasingly rigorous credit checks and the credit enhancement facilities in place, some CII's expect that this will result in higher default rates with clients using business loans for personal use to smooth out consumption. One of the organisations providing unsecured loans has increased their lending interest rates<sup>6</sup> to counter the increased risk of defaulted payments. South Africa is also on the verge of an economic downturn on the back of the international financial crisis; however this has not yet impacted on the clients or finance providers of the evaluated CII's.

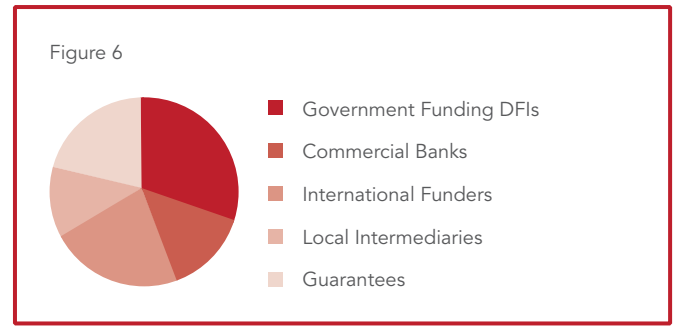
Although South Africa is not yet feeling the full impact of the financial crisis, CII's operating in this space need to take account of the challenges that are almost inevitably facing them - not only in the context of increased client defaults as the 'poor' are affected - but also in terms of changing regulations for financial transfers, longer periods to realise expected revenue, inflationary effects on the costs of inputs and fluctuations in the value of staff remuneration and benefits. They may also see dramatic effects as the financial crisis impacts on their finance providers, potentially leading to decreased finances available for loans.

The enforcement of the National Credit Act (NCA) has not generally had an impact on the evaluated CII's besides the need for some changes in credit screening processes to include more stringent controls. The limited impact is due to the fact that the majority of these CII's were operating in accordance with NCA guidelines for interest rates charged prior to its implementation.

### Funders for Loan Finance

Organisations currently receive their loan finance from a variety of institutions including the government funded institutions, commercial banks, international funders and smaller intermediaries. One Government DFI emerged as the most common and extensive financier to the participating CII's. The interest rates paid to these institutions varies quite substantially but most seem to be in the region of between prime less 2% and prime less 5%.

## Source of finance



Source: SA Impact Investing Network

The organisations that have access to a broad range of financiers generally do not report difficulty in accessing finance. However, those organisations that rely on finance provided by government-initiated DFIs tend to be dissatisfied with the service provided and the politics involved, as well as having experienced difficulty with long lead times, for example up to 13 months, for loan approvals. These CII's identified the need for a lender who understands the industry their clients operate in and provides flexible product offerings. They reported a perception that DFIs can be too rigid in their provision of standard loan facilities with limited negotiation around the specific needs of the borrower. This inflexibility can in turn impact on the CII's' ability to provide a relevant, needs-based product to their own clients. This need was identified alongside the ongoing need for access to 'cheap' finance at a below market-related return.

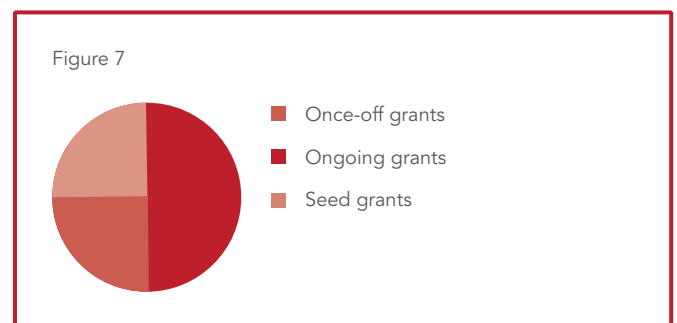
### Use of grant funding

Some organisations have received once-off grants for specific interventions such as, a new IT System. A key DFI finance provider has also provided seed loans that are converted to grants when organisations are established and achieve set targets. Only four of the evaluated organisations continue to receive grant funding on an ongoing basis.

### Use of Guarantee Funds

Five of the evaluated organisations are provided with guarantees toward their loan finance. This enables access to a larger loan facility. Guarantors are in turn paid a percentage of the guaranteed amount.

## Grant Funding



Source: SA Impact Investing Network

<sup>4</sup> The prime interest rate was 15.5% in June 2008. Despite a decrease in prime interest rate of 1.5% percent in early 2009, interest rates are still high in comparison to other parts of the world.

<sup>5</sup> The Consumer Price Index, a measure of inflation averaged 11.5% in 2008, which is way above the target band of 3 – 6%.

<sup>6</sup> Their interest rates are still within the NCA guidelines.

## Social impact

### Target Beneficiaries

The majority of the organisations working in the small and medium size enterprise development sector assist entrepreneurs, many of whom originate from historically disadvantaged communities and who have difficulty in accessing finance from formal financial institutions. These enterprises have high financial risk profiles and generally do not have any equity to be leveraged. Beyond this commonality, their profiles vary enormously from the illiterate and innumerate to those with very good education, from semi-skilled to highly skilled, and from capacitated enterprises to those businesses with limited resources available to them.

In general, organisations providing micro-finance loans work mainly with rural, poor women who engage in various small income-generating activities that are primarily subsistence in nature.

In terms of the evaluated organisations that participated in this study and that operate in the low-income housing sector, the range of target beneficiaries varies greatly as do the models that are being implemented.

These innovative approaches broadly include:

- working with individual savings groups in low-income communities to develop the housing sector
- working with both established and emerging contractors to develop the low-cost housing sector
- enabling Inner City Housing Entrepreneurs to own property and earn a rental income thereby promoting entrepreneurship as well as facilitating the upgrade of inner city infrastructure.

### Expected Life Change

The expected life change and social impact that results from the provision of finance and support by the evaluated organisations to their clients include:

- Maintaining and creating viable and sustainable direct and indirect jobs
- Alleviating poverty
- Improving lifestyles
- Improving credit worthiness of individuals and businesses
- Affordable finance, indirect access to new markets
- Creates sustainable businesses
- Financial and social empowerment
- Improvement of relations within households
- Improvement in living conditions (housing)
- Increase in value of assets
- Improvement in health

While all the organisations listed some if not all of the above benefits in the data collected, in general the kind of impact analysis conducted by the organisations does not relate to the social impact, but is primarily focused on the financial monitoring necessary to maintain the integrity of their loan portfolios. This limited measurement of the social impact resulting from the services provided by CILs needs to be reviewed and further developed in order to facilitate conscious, high social impact investment decisions that are based on measured impact rather than the common sense assumption of impact.

It is evident that most of the organisations operating in this space require support to strengthen capacity in the area of social impact or life change measurement and to develop specific indicators for this measurement that are aligned to their intended impact and products. Many of the organisations plan to implement systems to record and measure the social impact of their products and services on their target beneficiaries, but do require the above-mentioned support to develop appropriate indicators and measurement systems.

Most of the organisations report that any impact analysis they conduct does not continue beyond the duration of the loan. Some organisations do reportedly measure the number of beneficiaries that have 'graduated' into the commercial and bankable sector, though there is little evidence to support this. One of the incremental housing finance providers occasionally conducts project-based property valuations to measure the added value to their clients.



## Sustainable solutions to poverty: The Kuyasa Fund

The Kuyasa Fund has pioneered a microcredit methodology that fits the South African context well; empowering low-income households to transform their shacks into homes. Originally operating within the Western Cape only, a R10 million investment by SASIX Financial and the Cadiz Financial Strategy Group enabled Kuyasa to expand their services to the Nelson Mandela Bay Municipality and Eden in the Eastern Cape.

The Kuyasa Fund provides housing microfinance services to low-income households in the Western and Eastern Cape, empowering the poorest of the poor to change their lives. Kuyasa provides responsible access to credit to people with secure occupational rights (i.e. those who qualify for a state housing subsidy) who fall outside of the formal banking sector. The fund was established in 1999, in response to the reluctance of formal commercial lending institutions to offer housing loans to the poor. Their aim is to improve housing, while at the same time build social capital.

The Kuyasa Fund, a registered non-profit organisation and public benefit organisation, emphasises the importance of saving, encouraging both group and personal savings as part of their microfinance services. In this way, they build on the local culture of stokvels and building societies. Kuyasa offers loans of between R1,000 and R10,000, depending on the amount of savings that the applicant has made. Applicants have a maximum of 30 months to pay, with risk-related interest rates of 32-40%. To date, they have granted more than 12,000 loans, and achieved a 95% repayment rate. There are currently more than 4,000 active recipients of loans. Kuyasa reports a total loan value of R60,500 000 since inception.

The majority of Kuyasa loanees earn less than R2,000 per month, and 76% of loan recipients are women. Kuyasa focuses on vulnerable groups in society, particularly

women and pensioners. The loans typically finance an extra room or other expansion on a state RDP house, but they can also finance plumbing, plastering, electrical wiring, and other home improvements. An average RDP house is just 36 square metres, while the average household comprises more than five people. The Kuyasa loan enables people to expand their houses to 64 square metres on average, creating more space and more privacy, and improving general living standards.

Improving housing in this way improves family stability and cohesion, general well being, health and educational performance. It empowers people to manage their own development, and boosts self-confidence. Kuyasa loans also establish credit profiles for communities that would otherwise have been excluded from mainstream finance. They also substantially increase the value of the houses – thereby bolstering the commercial assets of the loanees.

Mr Velele is testament to the success of Kuyasa. He lived with his family of five in a one-roomed shack in Khayelitsha for many years. The lack of space and privacy made it difficult for the children to study, play and develop. Mr Velele managed to extend the shack to two rooms, but their living conditions didn't get any better. Eventually, he received a government housing subsidy, which provided R8,000 worth of building material, to which they added their savings. But it was not enough to complete their extensions, and the house stood roofless for nine years, before they heard about Kuyasa. As soon as he did, Mr Velele borrowed R5,000 to buy the roofing material. "In my life I have never believed in miracles, but now I believe that anything is possible," he said.

With the support of SASIX Financial and Cadiz, The Kuyasa Fund has been able to create more success stories in the Eastern Cape, changing the lives of people just like Mr Velele, for good.



## Conclusion

The current global financial situation highlights the need for a shift in investment practice to include conscious choices to pro-actively contribute towards the combating of environmental and social issues. While traditional socially responsible investment practices of positive and negative screening are a step towards more sustainable practice, real change demands that investors go beyond this and make choices to put capital to work at scale to generate social and/or environmental value and financial return.

South African individual and institutional investors, organisations and enterprises that are actively addressing social and environmental challenges and organisations who can strengthen the capacity of the emerging community investing institutions, have an opportunity to collaborate and shape a strong impact investing sector within the country. These three key groups are essential ingredients to simultaneously address the supply and demand sides of impact investing as it currently stands in South Africa.

The South African Impact Investing Network provides a platform where these three groups can meet and constructively address the barriers, as outlined in this report, that currently exist to large-scale impact investment. This network constitutes a catalyst that can facilitate the development of appropriate support systems and structures required to establish and grow this sector.

**Download the full research paper at [saiin.co.za](http://saiin.co.za)**





**The South African Impact Investing Network [SAIIN]** is a member-driven network established by GreaterCapital in 2008 to raise awareness about and advance the concept, practice and growth of Socially Responsible Investment in South Africa. SAIIN creates a rich forum for all stakeholders to engage in the development of impact investing to advance transformation in South Africa.

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