The socio-economic role of Impact Investments in South Africa

Kgosietsile Thato Matsafu

WITS Business School

Thesis presented in partial fulfilment for the degree of Master of Business Administration to the Faculty of Commerce, Law, and Management, University of the Witwatersrand

30 April 2021

DECLARATION

I Kgosietsile Thato Matsafu declare that this research report entitled 'Evaluating the socio-economic role of Impact Investments in South Africa' is my own unaided work. I have acknowledged, attributed, and referenced all ideas sourced elsewhere. I am hereby submitting it in partial fulfilment of the requirements of the degree of Master of Business Administration at the University of the Witwatersrand, Johannesburg. I have not submitted this report before for any other degree or examination to any other institution.

Kgosietsile Thato Matsafu

Signed at Johannesburg on 30th April 2021

Name of candidate	**Kgosietsile Thato Matsafu**
Student number	**1789238**
Telephone numbers	**083 354 2516**
Email address	**1789238@studendents.wits.ac.za**
First year of registration	**2019**
Date of proposal submission	**15 January 2021**
Date of report submission	**30 April 2021**
Name of supervisor	Derek Seeley

ABSTRACT

Author: Kgosietsile Thato Matsafu **Supervisor** Derek Seeley

Thesis title: The socio-economic role of Impact Investments in South Africa

This research aims to investigate the role played by socio-economic factors in inducing Impact Investments in South Africa. The triple threat of poverty, inequality and unemployment remains a challenge in a low growth environment. To address all these challenges, major investments are required that will have a high impact and deliver bottom line results. Impact investing is still a nascent asset class in South Africa. The evolution of alternative asset classes and private markets in funding high impact investments is gaining momentum worldwide. South Africa's low growth environment due to lack of new investments into the economy is not abating. The lack of packaged projects that are ready for funding presents an opportunity for the investment community. The global movement supporting sustainable finance (ESG) and social impact outcomes is becoming mainstream.

Johannesburg, 30 April 2021

TABLE OF CONTENTS

LIST OF TABLES

No table of figures entries found.

LIST OF FIGURES

ACKNOWLEDGEMENT

I would like to thank my **Lord and Saviour Jesus Christ** for giving me the wisdom to complete the MBA programme. The road to complete this journey was full of challenges, but my faith kept me strong.

Throughout the writing of this dissertation, I have received a great deal of support and assistance.

To **my supervisor**, **Derek Seeley** for your guidance and insights throughout the research process.

To **Dr Bongani Munkuli** for your counsel and encouragement is appreciated.

To **all the respondents** who participated in my interviews at short notice, I have made long lasting friendships from the process.

I would not have reached the end of this milestone without your selfless sacrifice and your encouragement and prayers of **my lovely wife, Zandi**.

To **my children, Nandipa, Lesedi, Leruo and Leano,** the last two and half years I have been absent in your lives, hoping to catch up and make it up for lost time.

To **my mother, Irene** whose prayers and encouragement kept me going.

I dedicate this research to **my late father, Marcus Matsafu**, who instilled in me family values and strong work ethic and trusting and having **faith in God**.

1 INTRODUCTION TO THE RESEARCH

This research evaluates the development of Impact Investments in South Africa. In a United Nations Development Programme report of 2018, it highlights how over the last decade, private flows to the African continent, have increased with a growth from 63 per cent of total resources in 2002-06 to over 70 percent in 2010-14. However, this has been hampered by the Covid-19 pandemic which has led countries to face multiple crises – a health crises, a financial crises and collapse in commodity prices Gopinath (2020). Countries such as South Africa that are reliant on tourism, hospitality and entertainment for their growth, experienced large distractions (Škare, Soriano, Porada-Rochoń, & Change, 2021).

Importantly, Škare et al. (2021) notes the effect of the pandemic on the mining sector which is amongst the country's biggest sector. Travel restrictions, shutdowns and port closures have resulted in decreasing demand for steel, iron ore, lithium and cobalt. Developing markets have witnessed the withdrawal of investors and flow of aid and assistance projects ceased as donor countries themselves struggling with the same pandemic situation. With the first and second waves of the Covid-19 appearing to have eased off, the South African government has started lifting restrictions and measures are in place to revive the economy.

The role and importance of impact investing presents itself at even a better time than it was ever before. Impact investing in South Africa has tended to focus on the country's development imperatives: employment creation, growth and promotion of SMEs, economic empowerment of historically disadvantaged groups and the provision of basic services. The Rockefeller Foundation and Omidyar Network played a key role in supporting the initial development of the country's impact investment infrastructure including research, the promotion of impact measurement standards and best practice and the establishment of a national impact investment network.

Having provided a brief introduction on what this research will be based on, each section within this thesis will outline several key factors. In section 1.1, a brief introduction to the terms and concepts in this research will be elaborated. Chapter 2 will provide a more specific and detailed discussion on the research context. The research conceptualisation section provides for the research problem statement (Section 1.4.1) and consequently the purpose of this research (Section 1.4.2) as well as the research questions (Section 1.4.3). The delimitations and assumptions of the research study are in Section 1.3 while we discuss the significance of the research study in Section 1.4 and provide a preface to the research report in Section 1.5.

1.1 The theory on Impact Investments

Falkowski (2013) argue that philanthropy is the foundation of how impact investments came to be established. The author further argues that it is through philanthropy that played a key role in attempting to minimize the negative effects of poverty in society. This has been observed through the high net worth individuals and their involvement in charities have sought to combat a variety of social challenges. Bill Gates and his wife Malinda founded their foundation with the primary goal of enhancing healthcare and reducing extreme poverty across the globe. The Bill & Malinda Gates Foundation is reported to be the largest private foundation in the world, holding $46.8 billion in assets (Chepkemoi, 2017).

Alongside philanthropy is Social Responsible Investing (SRI). SRI as an investment approach that generally employs negative screening to avoid investing in harmful companies which are creating negative spill overs in society through their activities, such as tobacco companies, alcohol, weapons et cetera (Wilson, Silva, & Ricardson, 2015). (Falkowski, 2013) attribute this investment style to its origins dating back to 1758 during the Quaker movement in the United States whereby members were prohibited in participating in the slave trade. The early days of SRI where motivated by religious belief as evident by its earlier adopters such J Wesley (1703-1791, founder of the Methodist Church) who outlined the first set of principles prohibiting to harm fellow citizens while conducting business such as chemical businesses.

Around the 1980's, a growing number of companies began to focus on environmental and social issues characterized by corporate social responsibility (CSR) (Wilson et al., 2015). The longstanding old adage and concepts (propagated by Friedman) that there is one and only one social responsibility of business in using its resources and engaging in activities designed to increase its shareholder profits is challenged (Friedman, 2007).

Since the 80's, portfolio diversification started emphasising on environmental, social and governance (ESG) criteria in making social investment decision and process. (Falkowski, 2013) recognised unique attitudes represented by social investors being centred on the willingness to align their investment activity with independently defined interests such as "mission based investing" (MBI) and "programme related investing" (PRI). These approaches accommodated concepts such as "double" and "triple bottom line" investing that considers the three pillars, people, planet, profits. The combination of financial, social and environmental performance gave a balanced prominence to financial and social/environmental goals.

Microfinance industry is an early model of changing approaches to financing which also accommodated social needs (Wilson et al., 2015). According to Sengupta and Aubuchon (2008), microfinancing gained visibility at the turn of the millennium by promoting socio-economic development for women. This view is supported by Pitt and Khandker (1998) study which shows that loans to women have a positive impact on outcomes such as children's education, contraceptive use and the value of women's non-land assets. This type of financing is characterised by lending to usually small business enterprises with accompanied repayment plan with modest returns to the lender. Between 2005 and 2007, the term impact investing is referred to as blended value investing (Bonini & Emerson, 2005). As time progressed, impact investments become synonymous with practitioners and investors involved in social investments investing in ventures that combined philanthropy and sustainable development by blending social, environmental and economic values, known as "blended value investing" (BVI) (Bonini & Emerson, 2005).

Today many institutions around the world are experimenting with this novel form of investment designed to generate both competitive returns and positive social and environmental transformation (Falkowski, 2013).

1.2 Socio-economic landscape in South Africa

Seekings (2007) notes how apartheid had perpetuated income poverty and exacerbated income inequality wherein African people had been dispossessed of their land, had restricted opportunities for employment, were limited to low-quality education and health care and confined to impoverished parts of the countryside or cities. Income inequality worsened after 1994 including in the early 2000 is as the Gini coefficient – i.e. a widely used measure of inequality, rose by five-percentage point over five years from 0.65 to 0.7. The decline in income poverty in the early 2000s is primarily due to the expansion of social assistance grants, i.e. tax-financed, non-contributory programmes providing for the elderly, the disabled and poor parents with young children.

South Africa presents a good case study of a developing country with a dual economy, one that is seen as middle income economy mostly developed around mining industry (Fine, 1997). On the other hand, the country has a powerful finacial and banking industry (EY, 2019). Sulla and Zikhali (2018) argue that nearly half of the population of South Africa is chronically poor at the upper bound national poverty line of ZAR 992 per person per month. High unemployment remains the key challenge in creating sufficient jobs. Racial and gender disparities are still predominant in South Africa. Therefore, it makes it worth analysing the emergence of impact investments in such a polarized political economy.

Biyase and Zwane (2018) acknowledge the various economic plans developed over the years to address the issue poverty. The first efforts to address poverty and inequality can be traced back to the 1993 Reconstruction and Development Program (RDP) (Sulla & Zikhali, 2018). According to Biyase and Zwane (2018), in 2004 the Accelerated and Shared Growth Initiative for South Africa (ASGISA) is formulated to address the challenges of acute poverty and other related problems (unemployment and low earnings and muted economic growth). In 2010, the New Growth Path Policy raised similar issues relating to unemployment and poverty levels that remained high by international standards.

The most recent government policy is the National Development Plan introduced in 2013 as South Africa's long term socio-economic development roadmap which is viewed as a blueprint for eradicating poverty and reducing inequality in South African by 2030 (Biyase

& Zwane, 2018). According to (DPLG, 2005), provinces have an important role to play in contextualising national imperatives and grounding them wihtin the realisties and specifications of each province, and guiding local government in the development of and implementation of programmes for sustainable development. Provincial governments are tasked with insuring that economic planning, infrastructire investment and development spending take place in accordance with principles set out in the National Spatial Development Perspective (NSDP).

The South African government has made efforts to reform the state-owned entities (SOEs) landscape. Kanyane and Sausi (2015) argue that SOEs are the principal drivers of the formal sector of the economy, providing the bulk of economic growth as the main entities that deliver many social goods and services to ensure the quality of life to all South Africans. The fragmented SOEs legislative and policy frameworks has constrained their efforts to respond effectively to the socio-economic development mandate of the government.

Rondinelli (2008) observe that there is increasing evidence that indicates that most public enterprises do not contribute to the development or perform their public service functions ineffectively or inefficiently. The risk of political interference, cronyism, corruption in governance and operation, inability to generate adequate financial returns to cover costs or debt continue to plague many SOEs in South Africa from fulfilling their development mandates and objectives. Wilson et al. (2015) observe that social impact starts with addressing social needs and that can cover a wide range of social needs such as ageing, disability, health, children and families, affordable housing, unemployment, et cetera.

1.3 Advancement of Impact Investments in South Africa

Höchstädter and Scheck (2015) describes the concept of impact investing to achieve social outcomes not being a new phenomenon, where the origin of the term "impact investing" can be traced to 2007 and 2008 Rockefeller Foundation meetings in Italy that focused in building an industry for investing in social and environmental impact. GIIN (2016) defines Impact Investments as investments made into companies, organisations, and funds with the intention to generate social and environmental impact alongside a financial return. The measurement of social or environmental performance is central to this sector. Reisman and Millet (2018) study highlight that impact investing has grown into a $100 billion industry.

Urban and George (2018) indicates that South Africa's impact investing is characterised by three major subsector: capital markets, the banking sector and other non-bank financial institutions. The South African banking sector dominates the financial sector in South Africa, which is similar to other developing economies. The banking sector in South African aligns itself with impact investments to support sustained economic growth, development and social transformation in the country (Urban & George, 2018). GIIN (2016) attributes South Africa having the largest number of impact investors and the most impact capital disbursed of any country in the region. With South Africa's advanced financial system with low interest rates, makes affordable access to capital coupled with transparency in lending easy relative to the rest of the region. However, traditional funds and commercial banks are risk-averse and unwilling to lend to high growth businesses, despite a rising middle class.

South Africa's ability to remain a forceful FDI destination depends on the country resolving its political instability in the ruling party, providing leadership and building a vision that it can unite behind, failing of which could find its position waning (EY, 2019). According to Alessandri, Black, and Jackson III (2011), the black population of South Africa is legally prevented from full participation in the management of corporate South Africa, even though the blacks comprised approximately 77 per cent of the country's population. The new democratic government insituted the Broad-Based Black Economic Empowerment (BBBEE) that is aimed at increasing the economic participation of black South Africans. BBBEE deals appear to represent a form of corporate social responsibility (CSR) activity where firms making a discretionary action that furthers social welfare through the sale of a firm's equity to black empowerment groups or other black investors. The rationale behind BEE is efforts by government in trying to improve the conditions of a heavily disadvantaged population by redistributing wealth and creating a black middle class (Alessandri et al., 2011). Ducastel and Anseeuw (2020) describes the South African case on impact investments highligthing a reparative or corrective investment in a post colonial enviroment. From a socio-historical perspective, impact investments in South African differ from western countries because of its explicit racial dimension.

South African has a robust pension fund sector, with assets under management (AuM) as at January 2020 to the value of R2.164 trillion (PIC, 2020). The government owned Public Investment Corporation (PIC) is the largest pension fund of any type in Africa. Changes in the 2011 to Regulation 28 of the Pension Fund Act increased to 10 per cent of the proportion of a pension funds portfolio that could be invested in alternative assest classes – many of which including unlisted equity and are favoured by impact investors (GIIN, 2016). Impact investment is required to target underserved communities and drive growth in high potential sectors that include education, energy, tourism, financial inclusion and agriculture (GIIN, 2016). According to Kearns and Pound (2003), vulnarable communities usually are neighborhoods in innner city or rural areas that have a lower than the state average per capital income and higher than average unemployment. Other indicators include low educational attainment, minimal access to resources such as telephones and computers, few transportation resources, low home income ownership rates and high crime rates. Programs that are geared to ecourage business investment that leads to increased employent and personal incomes are encouraged.

1.4 Research conceptualisation

1.4.1 The research problem statement

The research area of impact investing is still emerging. This study seeks to answer the following key questions: what socio-economic variables influence impact investments in South Africa, and what are the key factors investors consider in allocating capital to an impact fund? McCallum and Viviers (2020a) argue that impact investing is one of the fastest growing Responsible Investing (RI) strategies globally and it is under-researched particularly in emerging markets. One of the challenges impact investors face is that the global impact investments market is still at an early stage of development.

Nicholls and Murdock (2011) acknowledge the lack of academic empirical work on impact investments. This scarcity of literature is despite the significant early momentum in impact investments, characterised by the rapid initial growth in activity, broad policy developments and multiple academic studies highlighting access to finance as one of the greatest challenges for the social sector.

GIIN (2016) notes the difficulty in developing accurate and effective tools to impact metrics in Southern Africa. Tracking metrics are expensive and time consuming overhead for early-stage businesses, potential diverting resources from enterprise growth. The assertion by Ormiston, Charlton, Donald, and Seymour (2015) views impact measurement as an important variable that provides a means to allow stakeholders to understand the value created by organisational activities. The notable frameworks mentioned include IRIS, which provides a set of standardized metrics to describe an organisation's social, environmental and financial performance, and GIIRS, which provides a rating to funds and companies to allow investors to benchmark and compare social and environmental performance.

Ormiston et al. (2015) indicates that there has been significant growth in Impact Investments over the past five years, which is driven by bespoke individual opportunities that presented limited scale, liquidity and diversification. Impact Investments provides substantial prospects for social entrepreneurs as it targets to catalyse funding for social innovation that tackles persistent social problems such child protection, urban transport, climate change, poverty and social development in post conflict societies.

Choda (2018) highlights that practice of impact investing is more than 10 years old and measurement approaches are not well developed and remain fraught with multiple methodological challenges. There is a need to understand the financial and social returns on these investments, because impact investing is a relatively new industry, data on activity and performance can play an important role and growing the industry (Wilson et al., 2015).

Clark, Reed, and Sunderland (2018) argue the prevailing market disincentives will make business continue to allocate their capital where it are used most efficiently to maximize return on investments, regardless of environmental impacts. There is a lack of information on the current scale of private investment flows to landscape approaches

due to various factors. These includes the absence of coordinated and systemic efforts to collect information on investment flows, a lack of obligatory reporting requirements and overall insufficient transparency, making it extremely difficult to fully comprehend the current state of private financing and identify areas of potential opportunity.

1.4.2 The research purpose

The body of knowledge presented suggest that global impact investment market is still at an early stage of development and it is under-researched, therefore this research aims to investigate the level of awareness of social and sustainable investing and the role played by socio-economic factors in inducing impact investments in South Africa. South Africa's past ills of inequality and apartheid, coupled with high unemployment will be investigated how they influence drivers of impact investments in a low growth environment. To address all these challenges, major investments are required that will have a high impact and deliver bottom line results. The funding of social infrastructure require huge capital outlays to which government would need support of the private sector. Governments tends to formulate good plans for its citizenry but fails to execute and implement its plans. The research will investigate how private markets collaborate with government in funding social projects. Various financial institutions including DFI's, Pension Funds, Commercial Banks and Private Equity firms plays a key role in the development of Impact Investments in South Africa. Different market players would have different views on what drives impact investments, depending on the firms positioning and area of focus.

Factors that create an enabling environment to attract impact investments is a key consideration to develop a nascent market. Legislative interventions and political will to promote clean governance is explored in this study.

The financial variables are key in making investment decisions. Considerations such as investment thesis of investors, measuring tools for impact and the profile of investor's universe are important to investors. Lastly, there are divergent views on whether investors prioritise social returns over financial returns. The study will investigate and identify factors that investors consider in allocating capital to impact funds.

Electronic interviews with expert specialist Impact Funds managers and thought leaders in the impact space are scheduled. This study aims to address the long-standing debate between social returns versus financial returns by the relevant market players.

1.4.3 Research questions

The research questions for this research paper adopts the following broad themes:

<u>Section A:</u> These questions are based on trying to establish what socio-economic variables influence impact investments and growth in South Africa.

1. What are the main drivers influencing impact investing in South Africa?
2. How are private markets collaborating with government in funding social projects?
3. What is the level of awareness of social and sustainable investing?
4. What top three factors could create an enabling environment to attract impact investments?
5. Given the challenges of poverty, inequality and unemployment, what is the future of impact investments in South Africa?

<u>Section B</u>: These questions are based on identifying key factors investors consider in allocating capital to an impact fund

6. What informs firm's investment thesis?
7. What tools do firms use to measure impact?
8. What is a typical profile of investor universe for impact investments?
9. What initiatives the industry is undertaking to standardize impact measurement tools?
10. What are the views on social returns versus financial returns for impact investments?

Detailed respondents questions are in Appendix 1.

1.5 Delimitations and assumptions of the research study

The study will focus on South African firms and investors specialising in impact investments. A qualitative method of research is undertaken for this study by investigating trends and variables driving impact investments. This research will not look at early stage investments in impact investments.

1.6 Significance of the research study

Impact investing is still a nascent asset class in South Africa. The evolution of alternative asset classes and private markets in funding high impact investments is gaining momentum worldwide. South Africa's low growth environment due to lack of new investments into the economy is not abating. The lack of packaged projects that are ready for funding presents an opportunity for the investment community. The global movement supporting sustainable finance (ESG) and social impact outcomes is becoming mainstream. Some of the aspects that contribute to the significance of this study include the triple threat of poverty, inequality and unemployment is contributing to the low growth environment the country is facing. It is important to know what variables drives impact investments in South Africa and key considerations of allocators of capital to impact funds. The funding gap that makes government contribution not sufficient to fund social projects alone, justify the need by government to galvanise private sector funding to plug in the required capital. Lastly, the low levels of awareness and lack of standardized measurement tools for impact investing might be an impediment to the growth of this sector.

1.7 Preface to the research report

To this end, the report has six chapters. Following this introductory chapter, Chapter 2 provides a literature review covering the problem, the past studies, the explanatory framework and the conceptual framework. Chapter 3 discusses the research strategy, design, procedures, reliability and validity measures as well as limitations. Chapter 4 and

Chapter 5 presents and discusses the findings, respectively, to interrogating our research questions while Chapter 6 summarises and concludes the research.

2 LITERATURE REVIEW

This chapter has three broad objectives; namely to understand the research problem and its origins, to identify the knowledge gap, and to develop a framework for interpreting the research findings. Specifically, in Section 2.1, we begin with a brief detail on the origins of Impact Investments. Section 2.2 identifies players in impact investing from a demand and supply perspectives, which feeds into drivers of impact investments in South Africa, covered in section 3. In Section 2.4, we review literature on methods, data, and conclusions drawn by researchers who have tried to explain features underlying Impact Investments. With information arising from Section 2.4, we identify and detail qualitative attributes variables that are key to this research in Section 2.5 as well as a framework that we will use to interpret our research findings in Section 2.6.

2.1 Origins of Impact Investments

The creation of Grameen Bank by the 2006 Nobel Peace Prize winner, Muhammad Yunus led to a widespread interest in social enterprises and entrepreneurs that create them (Clarkin & Cangioni, 2016). The field of social entrepreneurship continues to mature and there has been a level of academic interest in social venture finance. In 2007, the Rockefeller Foundation convened a meeting in the Bellagio Center in Italy on philanthropy and developmental finance, where impact investing is used formally for the first time (Levine, 2009). Impact firms such as Acumen Fund, Aavishkaar fund and Villgro Innovations has been operational since much earlier and the term impact investing gaining recognition only recently (Agrawal & Hockerts).

Impact investing is a new type of investments made with the primary intention of creating a measurable social impact, with the potential for some financial upside (Entrepreneurship, 2012). GIIN (2016) define impact investments as investments made into companies, organisations and funds with the intention to generate social or environmental impact alongside financial returns. Choda (2018) concurs with this view by asserting that non-traditional market players such as impact investors are investing in the sector with the aim of social returns alongside financial returns.

Urban and George (2018) define impact investing as a prospect for the creation of economic and social value that has the potential to advance the quality of life and make social progress. From the above definition of impact investments, the risk returns profile of social or environmental alongside financial returns is taken under consideration. The ultimate objective of impact investing is to improve the quality of life and make social progress whilst achieving some financial returns. GIIN (2016) argue that economic disproportions create the potential for additional impact; however domestic DFIs and local corporations have made substantial inroads in providing much needed funding. Urban and George (2018) concur with this view that although there is modest economic growth with minimum impact on poverty, unemployment and inequality.

Choda (2018) gives a contrarian view that the continents economic growth and development is beginning to contribute to the continents economic growth. This is due to the total pools of funds available for social impact is on the rise. The African continent's historical past continues to derail its economic growth trajectory. Even with the injection of impact funding, there is minimum impact in addressing poverty and inequality. The increase of impact funding to emerging markets would require some level of transparency, governance and accountability to start to move the needle in addressing low economic growth on the continent. Impact investing is evolving and the academic discourse around it is nascent as compared to other disciplines. Reeder, Colantonio, and Institute (2013) notes the process of developing agreed terminology, assessment methods and metric systems is currently at an embryonic stage. This results in a wide spectrum of approaches on measurement of impacts and non-financial returns being prominent.

Jafri (2019) highlights how strategies of international organisations known for emphasizing private sector involvement in development started focusing on the role of financial capital from various sources, including Public Private Partnerships (PPPs), blended finance, philanthropy and impact investing strategies. Impact investors act as shadow banks that responded to constraints imposed on mainstream banks because of tight regulation, including stringent capital requirements and a response to search for yield from global institutional investors. In Pakistan, impact investing enabled the push for financial markets, products, techniques and institutions because the demand of investable assets outstripped the supply. Impact investing has led to the production of financial instruments that are offered by asset managers to attract capital from philanthropists – impact investments linking the shadow bankers to philanthrocapitalists (Jafri, 2019).

In South Africa there are two social impact bonds (SIB) launched – the Inclusive Youth Employment Pay for Performance, which achieved its target outcomes by placing 600 young people in jobs (Boggild-Jones, 2019). The other one is the Early Childhood Development project facilitated by the provincial government and sought to improve early childhood learning and development outcomes in the Western Cape by targeting 2000 children.

2.2 Demand and supply dynamics for Impact investments

Investing with the explicit goal of creating financial returns alongside measureable social and environmental benefits is experiencing exponential growth in attention and capital (Clark, Emerson, & Thornley, 2014). From a supply perspective, impact investors represents a class of investors that can operate as individuals (e.g. Bill and Malinda Gates Foundation), as a group of investors or as institutional (e.g. Target Foundation), venture capital funds (Roundy, Holzhauer, & Dai, 2017). Several new players have emerged and suppliers of impact investments include: corporations, banks and other financial institutions, public institutions such as pension funds, high net worth individuals and the angel investor community, development finance institutions, foundations and a nascent retail market through crowdsourcing (Block, Colombo, Cumming, & Vismara, 2018).

Impact investments is growing at 20% per year and there are now $60 billion in impact investments (Schatteman & Organizations, 2016). By 2025, it is estimated that the investment of impact investments in the U.S. alone could surpass the $2 trillion mark (GIIN, 2016). Roundy et al. (2017) findings showed that impact investors desired some level of financial returns and did not consider it an impact investment is no financial returns were expected. The study noted the insufficient capital available at all levels of venture needs, which compels the need for the creation of funds that can support venture at all stages of the entrepreneurial life cycle.

On the demand side are organisations seeking such investments includes charities; non-profits, social enterprises, and social purpose businesses that have projects in need of capital for their impact projects (Phillips & Johnson, 2019). Impact investments come in a form of a number of vehicles and instruments including private debt, deposits guarantees, community investment notes, pay-for-success bonds and social impact bonds (SIB) (Tekula, Andersen, & Review, 2019).

2.3 Challenges facing impact investing

Whilst impact investing has proven to drive social and environmental objectives, there are still pressing challenges that needs attention. Ormiston et al. (2015) outlines how investors' expectations regarding risk, return and impact vary according to their intentions. Investors who invest in impact projects are classified as either "financial first" or "impact first". Institutional investors (for example, pension funds, insurance companies, development finance institutions (DFIs), sovereign wealth funds, banks who manages funds on behalf of others are restricted by their fiduciary duties. In contrast, high net worth individuals and family offices are able to control the direction of their investments. The investor mandates and objectives differs amongst different investor profiles. Ormiston et al. (2015) notes a gap in understanding how traditional investors include impact investment within their portfolios. This gap is highlighted by practitioners where despite initial enthusiasm, many investors raise concerns as they begin to explore the implementation of impact investing (Addis, McLeod, & Raine, 2013). Freireich and Fulton (2009) notes "financial first investors" seek to achieve market financial returns from their investments whilst foundations and family offices position themselves as "impact first" investors seeking to maximize social or environmental returns with minimal financial returns. Finding a common approach to measure non-financial outcomes has become an important element as impact measurement provides a means to allow all stakeholders to understand the value created by organisational activities (Nicholls, 2010).

Taskforce (2014) argue the need for capacity building programs to help overcome the lack of investment ready social sector organisations. Most are not yet ready to be included in the approved lists of mainstream wealth advisors who may be knowledgeable about impact investments, but cannot do so without adequate reputational data to recommend any investments to their clients. According the a report by South Africa's National Treasury (Treasury, 2021), it is proposing changes to Regulation 28 of the Pension Funds Act to allow infrastructure investments to be recognised alongside existing asset classes. Currently, the regulation does not define infrastructure as a specific category, although infrastructure investment cut across several asset classes such as equities, debt instruments, private equity and property. These changes should make it easier for retirement funds and asset managers to invest in infrastructure and allow for better measurement of investments in projects.

2.4 The catalysts for Impact Investments in South Africa

Growth of impact investments in South Africa as observed by Choda (2018) is by non-traditional market players such as impact investors who invest in organisations and companies with the intention to generate a social and environmental impact alongside a financial return. Urban and George (2018) concur with the view that the South African social outcomes that are traditionally government initiatives, which the state is unable to satisfy, creating a social deficit which even non-profit organisations are unable to meet. The Global Impact Investing Network (GIIN, 2020) estimates the size of the sector at $715 billion in 2020. GIIN (2016) acknowledge the growth of impact investing in South Africa although it represents a fraction of the overall South African investment picture.

Government capacity in providing social and environmental infrastructure is no longer the sole responsibility of traditional government and philanthropic and non-governmental actors, but social enterprises can be active in this space as argued by Choda (2018). Urban and George (2018) concur with this view by stating that social enterprises are positioned to develop capacity and add value and intervene where government attempts have failed to address social needs. GIIN (2016) highlights the role government is playing in providing capacity for social infrastructure through offering a variety of incentives for investors. These incentives are offered to both local and foreign investors across multiple sectors including manufacturing, agriculture, and tourism, textiles, film and television and development infrastructure.

GIIN (2016) highlights the importance of BBBEE in the impact space in South Africa. Corporates are mandated to provide enterprise support for BBBEE purposes. Urban & George (2018) concurs that even globally, social enterprises are espousing strategies to empower societies and increase their chances of having sustainable social impact. A. Choda (2018) observe the need to social enterprises to be client centric and for practitioners to be committed and holding themselves accountable and embody values equality and respect for the disadvantaged populations of society.

The three authors reviewed agree at the scale of growth that impact investing is experiencing given the social deficit that is in South Africa. Urban (2008) explain social deficit as the dependency on social welfare/grants, of which the recipients of impact funds such non-profit organisations survival is at stake. Such challenges exacerbates a social context characterised by massive inequalities in education, housing, HIV/AIDS pandemic, high unemployment rates and poverty rates. Government alone and with the help of non-profit organisations cannot meet the social needs of the country hence the opportunity for new players to enter the impact investments landscape is acute. The advent of impact investing has seen social enterprises playing in the space dominated by government.

Given capacity constraints from government in delivering social infrastructure, there is an opportunity for private sector players to augment capacity. Government acknowledging its limitations is offering incentives to local and international investors to capacitate limited government funding that is available. BBBEE is a legislation that promotes previously disadvantaged entrepreneurs. Globally there are similar interventions that support businesses and increase their chances of survival. Iheduru (2004) notes the government role in supporting black businesses through the Department of Trade and Industry and its various agencies, including Ntsika, Khula and Industrial Development Corporation (IDC) as well as the Land Bank. Some of the notable early successful BBBEE deals include Dr Motlana's NAIL, the National Sorghum Breweries and New Age Breweries, L.S Molope Foods and Holding company and the hugely successful MTN.

2.4.1 Impact Investments distribution channels

Ormiston et al. (2015) notes the traditional support infrastructure used by asset owners, find managers and advisors to originate, analyse and manage mainstream investments is largely unavailable for impact investments. There is an emergence of funding intermediaries to facilitate impact investments in many markets. There is an expectation for these funding intermediaries to have a broad appeal, they will need to scale and build track record of sound and consistent returns over time and build a credible depth of knowledge and expertise in impact investment.

GIIN (2016) observe that the Development Finance Institutions (DFIs) are a major driver of impact capital in South Africa via Private Equity Impact Funds. DFIs can provide finance (e.g. loans, guarantees, equity acquisitions) to the public sector (e.g. International Development Association (IDA) and most parts of the multilateral development banks (MBDs)) and the private sector (the International Finance Corporation (IFC), the UK's CDC group, the German Investment Corporation and European Bank for Reconstruction)) (Gumede, Govender, & Motshidi, 2011). In South Africa alone, two DFI account for 75 per cent of disclosed capital disbursed specifically to Impact Fund managers. Urban and George (2018) concurs with this view by observing that impact investing manifests across different asset classes and financial products including Private Equity.

Choda (2018) introduces a concept of blended finance model, which combines concessionary loans provided by public sector with private investments. The aim is to alleviate the development funding constraints by de-risking investments into the sector and directing private capital towards projects or geographies that are otherwise be perceived as too risky for traditional investors.
GIIN (2016) argue that in South Africa, non-DFI impact investors prefer equity in impact deals. Of the total capital disbursed, equity accounts for almost 90 per cent. A. Choda (2018) concurs with the view that the role of private sector in impact investing has deepened in importance.

Urban and George (2018) observe the impact landscape ecosystem has four major players being fund managers, investor, communities and services providers who intermediate between fund managers and the beneficiaries. The source of impact funding is predominantly from DFIs. The rise of alternative investments in South Africa with specific reference to Private Equity as a recipient of Impact Funding is notable. The concept of blended finance model is a collaborative approach between public and private sectors in delivering of impact projects. The de-risking of projects through credit enhancements is a major boost to attract private sector participation in the impact sector. Private sector is an important stakeholder in delivering Impact Investments. Equity in impact deals in South Africa amount to 90 per cent of the total capital disbursed for impact related projects.

2.4.2 Fund raising for impact projects

Watts and Scales (2020) notes that impact investing is motivated by financial and ethical concerns and is adopted by donors, non-governmental organisations, financial institutions and philanthropic foundations as a response to funding challenges. Institutional organisations, non-profit organisations, private foundations and DFIs have attempted to establish themselves as leaders in the social impact investment space. Bugg-Levine and Emerson (2011) argue that money managers and banks are tapping client interest in impact investment to expand their customer base and deepen client loyalties. These banks offer clients impact investments and screened fund options. Ducastel and Anseeuw (2020) notes Institutions such as the Industrial Development Corporation (IDC) created in 1940 to boost long-term capital for domestic industries in order to alleviate the importation of manufactured goods. Government endorsed IDC as an engine to drive black economic empowerment (BEE).

Clark (2000) ascribes that one of the main factors driving emerging societal expectation that financial institutions deliver environmental and social outcomes is that many western governments gradually retreated from providing different forms of infrastructure as well as environmental and social benefits and shifted its responsibilities onto market agents and lower levels tiers of government authority. However government around the world still have a strong mandate to ensure economic, social and environmental well-being (OCDE, 2010), through their policy regimes but also through the activities of the government's investment arms (sovereign wealth funds, government owned private equity as well as corporations which are owned by government (Li & Zhang, 2010). An example of such arrangement is the Green Investment Banks (GIBs). David and

Venkatachalam (2018) describe GIBs as public or semi-public entities that facilitate the attraction of private capital into domestic investments, mainly in low carbon energy infrastructure, which can assist in meeting nationally, determine contributions (NCD). GIBs are not only meet ambitious emissions targets, but also support local community development, lower energy costs develop green technology markets and create jobs.

Choda (2018) acknowledge that the distribution of impact capital needs strong intermediaries that matches affect investors with enterprises that needs the Impact Funding. GIIN (2016) observe that South Africa is the single largest recipient of Impact Funding with 74 per cent of all Impact Funds disbursed in the region. South Africa has received \$4.9 billion non-DFI capital and more than \$24.2 billion of DFI capital over the years. Intermediaries that assist in distribution of Impact Funds from investors to social enterprises is critical. The sub sectors that is driving Impact Investments in South Africa includes capital markets, banking sector and non-bank financial institutions, with banks dominating the sector. South Africa seems to be the largest recipient of Impact Funds as compared to other regions on the continent. Of all the impact capital disbursed on the continent, 74 per cent is in South Africa.

2.4.3 Impact measurement

In order to legitimise the industry, impact measurement is an important field of impact investing, as effective impact measurement brings value to all role players, mobilise capital and bring about transparency and accountability SIIT (2014). Maas and Liket (2011) notes the lack of systems available to categorise social impact measurement methods. This is because the qualitative nature of social impact makes it difficult to attach an objective value to the impact and to sum the various qualitative expressions of impact. The other reason is that corporations can have a positive or negative impact upon society across different dimensions: social, economic and environmental dimension. This can cause problems with adding various impact dimensions and social impact can include both short as well as long-term effects on society. Certain researchers solely refer to social impact when it includes positive, negative, intended and unintended effects, others solely refer to the intended positive effects (Boyne, 2002). GIIN (2016) concurs with this view and acknowledged the difficulty in creating tools to track impact metrics in South Africa due to limited standardization, and flexible structures adapted to each new investment.

2.4.4 Key drivers of Impact Investment strategy and investment outcome focus

The monitoring of investments and support of investee companies requires that certain threshold be upheld to limit damage to the environment, safeguarding human rights and promotion of fair and transparent governance structures (GIIN, 2016). Choda (2018) supports the importance of social impact measurement and monitoring as it yields to increasing the legitimacy of the field of impact investing. Urban and George (2018) highlights the role of different players in conducting monitoring and support functions. It is typically for investors to measure and consider investment options across asset classes whilst fund managers monitor and evaluate their operations. Having monitoring criteria of investee companies is important for Impact Investments as it assist in limiting damage to the environment, society and promote fair and transparent governance structures. There are clear roles between investors and fund managers with the former responsible to measure and take into consideration investment options across asset classes and the latter performing the monitoring and valuation of operations.

Table 1 Impact Investing Results Framework

Impact Investing Results framework						
Results Chain	Indicators	Data Sources	Baseline Values	Target Values	Assumptions	Risks
Impact						
Impact funds plugging the credit gap by selecting and funding impact projects in South Africa	SDG funding gap in South Africa	Conversations about measurement and evaluation in impact investing (2018)	$5-$7 trillion	$2.5 trillion		Due to mounting social challenges in today's world, coupled with dwindling public funds, new and innovative approaches are needed to address social and environmental challenges.
Outcome						
Impact Funding available to fund education initiatives	Number of school children literacy in maths and science increasing	GIIN (2016)	144th out of 144 included countries in math and science and 140th in overall quality of education	Top 20	There are immense opportunities for impact investors to invest in projects	Deteriorating education system churning out unskilled labour force
Financial inclusion	Access to credit concentrated among salaried workers, white people and urban dwellers	GIIN (2016)	The unbanked South African population remains larger than 10 million, approximately 20 percent of the total population,112	<10 million	Opportunities for impact investors involved in inclusive financing	Growing numbers of unbanked section of the population
Energy provision	There are extreme energy shortages in the country	GIIN (2016)	An estimated 85 per cent of SA population has access to electricity and there is less opportunity for off grid solutions.	>85%	Investment in large, on-grid energy projects could unlock South Africa's economic growth and potential.	Continuing load shedding and business disruptions

Table 1, above depicts the result framework for impact investing. (GIIN, 2016) estimates the SDG financing gap globally to be at $2.5 trillion. Impact funds, as a funding option is poised to plug into the existing credit gap that has a significant bearing on the viability and growth of impact investing in South Africa. The indicator of this impact is the size of the credit gap. Data sources are from the report by (GIIN, 2016). Baseline values are circa $5-$7 trillion. Due to mounting social challenges, coupled with dwindling public funds, new and innovative funding options are needed to address social and environmental challenges.

This research paper will have varied outcomes. The first outcome is to understand how Impact Investments can contribute to the provision of quality education in South Africa. Indicators for this outcome will be the number of schoolchildren literacy levels increasing.

2.5 Rationale for impact investments

The purpose of this chapter is to provide rationale for impact investing in South African given the socio economic challenges that compels the need for impact investments. A literature review focused on key variables to ascertain the knowledge gap facing impact investments in South Africa. The review process used three journals and these were (1) Impact investing: A primer and review of the literature, (2) An empirical study on measures relating to impact investing in South Africa and (3) Impact investing: review and research agenda.

2.5.1 Aim and objectives of the research

The first journal by (Clarkin & Cangioni, 2016) "Impact investing: A primer and review of the literature" provide a primer and a review of the current knowledge base in impact investing. The second journal by (Urban & George, 2018), "An empirical study on measures relating to impact investing in South Africa" provides a view of current thinking about measuring the outcomes of Impact Investments in an emerging market context. The last journal by(Agrawal & Hockerts, 2019) " Impact investing: review and research agenda", aims to understand the terminological and definitional boundaries of impact investing, current scope of scholarship and future research possibilities.

Clarkin and Cangioni (2016)study provides and deeper analysis of the current knowledge base on impact investing. The study by (Agrawal & Hockerts, 2019)takes this further by analysing the terminology and definitional boundaries of impact investing, its current scope of scholarship on the topic and future research possibilities. This is important for the growth of the asset class since it is still in its infancy, it is key to have standardisation to the terms and definitions used for easy reference. Urban study focuses on an important variable of measuring outcomes of impact investing which there is not enough literature on particularly in the emerging market context.

2.5.2 Interpretive/theoretical frameworks considered

Clarkin and Cangioni (2016)study adopts an interpretive framework approach by analysing the definitions and typologies of impact investing, research methods employed, theoretical framing employed, impact-investing model developed , research questions, findings, problems and research agenda. Agrawal and Hockerts (2019) concurs with this approach as it also follows an interpretive framework as the study takes a longitudinal perspective and gives insights into the present state of scholarship on impact investing.

Both studies conducted by (Clarkin & Cangioni, 2016) and (Agrawal & Hockerts, 2019) adopted an interpretive framework approach on their respective studies by investigating the definitions and typologies of impact investing and also the current scholarship on the topic.

Urban and George (2018)study theoretical approach looked at how various variables hypothesis influenced impact outcomes by investigating how perceived level of social outcomes for impact investing influenced enterprise growth prospects.

2.5.3 Research strategy (qualitative)

Clarkin and Cangioni (2016) study adopts a qualitative strategy by using Google search and Google Scholar to search for journals. Agrawal and Hockerts (2019) also adopted a qualitative approach. Urban and George (2018) study adopted a quantitative strategy by using a statistical program, SAS and SPSS software to analyse data.

2.5.4 Research design

Clarkin and Cangioni (2016) research design followed Copper (1998) methodology by reporting on the primary research topic of Impact Investing, followed by describing, clarifying and summarizing findings. Agrawal and Hockerts (2019)research design used theme coding by categorizing and defining social entrepreneurship using published research articles. Urban and George (2018) adopted a cross sectional research design by using a self-administered online survey to collect data.

2.5.5 Data/information collection instrument used

The articles reviewed resulted in different information collection instruments. Clarkin and Cangioni (2016)used a Google search, Google Scholar and ProQuest to source data. Urban and George (2018) collected data through an online self-administered survey and (Agrawal & Hockerts, 2019) used Harzing's publish or Perish software-6 to collect data.

2.5.6 Target population and sampling technique applied

Clarkin and Cangioni (2016)used practitioner-focused articles, monographs and case studies from government agencies, investment firms and consulting firms. However, there is scarcity of academic articles on the topic. Agrawal and Hockerts (2019)used a similar approach by searching over 990 articles, reports, working papers and magazine articles. Urban and George (2018) the sample of South African Impact Investments Network (SAIIN) members to derive its sample. The population size of the electronic survey yielded 518 qualified individuals, which after screening resulted in a final sample of 159.

2.5.7 Data/information collection process

All the three authors recognized different information collection processes. Clarkin and Cangioni (2016)devised a method to determine inclusion and exclusion criterion and a framework to present work included in the study. Urban and George (2018) distributed its survey among the four major cosmopolitan cities in South Africa, Cape Town, Durban, Johannesburg and Pretoria to ensure even distribution. Agrawal and Hockerts (2019) chose journal articles that were English written and excluded publication without any relationship to Impact Investing.

2.5.8 Data/information analysis

Clarkin and Cangioni (2016)confirms that data analysis using Cooper's (1998) methodology did not provide no specific answers, however it did validate the use multiple channels and inclusion of peer reviewed work. Urban and George (2018) analysis is in line with prior studies which showed that impact predisposed people's lives positively and led to growth of the enterprise activities. Agrawal and Hockerts (2019) found that the research on Impact Investing divided evenly among conceptual works, reports endorsed by practitioners and scholarly articles.

2.5.9 Key empirical results presented

The articles reviewed resulted in different empirical results. Clarkin and Cangioni (2016) study found a very small number of peered reviewed publications on the topic, which is consistent with similar practitioner led initiatives publications. Urban and George (2018)empirical results highlighted that similarity of South Africa to its peers on the continent that is beset with social inequalities and the relevance of how Impact Investments could play a role in supporting social development in these economies. Agrawal and Hockerts (2019) thematic analysis of published articles identified many similarities and characteristics with impact investing.

2.5.10 Key research findings

Clarkin and Cangioni (2016)key research findings is differences in terminology between US and UK publications but that did not present a substantial barrier to understanding of the topic, but found evidence of broad and diverse interest in the topic of Impact investing. The study by (Agrawal & Hockerts, 2019) findings provided further clarity on the stage and state of research and clarifying terminology and definitional distinctions. Urban and George (2018) findings highlighted how social enterprises can scale and close the gap where government has failed in meeting social needs. The study further stressed the importance of the environment in which social impact is taking place and the supporting ecosystem with a network of different role players and intermediaries important for the success of this asset class.

2.5.11 Limitations the study has documented

The three articles reviewed showcased different limitations. Clarkin and Cangioni (2016)study highlighted limitations regarding the validity and reliability of metrics and stressed the importance of cross country comparisons and longitudinal studies that compare and track results as a tool for increasing investor confidence. Urban and George (2018)observe the lack of no official or comprehensive database for impact investing and social enterprises as a limitation for South Africa's impact industry. The survey data being self-reported makes it prone for self-serving bias.

Agrawal and Hockerts (2019) argue for future studies to focus on institutional environmental stakeholders, impact investors and investee social enterprises and lastly the outcome and inter relationships among research questions, research methods and theory.

2.6 Qualitative attributes variables key to impact investments

This research paper adopts a qualitative approach and will investigate associated attributes that aligns with impact investments. The dictionary definition of an attribute is "to regard as resulting from a specific cause, consider as caused by something indicated." The three attributes investigated include impact investing; impact measurement and impact returns.

2.6.1 Impact investing

2.6.1.1 What is Impact investing

Snider (2015) description of impact investing adopted the GIIN definition of viewing Impact Investments as those made into companies with the objective to generate social and environmental impact along with financial returns. Geczy, Jeffers, Musto, and Tucker (2018) definition of impact investing incoporate social concerns into traditional profit motives with two goals at once being a financial goal as well as a social benefit goal. Johnson and Lee (2013)definition of impact investing takes into consideration the investment made into an enterprise that offers a makert based solution to a social or environmental challenge that the investor wishes to address.

From the three journals reviewed it is clear that impact investing has adopted a stance of pursuing social goals alongside financial returns. Unlike philantrophy that only pursues social or environmental goals, impact investing considers market based solutions to social challenges.

2.6.1.2 The purpose of impact investing

Johnson and Lee (2013) views the purpose of impact investing as an enabler of organisations achieving social returns while also facilitating spending. Geczy et al. (2018) views are similar as entrapreneurs are able to invest for profits and apply these profits to social causes. Snider (2015) views on the purposes for impact investing focuses largely on investors considerations on ESG without foregoing the returns.

The purpose of impact investing seems to be investing in social projects to achieve a social return whilst also seeking a market return. Pools of capital can be used to achieve organisations missions of meeting a social challenge without giving up returns.

2.6.1.3 Established facts around impact investing

The established facts on impact investing as narrated by (Johnson & Lee, 2013) argues the nascent nature of Impact Investments sector and that they are usually small in scale and are illiquid, held in private markets. Snider (2015) highlights the availability of Impact Investmentss along the asset class spectrum which provide an opportunities for investors to pursue financial and non-financial goals.

Geczy et al. (2018) point out the difficulty in measuring impact performance and suggests compensation should be tied to measurable aspects of performance albeit could lead to distortions.

2.6.1.4 Key issues and debates on impact investing

Johnson and Lee (2013) sees impact investors palying a catalytic role by demonstrating the financial vaibility of impact strategies to attract more traditional sources of capital. Snider (2015) hold similar views by noting how there has been an increase in social impact partnerships over the years. This in particular has seen the growing issuance of green bonds that allowed investors to gain access to alternative energy and sustainable projets. Geczy et al. (2018) argues the importance of impact investors having a veto right to mitagate deviasions from the business model and indentifying and reporting on the impact goal. The author also stressed the aspects of aspirational impact which group terms in affirming the intention to deliver impact and shy away from producing negative impact.

The role played by impact investing in catalysing traditional sourcs of finance and encouraging social partnerships between public and private sectors which results in government cost saving is highlighted. The notion of aspirational impact where the intention to deliver impact is operationalized through funds retaining a voting right is instituted to stem devisions from impact goal targets and provide an oversight role of measuring and reporting on the impact goal.

2.6.1.5 Data sources for Impact Investments

Johnson and Lee (2013)based his study on ImpactBase database which is a GIIN's free online global directory of impact vehicles that allows investors to search on asset classess, impact themese geographic targets, target returns and other parameters. Snider (2015) study used dataproviders like MSCI, Sustainalytics , Thompson Reuters and Bloomberg. All these dataproviders collect data on ESG focused analytics . The development of Sustainability Accounting Standards Board (SASB) is underway to assist in defining materiality thresholds for ESG factors to qualifies Impact Investmentss. Geczy et al. (2018) study sourced data from a survey of Impact Funds administered by Wharton Social Impact Iniatitive (WSII).

This shows that there is no standard database for impact investing as various data sources are used by practitioners. This is as a result of different impact outcomes being measured and various measurement tools being used in the process.

2.6.2 Impact measurement

2.6.2.1 What is Impact measurement

Grieco, Michelini, and Iasevoli (2015) describe social impact assesment measurements as essential for providing evidenc that an organisation is providing a real and tangible benefit to the community and environment. A similar view is held by (Rawhouser, Cummings, Newbert, & Practice, 2019)study that views impact outcomes that are beneficial form pro-social behavior enjoyed by intended receipients or by the broader community of individuals, organisations and or environments.

Maas and Liket (2011) study highlights the difficulty in measuring and qauntifying Impact Investmentss due to qualitative nature of social impact. This results in difficulty in attaching value to sum up various qualitative expresssion of impact. The system to categorise social impact measurement methods is yet to be developed.

Different authors define and use different impact measurement tools. From the analysis there seems to be no standardised measurement method. The objective of measuring impact is provide a tangible measurable attribute to Impact Investmentss and to showcase real impact to intended recepients.

2.6.2.2 The purpose of impact measurement

Maas and Liket (2011)attribute the purpose of impact measurement tools is to make intangible results more tangible by making use of quantitative methods for decision making and control issues. Grieco et al. (2015)concurs with the view outlining the importance of assement of impact has on society and the achievement of the objectives and contributing to the well-being of society.

Rawhouser et al. (2019) study focuses on attributing the purposes of measuring tools to measure the outcomes that are pro-social behaviour that defines the essence of what social entrepreneurship is all about. Impact Investments variables are mostly qualitative which makes them difficult to measure.

It is important to have measurement tools that aid decision making process and also provide oversight to monitor social impact that is pro social behaviour with aims of contributing to the overall well-being of society.

2.6.2.3 Established facts around impact measurements

Maas and Liket (2011)acknowledge lack of accepted approaches to impact measurements exists currently. This view is supported by (Rawhouser et al., 2019) by noting the lack of social impact literature on measurement tools prevents accumlation of knowledge in this space. Grieco et al. (2015)argues the difficulty in identifying qualitative and quantitative metrics in impact investing which makes reportoing information for stakeholders challenging.

All the authors reviewed have consensus on the lack of standardised methods and approaches in impact investing.

2.6.2.4 Key issues and debates on impact measurement

Maas and Liket (2011) classify impact measurement tools around six characteristics that include purpose; time-frame; orientation; length of time-frame; perspective and approach. Grieco et al. (2015)notes the complexity brought by different models at providing guidelines and indicators for assesing social impact. Rawhouser et al. (2019) study approach investigate the multisector activity approach based on four descriptive case studies with the objective of guiding internal and external stakeholders on social and environmental impacts.

This ongoing proliferation of models is due to the fact that organizations differ in size, capacity, activities, and focus, and consequently there is no single model that is suitable for all of them.

2.6.2.5 Data sources for impact measurements

Maas and Liket (2011) acknowledge that there are no widely accepted scientific approach to attribution and casuality questions in impact investing exists. Grieco et.al used managerial databases, the Foundation Center (TRASI) and NEF. Rawhouser et al. (2019) used the ABI/Inform databases to indentify papers published in the FT50 journals as they are deemed the highest qaulity journals across various business disciplines.

Databases to source Impact Investmentss are varied. Different investors and practitioners used different databases.

2.6.3 Impact Returns

2.6.3.1 What are Impact Returns

Bugg-Levine and Emerson (2011) views impact returns as a function of investment strategies that generate financial returns while intentionally pursue social and environmental objectives. This blended value has been distruptive to the status que that holds beliefs that for profit investments should only focus on financial returns and proponets of social movement should rely on government to provide social services. Brest and Born (2013) holds similar views by juxtaposing enterprises that mainly focus on social or environmental goods and job creation with those that expect financial returns that are above concessionary market.

Godsall and Sanghvi (2016) observe the importance of managers objectivity on the level of associated risk and expected returns on their funds by examining financial and non-financial metrics. Impact returns seems to be informed by the strategy of the Impact Fund. The blended value of pursuing both social and financial returns seems to be gaining traction worldwide.

2.6.3.2 The purpose of impact returns

Impact investing means different things to different people. Bugg-Levine and Emerson (2011) reiterate the view of impact investing being investment that pursue financial returns while also interntionally addressing social and environmental challenges. Brest and Born (2013)study focuses on the outputs and outcomes variables. Output is viewed as a product or service produced by an enterprise whilst the ultimate outcome is the effect of the output in improving people's lives. Godsall and Sanghvi (2016) argue that some see it as a strategy that aims to beat financial benchmarks by addressing unmet social or environmental needs which could be profitable but most likely overlooked by investors. The pursuit of both social and financial returns seems to be the common strategy adopted by most impact funds.

2.6.3.3 Established facts around impact returns

Bugg-Levine and Emerson (2011) highlight what constitute an Impact Investments. The deployment of capital in poor countries does not simply qualify as Impact Investments, but rather firms and funds must have focused strategies that intentionally seek to uplift rather tha exploit poor customers. Impact measurement must be treated as a central business management practice rather than an afterthought used for external reporting purposes. Brest and Born (2013) zone-in on the duality of focus on Impact Investmentss that tend to look promise their investors both socially valuable outputs alongside market returns. Godsall and Sanghvi (2016) argue the plethora of frameworks available for Impact Investmentss with not single framework that has metrics for all social or environmental impacts covered by their portfolios or even by individual funds. The interpretation and comparison of various metrics tend to be burdensome to users.

What constitute Impact Investments is not straight foreward. This is due to various factors that include intention and the associated outcome of the Impact Investmentss. The lack of standardised methods to measure impact and the intentional objective of impact seems to be key established facts on impact investing.

2.6.3.4 Key issues and debates on impact measurement

Key debates affecting impact returns according to (Bugg-Levine & Emerson, 2011) includes optimism shown by investors on the role that can be played by business in advancing common good and leveraging social enterprises by employing financial tools. Similar views are held by (Godsall & Sanghvi, 2016) who argue that the industry maturity will be signalled by the availability of specialized products that transcend geographies, industries and asset classes, thereby offering investors choice. Brest and Born (2013) categorises impact investors into two, concessionary and non-concessionary investors. Concessionary investors are those willing to sacrifice financial returns by taking greater risks to achieve their social goals. The non-concessionary investors are not willing to forgo financial returns in pursuit of social goals.

The maturity of an industry is evidince of availability of appropriate instruments meeting different investor profiles and needs. Impact Investmentss is getting to a point where products in the three major asset classes (equity, debt and specialist products) are available to meet investors needs.

2.6.3.5 Data sources for impact returns

Bugg-Levine and Emerson (2011) did not indicate any data sources. Brest & Born (2013) highlight Impact Reporting Standards (IRIS) and Global Impact Investments Rating System (GIIRS) as two standards that provide standardized metrics for assesing common output criteria. The absence of data makes analysis of Impact Investments difficult. Godsall and Sanghvi (2016) notes the SDG funding requirements of \$3.9 trillion per year of which private and public sources only provide a fraction of what is needed.

2.7 Framework for interpreting research findings

Wotela (2016) argue that the construction of a theoretical framework precede the establishment of an academic study driving the research and its associated key components as well as key variables and attributes.

Impact investing research has shown various model frameworks ranging from Stochastic model, Deterministic Approach, Stages models, Theories of Change and Logic models. Renard, Alcolea, and Gingsbourger (2013) describe a deterministic model as one in which state variables are uniquely determined by parameters in the model and by sets of previous states of these variables and perform the same way for any given set of parameters. In contrast, stochastic models parameters are by random variables or distribution rather than by a single value. Stochastic models contain an element of uncertainty, which is built into the model through inputs. Deterministic models are the exact opposite and do not involve any uncertainty or randomness.

Jackson (2013) describes the "theory of change' that is sometimes called programme theory which refers to the construction of a model that specifies (usually visually) the underlying logic, assumptions, influences, casual linkages and expected outcomes of a development program or project. Through the collection and analysis of performance data, the model can be tested against the actual process experienced and results attained by the intervention. Funnell and Rogers (2011) describe logic model as a program theory displayed in a diagram. The benefits of using this model is that it can be used by organizations that are not accustomed to thinking about and reporting of outcomes and impacts, however the risk is that can present an oversimplified and unhelpful view of the program. Logic models in a form of outcome chains are as effective as they represent the interventions and its consequences as a series of results.

This section introduces logic framework to explain measuring impact interventions and programs. Using detailed summaries provided in Practical Concepts Incorporated (PCI, 1979); (Alter & Egan, 1997); (Julian, 1997); (Kellogg, 2004); (Savaya & Waysman, 2005); (Chen, Pan, Morosanu, & Turner, 2018) and (Stegemann & Jaciw, 2018).

2.7.1 Theoretical underpinning of logic modelling

Savaya and Waysman (2005) acknowledge the growing recognition on the importance of program theory in the development and evaluation of programs and the expectation that theory is addressed which is not a simple task. This often due to the complexity and the different types of components, which underpins these programs. A coherent framework that is able to integrate all these components into a single instrument that can help the practitioner by guiding and structuring the process. The logic model captures the logical flow and linkages that exists in any program and represents a sensible model of how a program will work under certain conditions to solve identified problems (Bickman, 1987). Wholey (1987) notes elements of the logic model to include resources, activities, outputs, customers, outcomes and relevant external factors. The benefits of using the logic model includes building a common understanding of the program and expectations for resources, customers reached and results, thus is good for sharing ideas and identifying assumptions.

The study by the Practical Concepts Incorporated pioneered the development of the logic model framework that formed a base from which other authors based their studies on. Different events called for the utilisation of the logic model that is fit for purpose for planning, monitoring and evaluation of programs.

The logic model framework dates back to US Agency for International Development (PCI, 1979) after the staff commissioned the analysis of its project evaluation system. The outcome of the analysis highlighted three major problems, which included planning inconsistencies, lack of clarity on management responsibilities and an adversary evaluation process. Alter and Egan (1997)study determined how logic models teach critical thinking in social work courses by breaking down the helping process into parts that enabled students to understand casual relationships between these parts. Kellogg (2004)took the development of the logic model further by providing an orientation to underlying principles and language of the model in programme planning, implementation and dissemination of results. Chen et al. (2018) is one of the latest studies on the logic model framework with its enquiry focused on leadership, community building and teacher development from community based initiatives. It had five key features ranging from shared values and vision, collective responsibility, reflective professional inquiry, collaboration and promotion of individual and group learning.

Julian (1997)study took an antagonist view, based on the Franklin County planning model that relates to the logic model but focusing on the resource allocation decisions and evaluation where the desire to achieve long-term social objectives is achieved through multiple short term interventions. Savaya and Waysman (2005)study focused on the Israeli government agency funds that piloted the Special Projects department within its Planning and Research division to test the new social welfare programs that subsequently dissimilated by other public agencies. The requirement is for these programs to have an external evaluator for them to qualify for state funding. Stegemann and Jaciw (2018) study is informed by lack of educational inclusion of children with special learning needs in Canada showed varied implementation and practices outcomes of its programs.

2.7.2 Rationale for the Logic model.

The initial purpose and intended use of the logic model seemed to be centred on program formulation, implementation and evaluation. The supporters of the logic model concurred on the key building blocks of the model that included goal of the program, inputs, activities, outputs, outcomes and long-term impact. Authors with divergent views not only focused on the structure of the model but also on how to achieve desired program outcomes using appropriate model frameworks.

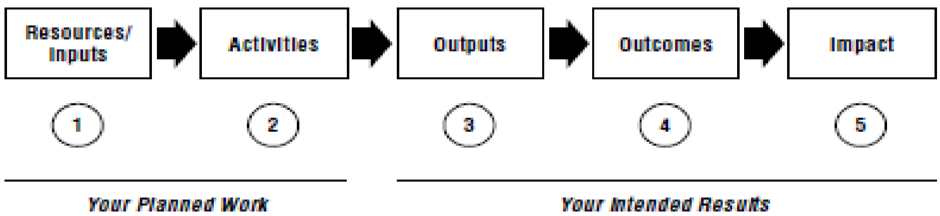
PCI (1979) pioneered the logic model to encourage collaboration and avoid adversary relationships in project formulation and evaluation. That included stating clear and measurable description of what a successful project is, clarifying roles of project managers; outlining key elements of project design and their relationships to each other and changing the narrative of looking to whom to blame when things goes wrong rather than looking at better execution plans to get the projects over the line. Alter and Egan (1997)study shows the model formulation is on the back of social work educators often assuming that students develop the capacity for critical thought automatically which is contrary to reality. Kellogg (2004) foundation guide focused on the development and usage of the program logic model to provide orientation of the principles and language used in program planning, implementation and dissemination of results. Chen et al. (2018) study looked at the difficulties stakeholders had in describing and communicating program information to assess the needs and evaluate the strengths and limitations of the model.

Julian (1997)study for logic model framework development referenced United Ways federation of human services agencies that had individual goals and missions, each with own identities and values. They also had collective goals or missions that transcended individual agency goals. Savaya and Waysman (2005) study looked at the program that aimed at helping parents prepare resuming contact with their children and help them develop their parenting skills. The process relied in using the components of the logic model (target populations, problem resources, outputs & outcomes) to examine the feasibility and evaluability of proposals received. Stegemann and Jaciw (2018) study acknowledged the slow realisation of inclusive schools and used logic model framework to demonstrate how educational jurisdictions used as implantation agents of inclusive practices.

2.7.3 Logic model framework

PCI (1979)described logic model framework as a series of interlocking concepts that use a dynamic fashion to develop a designed, objectively described and evaluable project. Alter and Egan (1997) view logic model as constructs of concise, carefully worded statements that together provide a comprehensive cognitive structure of change process for program or clinical interventions. Kellogg (2004)explain logic model as a systematic and visual way to present the understanding of relationships among resources to operate programs, planned activities and the changes or results expected.

Figure 1: Logic Model Framework



Source: WK Kellogg Foundation

Chen et al. (2018) study described logic model under the United Way of America (1996) to include key program components that include inputs; activities; outputs and outcomes.

Julian (1997)explains logic model as a community based program that identify impacts, goals and activities that are coordinated and directed towards a specific result. Savaya and Waysman (2005) relate to logic model as a theory that contribute to the planning of programs and their development, implementation, evaluation and dissemination. The framework serves to guide structure and simplify the program activities. Stegemann and Jaciw (2018) describe logic framework models as being used to map out program components and the processes that connect them such as external factors, inputs, outputs and outcomes.

2.7.4 Advantages and usefulness of logic model framework

Most practitioners value the practicality of chosen models in achieving desired results. Models that are less complicated and easy to use are mostly favoured, compared to complex intricate models that are difficult to understand. The clarity of defining model variables also adds to models usefulness.

The advantages mentioned by (PCI, 1979) includes the model's ease of use that allows user's experience and intuition. Alter and Egan (1997) cites the following benefits of the logic model such as enablement of critical thinking to assessment; intervention planning and evaluation at individual and organizational level. The connection among practice, program and policy as well as relationship between theories of human behaviour and social interventions brought to the fore. Kellogg (2004) attributes logic model bringing programs to life by giving stakeholders flexibility to try new ideas and function at program level. Chen et al. (2018) concurs with (PCI, 1979) with the relative ease to learn and apply the logic model and its usefulness in identifying major components of the model.

Julian (1997)study view the model's usefulness in allocation decisions for rewarding programs that show greatest likelihood of producing outcomes related to envisioned impact. Savaya and Waysman (2005) highlight the challenge brought by inexperienced practitioners with little planning and development expertise in developing new interventions. Stegemann and Jaciw (2018) attribute the logic model in helping evaluators to understand program components, identifying intended mechanisms and measuring of results.

2.7.5 Disadvantages and limitations of logic model framework

Lack of clarity and ambiguity of variables leads to frustrations to those who will be using the model framework to achieve the intended outcome. Different situations might lead to different model choice that is fit-for-purpose.

PCI (1979) cites misunderstanding of statements of goal, purpose, outputs and inputs. Goal and purpose statements tend to be ambiguous. Alter and Egan (1997) argue the classification of what a need versus problem. Framing the problem as the need for a service creates a circular reasoning because the hypothesis start with the lack of service and ends with the presence of service. Chen et al. (2018) mentions the identification of elements of logic model (inputs, activities, outputs & outcomes) not articulating theoretical significance of the program and the model not adequately describing programs with multiple levels of interventions and outcomes.

Julian (1997) observed a challenge when program outcomes are diverse and it is not clear that the achievement of specified outcomes will lead to measurable system impacts and community goals. Savaya and Waysman (2005) observe the long lead times and cost impactions in applying the logic model. (Stegemann & Jaciw, 2018) cites shortcomings relating to external factors influencing the intended flow of the process from activities; outputs through short and long-term outcomes.

2.8 Summary and conclusion

2.8.1 Summary of literature reviewed

The literature reviewed on the research strategies showed mixed outcomes with both qualitative methods and quantitative methods used. Different types of research designs including cross sectional methods are used to collect research data. Target population for reviewed literature showed included government agencies, investment firms and consulting firms. The data collection process varied. Social inequalities continues to be key issues challenging the South African economic landscape.

3 RESEARCH STRATEGY, DESIGN, PROCEDURE AND METHODS

In Section 1.2.3, we have posed two questions that this research report intends to answer—that is, 'What are the drivers fuelling the evolution of Impact Investments in South Africa?' What kinds of financial targets and impact targets do Impact Fund investors have? Are they willing to compromise profits? What are the key drivers that shape Impact Investing strategic focus and investment process? We have since reviewed literature and developed an interpretative as well as conceptual framework that will guide the choices of techniques we will use. This chapter identifies and describes research approach, design as well as procedure and methods that we employ in this research to collect, process, and analyse empirical evidence. Broadly, it has three objectives; namely, to identify and describe the research strategy (Section 3.1), the research design (Section 3.2), as well as the procedure and methods (Section 3.3). The chapter also describes the reliability and validity measures (Section 3.4) that this research applies to make it credible as well as the technical and administrative limitations of the choices we make (Section 3.5).

3.1 Research strategy

Rahi (2017) defines research strategy as a process of collecting and interpreting of data with clear objectives. Research strategy is also research approach or research paradigm. (W Lawrence, 2014) defines research paradigm as "a general organizing framework for theory and research that includes basic assumptions, key issues, and models of quality research, and methods for seeking answers." Bryman (2012) makes a distinction of two main forms of research, the quantitative and qualitative methods. The hybrid method between the two is a mixed strategy.

The study adopts a qualitative research strategy. The qualitative strategy emphasizes words rather than quantification in the collection and analysis of data (Bryman, 2012). W Lawrence (2014) mentions that most exploratory research uses qualitative data, which tends to be more open to a wide range of evidence and discovering new issues. Exploratory research is used when the subject is very new; we know little or nothing about it and no one has yet explored it. Definitive answers are rarely the outcome of an exploratory research but it addresses the "what" question: What drives impact investments in South Africa? According to (Rahi, 2017), qualitative methods is used to collect the in-depth details on a particular topic and assumes a single person represents the group feelings and emotions of a person are equally important to interpret which is ignored by the qualitative method. The interpretive usually use this method. As a result, assessing the quality of measures by establishing the validity and reliability becomes the main concern of the qualitative research, even though we rarely see the terms in this approach because they are closely associated with quantitative measurement (W Lawrence, 2014). The characteristic of qualitative research will be beneficial to this study given the nascent stage of impact investing and the fledging Private Equity market in South Africa.

Given that, the study aims to evaluate the role played by socio-economic factors in inducing Impact Investments in South Africa; a qualitative strategy will be beneficial in understanding the relationship between socio-economic variables and impact investing. As highlighted by (Bocken, 2015) study, this study will also benefit from using interview methods of collecting data from impact focused Private Equity firms, Development Finance Institutions and Impact Funds practitioners. The study will be able to benefit from understanding impact investing from practitioner's point of view, and investigate whether casual inferences can be made among the variables of interest through qualitative means.

3.2 Research design

Bryman (2012) define research design as a framework employed for the collection and analysis of data. It is a framework that is used to generated evidence that is suited both to a certain set of criteria and to the research questions in which the investigator is interested. Wagner, Kawulich, and Garner (2012) describes a research design as "…an architectural blueprint that [should be] followed in the construction of a building." Bryman (2012) identified five different types of research designs – experimental design, cross sectional design, longitudinal design, case study design and comparative design.

This study will utilise a cross-sectional research design. Bryman (2012) explains that researchers employing a cross-sectional design are interested in variation. Variation can be established only when more than one case is being examined. Babbie (2013) describe cross sectional study as involving observations of a sample, or cross section of a population or phenomenon that are made at one point in time. Usually researchers using this method select more than two cases as they are most likely to encounter variation in variables that are investigated (Bryman, 2012). According to (Bryman, 2012), qualitative research often entails a form of cross-sectional design which employs unstructured interviewing or semi-structured interviewing with a number of people. Cross-sectional research can be exploratory, descriptive, or explanatory, but it is most consistent with a descriptive approach (W Lawrence, 2014). The ability to conduct semi-structured interviews with the identified sample is a key benefit of qualitative cross sectional design, and this study will use it. This design has been used effectively in earlier studies that has investigated similar occurrence to my research, as described below.

Cetindamar and Ozkazanc-Pan (2017) conducted a research study that sought to define characteristics of impact investing and how impact investors differed from traditional asset classes of investors and if so, why? In addition, the study wanted to know the motivations that drive Impact Investments and what criteria impact investors used to evaluate potential investments. A partially inductive study based on semi-structured interviews with thirty-one investors, ethnographic observation is conducted to explore how impact investors differ from other classes of investors, and their motivations and unique criteria used to evaluate ventures seeking investment. The advantage of using this technique is that guiding research questions informed the collection, prominence and analysis of data collected that described best as blended or partially inductive. Gioia, Corley, and Hamilton (2013) explains the motivation for an inductive research driven by not only to surface new concepts, but also to generate new theories. The advantages of this technique is that our inductive approach will rely on qualitative data collected from semi-structured interviews and explore new concepts driving interest in Impact Investments.

3.3 Research procedure and methods

This section documents the actual procedure and the methods employed in this research to collect, collate, process, and analyse empirical evidence. Bryman (2012) explain research methods as issues pertaining to the role of theory in relation to the research and different kinds of research designs. The research process elements include literature review, formulating concepts and theories, devising research questions, sampling, data collection, data analysis and writing up findings. According to (W Lawrence, 2014), research methods require a qualitative researcher to collect, analyse and interpret data simultaneously. Elkatawneh (2016) identifies five qualitative methods of research – narrative approach; phenomenology; grounded theory; ethnography and case study methods.

This section comprises of six subcomponents that include - to identify and detail the data and information collection instruments (Section 3.3.1), the target population and sampling of respondents (Section 3.3.2), the ethical considerations during the research process (Section 3.3.3), data and information collection process and storage (Section 3.3.4), data and information processing and analysis (Section 3.3.5) as well as the background description of the respondents who provided empirical evidence for this research study (Section 3.3.6).

3.3.1 Research data and information collection instrument(s)

Babbie (2013) explains a collection instrument as a tool designed to solicit information that is required for analysis. W Lawrence (2014) attributes two categories of collection techniques, quantitative - collecting data in the form of numbers and qualitative – collecting data in the form of words and pictures. Bryman (2012) mentions two types of data collection instruments types for qualitative research – interviewing and observation.

The proposed study will utilise semi-structured interviews. Bryman (2012) describe a semi-structured interview where the interviewer has a series of questions that are in general form of an interview schedule but is able to vary the sequence of questions. The interviewer has the latitude to ask further questions in response to what is seen as significant replies. W Lawrence (2014) notes that surveying white-collar elites requires a special technique given the challenges of getting availability of the respondents. There seems to be a high success rates with personal interviews with open-ended questions than the ones with close-ended questions. Elites often having information that few people have and that is sensitive, tends to consider confidentially concerns. Wagner et al. (2012) mentions that qualitative data generated by interviews is a primary data collection source. Gioia et al. (2013) notes that semi-structured interview, can obtain both retrospective and real time accounts by people experiencing the phenomenon of theoretical interest. An important interview protocol ensures that the focus is on the research question(s) and it is thorough by trying to anticipate issues asked and does not contain leading questions. Bryman (2012) notes some of the benefits of having open-ended questions in an interview, respondents can answer in their own terms and are not forced to answer in the same terms as those imposed on them by the response choices. Respondents levels of knowledge and understanding of issues can be tapped and useful for exploiting new areas which the researcher has limited knowledge. Given these benefits, a semi-structured interview will be used in this study.

Research data collection instrument – structure

Different research data collection instruments vary in structure. According to (W Lawrence, 2014), qualitative research creates new concepts and theory by combining empirical evidence with abstract concepts. Quantitative research methods is less structured and rely on administering research instruments to subjects such as structured interviews and self-completion questionnaires (Bryman, 2012). Bryman (2012) mentions three structures of data collection instruments - unstructured, structured and fully structured.

This study will utilise a semi-structured data collection instrument (semi-structured interview). Babbie (2013) explain qualitative interviews design as flexible, iterative and continuous and rather than prepared in advance. That means the process of gathering information, analysing it, winnowing it, and testing it brings the researcher closer to a clear and convincing model of the understudy phenomenon. Contrasted with survey interviews, qualitative interview is based on a set of topics to be discussed in depth rather than based on the use of standardized questions Babbie (2013). Alshenqeeti (2014) argue that semi-structured interviews is the most widely used and a more flexible version of structured interview as it allows depth to be achieved by providing the interviewer to probe and expand the interviewee's responses. Guest, Namey, and Mitchell (2013) explain the standard approach to a semi-structured in depth interview is to list the interview questions along with transition phrases in general order or sequence that they are to be asked. However, experience among researchers notes that interviewees do not always stick to the script. Responders might not answer the questions asked hence it is important to revisit questions once more if the interviewee wonders off. Based on these characteristics and advantages, a semi-structured interview research schedule will be used for this study.

Prior studies have investigated similar phenomenon to my research and utilised a semi-structured interview research schedule. For example, Glänzel, Scheuerle, and Organizations (2016) conducted research to investigate impediments of the emerging social Impact Investments field in Germany. It has taken the exploratory qualitative approach because of the nascent stage of research on the subject. The data gathering is from a series of semi-structured interviews with leading representatives form twenty-one organisations in the German investment market, including five investment intermediaries. A set of standard core questions formulated in a rather open way to stimulate discussions about the current themes in literature (business model of investees. Source of income, trading history, finance mix experiences with acquiring investment capital, investment readiness). The ability to gather information on numerous dimensions of interest and maintain consistency and quality of data collection were the main advantages offered by this technique, and will be beneficial to this study. The study will utilise the following organisations and data-sources - Southern African Venture Capital and Private Equity Association (SAVCA), African Private Equity and Venture Capital Association (AVCA), Riscura, Global Impact Investing Network (GIIN), South African Impact Investments Network (SAIIN), South African National Task Force for Impact Investing amongst others.

3.3.2 Research target population and selection of respondents

3.3.2.1 Research target population

Target population consists of the universe of cases that a sample is selected from (Bryman, 2012). Malhotra, Birks, and Wills (2010) describe target population as the collection of elements or objects such as people, firms, institutions, organisations, places, cities, regions and countries that possess the information sought by the researcher and about which inferences are to be made. The target population should be defined in terms of elements (object about which or from which the information is desired), sampling units, extent and time. Guest et al. (2013) acknowledge the hallmarks of a good qualitative research is the ability to account for the context and gain a more holistic picture of a research topic. Seeking multiple viewpoints is part of any good research; the sample composition should have knowledgeable individuals and those with different viewpoints.

The target population for this research study will consists of impact focused Private Equity firms, traditional Private Equity firms with Impact Funds and Impact Fund investors (for example, DFIs, Limited Partners with Impact Fund mandates)

In a similar study, (Bocken, 2015) conducted research to determine how sustainable venture capital funds can catalyse sustainable start-up businesses. The target population comprised of sustainable venture capitalists, entrepreneurs and other leading thinkers (influencers) involved in financing, establishing and influencing the development and growth of sustainable businesses were interviewed using snowballing sampling. Snowball sampling is a nonprobability sampling method, often employed in field research, whereby each person interviewed may be asked to suggest additional people for interviewing (Babbie, 2013). For this study, the first point of call to locate and identify my sample will be SAVCA, with the option of utilising snowball sampling in locating Impact Funds in the South African market.

3.3.2.2 Sampling or selecting respondents from the target population

Bryman (2012) describe a sample as the segment or subset of the population that selected for investigation. W Lawrence (2014) describe a sample as a small set of cases a researcher selects from a large pool and generalizes to the population. Sampling strategies fall into two broad types: a sample that will accurately represent the population (quantitative), and all others (qualitative).

The proposed study will use a non-probability sampling method. Guest et al. (2013) explains the suitability of non-probability samples for qualitative research as these studies are designed to understand common processes, shared experiences and understandings. Much experience and knowledge is shared within a community that only few individuals are needed to address research question(s). As a result, qualitative inquiry discounts statistical generalizability. Inductive or emergent sampling allows for inclusion of groups and types cases not originally specified or included in the study design (Guest et al., 2013). For this study, an inductive non-probability sampling will derive its samples from SAIIN and SAVCA members.

A very similar type of sample and sampling techniques is used by Bocken (2015). The study investigated the role of venture capital investors in contributing to sustainable start-up success. The research sample comprised on sustainability venture capitalists, sustainability entrepreneurs, venture capitalists on accelerator platforms and influencers (think tanks, consultants) were interviewed. All the stakeholders played a critical role and also being part of the ecosystem of the undersigned research. This sampling technique provided that relevant stakeholders to answer research questions, and similar approach will be adopted in this study.

3.3.3 Ethical considerations when collecting research data

Guest et al. (2013) explains that good qualitative research emphasize the principles of respect for persons, beneficence and justice are designed and conducted within the parameters of internationally recognized ethical guidelines. Conducting field research responsibly involves confronting several ethical issues that arise from the researcher's direct contact with subjects (Babbie, 2013).

I am a part-time Master of Business Administration (MBA) student; my interest in this research is strictly academic. My employer, the JSE Limited, sponsor my academic studies as part of my professional development plan.

Bryman (2012) acknowledge that there is heightened scrutiny on research proposals for their ethical integrity to safeguard against ethical transgressions. The most common focus areas revolve around - How should we treat the people whom we conduct research? Are there activities in which we should or should not engage in our relationships with them? A detailed consent form is included as part of the appendices.

3.3.4 Research data and information collection process

Data collection consists of obtaining data from a chosen sample in order to answer research questions (Bryman, 2012). In qualitative research, the process is much more fluid; the data collection process occurs simultaneously with data analysis and is the first stage in the research process (Rimando et al., 2015). Rimando et al. (2015) defined data collection process as the systematic gathering of data for a particular purpose from various sources, including, interviews (face-to-face, telephone or internet-based), focus groups, observation, existing records, and electronic devices.

In line with the prevailing Covid-19 regulations and precautions taken to practise social distancing in the current pandemic, there are limitations to face-to-face meetings. As a result, a semi-structured interview via internet-based applications (for example, Skype, Zoom or MS Teams) will be utilised in this study. Bryman (2012) notes that interview method is the most widely used method in a qualitative research. A semi-structured interview involves the researcher with a list of questions or specific topics to be covered (interview guide), but the interviewee has flexibility in how to reply. The interviewee may also be interviewed on more than one and sometimes even on several occasions. The advantage of the inductive and flexible nature of qualitative data collection (for example, an interview), is the ability to probe into responses or observations as needed and obtain more detailed descriptions and explanations of experiences, behaviours and beliefs (Guest et al., 2013). The ease of coordinating logistics for the scheduling the proposed meetings and administrative efficiency of the data collection process using electronic interviews is the key reason for using this method.

In the similar study, (Roundy et al., 2017) used an exploratory, inductive methodology aimed at uncovering novel empirical insights that can be used to develop new theory. The data collection process is from semi-structured interviews and ethnographic observations to gather the subjective perceptions and interpretations of impact investors and to measure variance related factors associated with investment performance. The researcher is able to collect insights from a diverse collection of investors that comprised of impact and non-impact investors, which gave them a wider perspective of trends and drivers of the impact landscape. This approach will offer numerous benefits to this study as per (Roundy et al., 2017).

Given that electronic interview method selected, permission to record the sessions the meetings with interviewees will be sought. A copy of the sessions will be stored using a USB storage device for back up purposes.

3.3.5 Research data and information processing and analysis

3.3.5.1 Research data and information processing

Jacelon and O'Dell (2005) describe data analysis in a qualitative research as a creative process in which the researcher explores and reflects on the meaning of data. As the analysis proceeds, the researcher moves back and forth between data analysis and data collection in order to create and explain the findings. Data analysis as the process of breaking down, examining, comparing, conceptualization and comparing data(Corbin & Strauss, 2014).

W Lawrence (2014) defines data processing as a means to systematically organize, integrate and examine. Analysis of data includes connecting data to concepts, advance generalizations, and identify broad trends or themes to allow researcher to improve understanding, expand theory and advance knowledge. Bryman (2012) explains data analysis incorporates several elements, which not only refers to statistical techniques of data collected. The processing involves data management and transcripts made more manageable that they would be if the researcher just kept listening to the recordings. The data analysis stage is about data reduction – reducing the large quantity of information gathered to make sense of it.

Data collected are usually disorganised, which may include errors and require cleaning before it can be analysed. This preparation include three tasks: (1) transcribing data from audio to text (2) conceptualizing themes from theory (literature review) (3) fragmenting data into themes derived from literature review (Guest et al., 2013; Babbie (2013); W Lawrence, 2014) as described in the following section.

Step 1: Transcribing

Recorded interviews via audio or video are required to produce a transcript of a media file (transcribing data form audio to text) to facilitate analysis (Guest et al., 2013).

Given that the study will be using an internet based application; most of them have a recording facility which will be used to record. Open-ended questions will be used for the electronic semi-structured interviews.

Step 2: Conceptualizing themes from theory (literature review)

W Lawrence (2014) defines conceptualization as analysis by organising data into categories based on themes, concepts or similar features. The idea is to develop new concepts, formulate conceptual definitions and examine the relationships among concepts.

Step 3: Fragmenting data into themes derived from literature review

Babbie (2013) describe the links between theory and research and the development of theories from analysed data. Theory and research interact to develop new explanations. According to (W Lawrence, 2014), the additive feature of knowledge means one can study many separate parts of reality at a time, then add the fragments together to get a picture of the whole. The addition of more knowledge added to the original knowledge results in ever expansion new knowledge and concepts.

3.4 Research strengthens—reliability and validity measures applied

Babbie (2013) define reliability as that quality of measurement method that suggests that the same data collected each time in repeated observations of the same phenomenon. Validity refers to the extent to which an empirical measure adequately reflects the real meaning of the concept under consideration. Guest et al. (2013) argue that collecting qualitative data provides an advantage when it comes to validity as the researcher is not artificially constraining the responses and trying to fit them into predetermined buckets. For qualitative questionings, it allows for more flexibility as the interviewer can ask the questions in different ways to make sure that the interviewee has understood it as well. That might decrease reliability but enhance overall face validity. My interview questions will be open-ended that will allow respondents flexibility in responding.

As per similar study by Lehner, Harrer, and Quast (2019), the researcher is investigating the legitimacy theory and impact investing by applying a qualitative approach to contribute to research in both fields. The external reliability and validity (Bryman, 2012) were limited due the highly dynamic social setting the analysis is conducted in. Validity in this study will be supported by the calibre of interviewees who possess extensive experience in their respective fields and they are industry thought leaders.

W Lawrence (2014) mentions four types of validity or tests of research accuracy: ecological validity, natural history, member validation and competent insider performance. Ecological validity - is the authenticity and trustworthiness of a study;

natural history – a detailed description of how a project is conducted; member validation – occurs when one take the field results back to members and they judge the adequacy of the results; and competent insider performance - the ability of non-members to interact effectively as a member or pass as one.

Johnson (1997) refers to three types of validity in qualitative research that includes descriptive, interpretive and theoretical validity. Descriptive validity refers to the factual accuracy of the account as reported. The second method of interpretive validity takes into consideration of participant's viewpoints, thoughts and intentions. Theoretical validity describes the theoretical explanation developed from a research study fits the data and therefore credible and defensible (Johnson, 1997).

3.5 Research weaknesses—technical and administrative limitations

Technical limitations

- **Research design & data collection instruments:** Given that a semi-structured interview is being used, respondents can only give what they are prepared to reveal about their perception and opinions (Alshenqeeti, 2014).

- **Sample and sampling constraints:** will apply in this study, in terms of using non-probability sampling techniques

Administrative limitations

- **Load shedding:** the possibility of a power outage due to load shedding is a probably as the country still has power challenges. This could affect connectivity, as the interview is conducted via internet platforms.

- **Internet connectivity** unstable internet connectivity with respondents could hamper the quality of the connection for electronic meetings. This could affect audio and the transcription of the meeting data.

- **Restricted time frame and lack of availability of respondents** South Africa shuts down during December and early January as most people take their Christmas break and it is school holidays. It might be a challenge in securing respondents for interviews between December 2020 and January **2020.**

.

4 PRESENTATION OF RESEARCH RESULTS

This chapter present the empirical research results, which are outputs of the semi-structured interviews undertaken to collect data. Broadly, it has two considerations; namely, to discuss the key themes, and secondly to answer research questions posed in (Section 1.4.3), Sections 4.1 to 4.5 examines socio-economic variables that influences impact investments and growth in South Africa, whilst section 4.6 to 4.10 explores key factors investors take into consideration when investing in an impact fund.

For this study, interviews conducted with various financial institutions that operates in the impact investment space, which includes DFI's, asset managers, commercial banks, women empowerment funds, and private equity firms, venture capital firms together with impact investments practitioners in the local market. Seventeen individuals interviewed from the above-mentioned organisations.

4.1 What are the main drivers influencing impact investing in South Africa?

This section presents the empirical results to determine the main drivers influencing impact investing in South Africa, as well as the comparison of the results to those of similar studies. Broadly, the study presents the empirical results and section 4.1.1 outlines key themes coming out of the empirical study and responses from the interviews.

Participants were asked to provide their views on the main drivers influencing impact investing in South Africa. The participants had different views on what drives impact investments depending on their firm's positioning and area of focus. Most DFIs mentioned that their mandates already channels them to projects that have a developmental objective as dictated by the social and development mandates and objects. *"…DFIs by their very nature, through structuring and seeking development outcomes. Our mandates are geared for developmental imperatives*." Another participant attributed the drivers of impact investments being the socio-economic conditions the country is facing. *"…My view is that socio-economic conditions are a key driver and private sector needs to support government in the provision of social infrastructure."*

The other participants mentioned the country's past ills of inequality and apartheid as driving investments in the impact space by trying to address legacies of the past. "…*The number one driver for me is our level of income inequality, which is a worst in the world with a Gini coefficient at 63.. Then two, I guess, is we are still living the legacy of apartheid from whichever way you looking at it, those hangovers still exist."*

Most participants acknowledged that it could not be government alone left to address social economic challenges, but business, civil society and organized labour needs to make impact investing a necessary imperative. Another participant viewed scarcity of resources and misallocation of resources being the key driver for impact investments. *"…I would say probably scarcity of resources and misallocation of resources, which ends up creating the gap that, needs more impact investment. There is a scarcity of housing, in places that are close to business districts, close to working areas and transport nodes.*"

4.1.1 Key themes on drivers of impact investments

Key themes that emerged as key drivers for impact investments includes the supply and demand factors. From a supply perspective, it covers the providers of the capital and the overall ESG movement where investors are increasingly incorporating environmental, social and governance considerations. The second one is the global impact investing movement with efforts led by the Global Impact Investment Network (GIIN) to provide impact investment standards and principles, to which local impact investment network is affiliated to. Third, is the quest by companies to become better corporate citizens that is not only answerable to shareholders but all stakeholders broadly. "…*So we know from an investing basis, previously, shareholders were key, or key decision makers, or they were the only concern of managers. Now we have a wide stakeholder base. So it's stakeholders, it's your employees that are complaining, it's your customers that have an expectation of you."*

On the demand side, there is a growing social and environmental issues that are affecting South Africa, including poverty, inequality, unemployment, and climate change. *"…We have got rising unemployment, rising poverty levels, high inflation. So all of these micro, macro financial, economic challenges that we know South Africa faces from a social perspective, is also driving impact investments."* The failure of the government, which is leading to more private solutions that entrepreneurs and businesses providing market-based solutions to these types of growing social and environmental issues. Lastly, the awareness of traditionally non-profit organizations, which may not have thought about accessing capital, but more dependent on grant funding. With the increasing awareness, these entities can now access this kind of impact investing capital for business growth.

4.2 How are private markets collaborating with government in funding social projects?

This section presents the empirical results to determine the collaboration efforts between private markets and government in funding social projects, as well as the comparison of the results to those of similar studies. Broadly, the study presents the empirical results and section 4.2.1 outlines key themes emanating from interviews.

Participants were asked to provide views on their experience relating to how private markets have collaborated with government in funding social projects. Varied responses from the participants with most acknowledging few examples where government collaborated with private sector successfully such as the property public private partnerships (PPPs) and the energy renewables program. Two thirds of the participants were of the view that there is limited collaborations and few examples are noted but more efforts needed to scale up significantly. *"…the original PPPs in the 2000s, the DTI campus, the Foreign Affairs campus and the Old Mutual properties with third parties as an example, in terms of private and public collaborative efforts. Those learnings then effectively extended into the renewable energy program."*

Other participants viewed the collaboration between government and private markets not so apparent but each doing what they deem good. The collaboration is in various degrees with little cohesiveness from both parties.

"…we have seen very little collaboration with government. Very little enabling legislation from government, in fact, we have commissioned a piece of work in the advocacy space, looking at current government legislation and how it does or does not empower woman or specifically make reference to woman, for example, in the employment Equity Act."

Of the DFIs interviewed, they acknowledged the important role they played in supporting government programs such as the Independent Power Producers (IPPs) by offering cheap funding to private companies that translated in lower tariffs for the end consumer. The credit saturation is forcing government to look to private capital and attract more foreign direct investments (FDI) into the country. Given the challenge to crowd in private capital in funding social infrastructure, other DFIs were using blended finance structures to make funding palatable to private investors. "…*It remains a challenge to crowd-in private investment for social infrastructure and developmental imperatives; we look at using blended finance to bring in a lot of the private capital markets."*

4.2.1 Key themes on collaborative efforts of private markets and government in funding social projects

Key themes that emerged from collaboration between government and private markets included the important role played by DFIs in providing support by de-risking projects and using blended finance to crowd-in private markets in provision of social infrastructure.

Government is finding itself in a peculiar situation where there is no fiscal space for government to finance the entire social infrastructure alone and needs support of the private sector. The blended finance structures makes the transactions a lot more palatable to private funders. *"…the important point here is that there is just no space to carry out those major investments that we have always want government to do. Therefore, the government has no choice than to now look for private capital, and more importantly, attracting foreign direct investment into the country."*

Another theme that emerged is that government is good at coming with plans but poor at executing them. "…government is very good at talking. If you broach any topic with any government institution, somebody has spoken to them about it and, there is even a blueprint that has been developed by some fancy consultants like your BCG or McKinsey, but the implementation is problematic. Which is why I think the PPP model in as much as it makes sense, the private sector has abandoned it, because implementation is just poor."

4.3 What is the level of awareness for social and sustainable investments in South Africa?

This section presents the empirical evidence on the level of awareness for social and sustainable investments in South Africa. Empirical results presented in this section and 4.3.1 presents key themes.

Participants were asked to provide views on the level of awareness for social and sustainable financing. Thirteen out of fifteen participants interviewed agreed that the level of awareness for social and sustainable investing is low; however, the awareness levels has room for improvement. *"…Therefore, the awareness is not yet there, but it is growing."*

Two of the participants were of the view that awareness is limited people in the industry and marketing efforts to raise the profile of impact investments can be good for the industry. *"…It is unfortunate that you have to be in the space to know about it. Is it because there is not enough marketing done."* Social media usage by millennials and television media platforms such Netflix and Discovery Chanel, has documentaries that feature climate issues and is bringing awareness to the sector. *"…, there is a conversation taking place but it is not going fast enough. Europe is ahead in this space and South Africa is only getting there, as we are only responding to it."*

One of the participants attributed the low awareness to lack of understanding of impact investments and most only having theoretical knowledge on the subject but not practical experience. "…*We all know about the Bill & Melinda Gates Foundation and we know, conceptually at high level what impact investment is, but I think on the ground, it's very much uncharted territory in our market."*

4.3.1 Key themes on awareness for social and sustainable finance

Key themes that were observed included a consensus from the majority of participants that awareness levels are low and more can be done to elevate the profile of impact investments in South Africa.

Another theme that emerged on awareness is the fact that it is only limited to people operating in the sector. "…there is increasing awareness but the general population is not familiar with this concept. I do not think it is not fair to expect the general population to know and I think we get the same answer probably in the US and many other developed countries."

4.4 What are the key variables that can create an enabling environment to attract impact investments?

This section presents an empirical results on key variables attributed to create an enabling environment in attracting impact investments. Section 4.4.1 present key themes emanating from the interviews undertaken.

Participants made various suggestions that could create and enabling environment in attracting impact investments locally. One participant suggested that government has powers to amend the Companies Act to compel companies to consider ESG considerations in their reporting. Three of the participant cited policy certainty as key variable that investors seek in making investments."… *One area will be policy, and the predictability of policy. Because if there's anything that private sector investors want, is that there's clarity, concerning policy, and also even structural reforms, that is consistency in delivering those reforms."*

One participant raised concern about lax credit policies that puts DFIs in a risky position by lending to highly indebted borrowers and the inability of banks to repatriate funds from risky jurisdictions as they seek to deploy capital for impact investments. Lack of requisite skills and low level of education were also cited areas that needs improvement to create an enabling environment for impact investments. Given the lack of project readiness for most social infrastructure projects, two of the participants suggested technical assistance that will assist to bring projects to bankable feasibility. "…*The project preparation is also key. Therefore, it is not something that the DBSA can do all by itself, and that is why the Infrastructure South Africa becomes critical. Just churning out bankable projects is important for impact investors…"*

Two of the participants suggested that government can provide cheap funding in a form of grants and blended finance structure to fund impact investments. The tax incentives in the form of section 12J cited as one intervention that government should have supported to make a meaningful contribution to the sector. "…*Therefore, some kind of tax incentive, such as the 12Js, was meant to encourage investors to allocate capital to that to the sector, I think would go a long way."*

The other participant noted that the frameworks and policies for impact investing are in place, what is lacking is the political to execute and take the sector to another level. Corruption in South Africa by both public and private sector noted as an impediment to attract impact funds. "…*corruption is become endemic in South Africa, and I it is hard to find a day where corruption is not the single most talked about subject. It has become such a massive societal ill in South Africa. If we were to create a more enabling environment, you have to be able to fundamentally reduce corruption in South Africa and although the private sector has a role to play, it has to be government who has to take the lead on this."*

4.4.1 Enabling environment to attract impact investments themes.

Key themes for creating enabling environment to attract impact investments includes legislative interventions such as the tax incentives schemes, policy certainty and predictability and political will do deal with corruption and promotion of clean governance policies.

Other key considerations included financial considerations that included making risk capital available in a form of blended finance structures and the ease of doing business with South African financial institutions.

4.5 What is the future of impact investments in South Africa given socio-economic challenges?

This section presents empirical results on views on the future of impact investments in South Africa. Key themes covered below in section 4.5.1.

The consensus view from majority of participants agrees that South Africa in the right path concerning future of impact investments and the global movement against climate change is aiding this development. *"…. I think, across the board, things headed in the right direction, and this is not just in the case of South Africa, many of the developing countries, given the agenda is pushed by governments. Moreover, the government is pushed by certain accords at a global level for instance; the Paris climate accord drives a lot of change."*

Other participants noted the importance of the recently concluded Continental Free Trade Agreement and the amendment of the Regulation 28 as catalyst for growing impact investments in South Africa. *"….Impact investments can only grow because you have truly an opportunity now in the continent, as a result of the Continental Free Trade Area, that will drive a lot of manufacturing. That being said, South Africa has to be prepared, because that's where you get jobs."* The proposed review to Regulation 28 takes cue from a number of calls for increased investment in infrastructure, given the current low economic growth climate. *"…There is growth in impact investments, specifically and in the private sector with changes around Regulation 28. My sense is pension funds and other institutional investors can drive this even further and make a more pronounced impact rather than having 1% of your assets under management in a social infrastructure fund."*

The collaboration between government and private sector is seen as critical to the success of impact investments in South Africa. One of the participants gave a contrarian view that private sector should stop relying on government as it has failed at delivering basic services to majority of its citizens. *"…I think it's critical and perhaps, as the private sector we should not look to government anymore, because maybe this partnership between the private sector and government, I don't know if it's something we'll ever get right."*

Some participants noted a hindrance to the future of impact investments being corruption. "…I see the need for impact investments widening but due to challenges around, as we have already discussed, the enabling environment, corruption, and all things that seem to follow us, with no end to them. Now we have commissions of state capture where people are not going to jail. Therefore, you just perpetuate the culture of thuggery and people stealing from the poor."

Inequality is another factor that mentioned as negating progress of impact investment. South Africa's Gini-coefficient is the highest in the world. *"…the Gini-coefficient or level of inequality is a problem and is not going to be solved by government alone is not going to be so public sector alone can only be solved by private and public collaborating."*

The last point that is raised on this topic is that even though government has done a lot during the Covid-19 pandemic by offering grants to the unemployed and the elderly, the benefits is not trickling down at grass roots level. However, another participant is of the view that the pandemic has set the country back five years and investors are going to be very reluctant to deploy capital in developing countries and impact projects, but rather they will hold on to their cash or invest on traditional asset classes that are familiar.

4.5.1 Future of impact investments key themes

Key themes on the future of impact investments is that it is imperative for the country's future. Key economic sectors that needs attention include education, healthcare and agriculture. The conversations around impact investments has shone the spotlight on poverty, inequality, gender inequality and energy efficiency and are now topical. These issues are a consideration before making investment decisions.

Future of impact investments does not depend on government alone but all sectors collaborating to bring change. The scarcity problems and misallocation of resources creates a case for impact investments.

4.6 How impact investments influenced by firm's investment thesis?

This section presents empirical results on how impact investments influenced by the firm's chosen investment strategy and thesis.

The investment thesis of the sample interviewed is dependent on the industry of the participants. The government owned entities including DFIs investment thesis influenced by a sustainability metric consideration that included ESG considerations and outcomes that benefited the economy, environment and stakeholders. *"…Therefore, we essentially look at two or three different things. We look at every project and what its specific outcomes are. In terms of what benefits it relates to the economy, to the environment, and to the stakeholders involved we also look at the market outcomes. Lastly, we determine whether the project results in sustainability of markets. We have a rating system, called the Anticipate Impact Measurement &Monitoring (AIMM) framework. The higher the score, the better the board feels about the project, the more the support we get from our board and, if the project, which has substantial returns, but has a score of zero, we would not do it."* One participant from a state owned entity mentioned that their investment mandate precludes them form investing in negative industries such alcohol, gambling, and tobacco.

Most Private Equity funds interviewed placed commercial returns above social returns as the main driver of their investment thesis. The financial considerations that included investee fundamentals and market imperatives were the main drivers. *"…One of the things that we definitely looking for is definitely the return. I am saying the return first because if the investment makes the return, then I will look at it, but when I screen it, I will look at whether it's going to meet the impact that I'm looking for."* One participant mentioned that their limited partners or investors influence the deployment of capital and as a result, they had little freedom in constructing their own investment thesis.

The participant firm's focus informed their investment thesis. The two women owned firms interviewed focused on women and youth led businesses. *"… Our firm as women led business, and we invest in women entrepreneurs. We seek to grow a majority of our portfolio being female owned, and to some extent youth."* The property focused impact funds had an inclination to invest in affordable housing projects.

4.6.1 Investment thesis themes

The firm's positioning determined the investment thesis. DFIs and state owned entities have a developmental mandate that consider financial and social returns not mutually exclusive. However, private businesses, especially the entry-level private equity funds have a need to develop a record of accomplishment, which then forces them to consider financial returns first to prove themselves to their investors. That makes social returns secondary to private markets. With matured funds, there seems to be not such an expectation as they already proved themselves to their funders.

4.7 What measurement tools used by impact funds?

This section presents empirical results on measurement tools used by impact funds. This question provided different responses from participants.

Two of the participants mentioned that they have developed their own internal models and toolkits to measure impact. "…We have an internal tool that we have developed called, Environmental Measurement Standards (EMS). It has ESG variables embedded in it and, we actually have a standalone ESG team that oversee all our investments and ensure that our investments measurement and reporting functionality is carried out."

One of the international DFIs interviewed developed a performance standard considered a gold standard and is used by companies globally called the IFC Performance Standards. The DFI uses these performance standards to guide their views on projects. *"…We have an ESG toolkit that covers everything from demographics to training, carbon emissions, governance, stakeholder engagement and environmental social management frameworks. We use IFC performance standards and most of our investments are our Category B, which is medium to low environmental impacts."*

Two participants in the private equity industry cited the United Nations Sustainable Development Goals (SDGs) as the measurement tools they use. Most target the SDGs that aligns with the firm's investment mandates. *'…We did not want to reinvent the wheel; we felt clearly that the United Nations did a very good job defining the SDGs. Therefore, we use the SDGs. Within the seventeen SDGs, certain impact that we make in infrastructure, property and, private equity."*

One participant mentioned that their firm uses International Reporting Standards (IRS) as a guiding tool to measure impact. "…Our guideline is IRS, the International Reporting Standards and we use that as a guideline of how we measure the impact. Then in terms of practically, we define the impact matrix to say, what exactly we are going to measure in this opportunity."

Other participants used transformation inclusivity lens such as number of women representation at board level, number of jobs created for previously disadvantaged individuals, BBBEE, youth and disability.

4.7.1 Impact measurement tools key themes

It seems there are no standardization on impact measurement tools. The participants cited different measuring tools for impact investments. There are tools that are universal such as the IFC Performance Standards, UN SDGs and the IRS. Many practitioners in the private equity industry seems to prefer developing their own tools that align with their business focus.

4.8 What initiatives undertaken by impact industry to standardize impact measurement tools?

This section presents empirical results on views regarding the industry taking steps to standardize impact investments measurement tools. Many of the participants interviewed were not aware of any industry initiatives to standardize measurement tools. Some participants mentioned that the Global Impact Investment Network (GIIN) and the United Nations Development Program (UNDP) hold these discussions at global level to seek solutions to this problem. *"…I think GIIN is striving for standardization of impact measurement tools. It is more of a global initiative and the work of the UNDP, releasing the standards for private equity and bonds."*

Initiatives on the local front, participants mentioned the work that done by SAVCA and Bertha Institute at the University of Cape Town. *"…there's something that SAVCA is doing with the Bertha Institute at UCT. A document was across circulation towards the end of 2021 on impact measurement, and in what we can look at to try to standardize impact measurement tools.*

A participant supported standardization on the basis that regulators will be able to regulate the sector and investors ability to compare investments and for valuation purposes. *"…I think from an education perspective, there is a need to standardize, and not only just from getting people* *to use the same method, but also to regulate, because if you if you were all using different means of measurement, we're never quite sure how to compare."*

Two participants were not in favour of standardizing measurement tools as they deemed impact investments bespoke. They attributed one of the shortcomings of standardizing related to different variants with different socio-economics dispositions in different geographies. One of the participants advocated for South Africa and the rest of the continent to establish their own standards that considers local conditions. *"…The reason why we are having such problems, having one standard that responds to everything is that each investment process is different."*

4.8.1 Measurement tools standardization themes

Themes that emanated from the interviews shows that most participants are not aware of any local initiatives to standardize impact tools. A few of the participants were aware of the work done by SAVCA and Bertha Institute. There seems to be reliance on global bodies such the GIIN and UNDP to standardize the measuring tools. Not all the participants are in favour of standardizing tools as they view impact projects bespoke.

4.9 What is the profile of impact investors driving impact investments (offshore versus local)?

This section presents views on the profile of impact investors operating in local market. One of the DFI interviewed mentioned their strategic partnerships with other multilateral organisations makes the collaboration worthwhile. With the increased cost of capital and South Africa's recent downgrades, they were able to get donor funding at concessional rates. South Africa seen as a middle-income country by most international DFIs, crowds out private equity firms that are only South Africa focused. *"…South Africa is a middle-income country. So that presents itself at an issue from a fundraising perspective, because, many of the DFIs are not necessarily interested in providing funding to South Africa only fund. Therefore, in order for private equity fund to attract capital from DFI, it has to be a pan African play. If it is a South African only fund, you have to look at domestic funders."*

Newly formed private equity funds obtain their funding mostly from local investors. They would prefer to build record of accomplishment before considering offshore investors. *"…So we raise our money locally, we do not consider funds outside of South Africa. Given that it is our first fund, we want to establish a track record before we go outside of your own borders."* The mandates of other private equity firms permits investments in South African domiciled companies, hence the funding raised is from local investors. One participant mentioned that there has been a general move by international investors to prioritize their own countries before looking outside. *"… We do have one or two international DFIs. So locally, all of our investors are pension funds and potential two international DFIs that are likely to come into our second close. We do not have a particular preference, but I find that the pension funds move at a better pace than the DFIs and that makes us to lean towards pension funds to secure as much of the capital from them."*

On the Enterprise Supplier Development, which is the strategy for promoting economic growth and building small and medium enterprises, the IDC and SEFA are prominent players in funding such initiatives.

4.9.1 Themes on impact investor profiles

The local private equity industry sources its funding form local pension funds and DFIs. In order to attract international funding, they need to adopt a pan-African strategy that not only focus on South African, but the rest of the continent.

Government owned entities main shareholder and investor is the national government and are accountable to it through the executive and legislature. Local DFI leverage on the partnerships with international counterparts and are able to attract donor funding at favourable concessional rates.

4.10 Views on social returns versus financial returns for impact investments

This section presents views on impact investor's priorities on social versus financial returns. The DFI interviewed mentioned a threshold for financial return considered acceptable. In instances where financial returns does not meet the threshold but the impact is immense, the board and management takes a view. *"…Therefore, there will be a tilt towards ensuring that all our projects really have some sort of impact."*

Mixed views from private equity firms received, with other participants stating categorically that social and financial returns are not mutually exclusive. *"…It is about time that we place emphasis on both and not one over the other. We have learnt from the different economic crisis, we have had an even the recent one that sustainability is key, and capital is one of the big protectors and enablers of sustainability."* One of the newly formed private equity firm noted that being a black owned firm with less track record, they placed financial returns first as they needed to prove themselves to their funders. *"…We are all about the financial returns. For us it is first financial returns and social returns are secondary. It is because we are handling pension fund money and people's livelihoods are in our hands. There is some sort of social return element in it, and we should handle it with care. The fact that we are a black PE fund, we have to prove ourselves even more than white firms with less skill."*

Another black owned private equity fund echoed the same views. "…I think as a first time fund manager, the social returns and as much as recognize that they are important, tend to be secondary. The LPs (limited partners/investors) love you when you make them money. That is the long and short of it. We target IRRs of around 25% and we do recognize that the current markets has to be adjusted slightly downward."

The related risk adjusted returns where cited as restricting the type of investments undertaken because there is an expectation that if a firm prioritized financial return and expected the same return as the one realised from other asset classes. It becomes critical if a firm can only demonstrate financial return but not social return, then they get a classification of a traditional investor.

4.10.1 Social versus financial returns themes

DFIs mandates tends to skew their expected returns on social returns. Newly formed funds needs to prove themselves and mostly pursue financial returns even though they fully support the view of not seeing social and financial returns as mutually exclusive. *"…They should not be mutually exclusive but there has been a perception that they are. Which was why it was quite difficult back in the day to call yourself an impact fund, because you would not necessarily* *attract capital. Well, it is the opposite but the expectation is that you would still meet commercial return and hurdle now."*

Risk adjust returns is another theme that emerged in the pursuit of financial returns alongside social returns.

5 DISCUSSION OF RESEARCH FINDINGS

5.1 Introduction

The following chapter presents an interpretation and analysis of the research findings, which were presented in chapter 4. The analysis will be done by comparing the findings to the literature review on the topic, the socio-economic role of impact investments in South Africa. Similarities, differences as well as any new information or insights that might contribute to the body of literature on this topic shall be identified and discussed. The key theoretical concepts, trends, models and frameworks identified in Chapter 2 as part of the literature review will be compared to the actual findings of this research (from the evidence gathered from interviews). The chapter will then give a summary of the analysis.

5.2 Brief contextual background

As indicated earlier on this paper, impact investments is still a nascent industry in South Africa. The covid-19 pandemic has brought with it a multiplicity of crises that includes health, financial and a collapse in commodity prices (Gopinath, 2020). The evolution of alternative asset classes and private markets in funding high impact investments is gaining momentum worldwide. South Africa's low growth environment due to lack of new investments into the economy is not abating. The lack of packaged projects that are ready for funding presents an opportunity for the investment community.

The global movement supporting sustainable finance (ESG) and social impact outcomes is becoming mainstream. Some of the aspects that contribute to the significance of this study include the triple threat of poverty, inequality and unemployment is contributing to the low growth environment the country is facing. It is important to know what drives impact investments and expectation of private funds returns.

The following subsections have been formulated in order to effectively present a holistic interpretation and analysis of the results.

5.3 Main drivers influencing impact investing in South Africa

This section gives the analysis of the findings on the key drivers of impact investments, which include the supply and demand factors. In line with studies by (Roundy et al., 2017), the empirical evidence suggests that the suppliers of impact investments include corporations, banks and other financial institutions, public institutions such as pension funds, Development Finance Institutions (DFIs) and foundations. The empirical evidence relating to the demand factors acknowledged a growing awareness by traditionally non-profit organisations and social enterprises that may not have thought of accessing impact capital but only reliant on grant funding. The increased awareness of accessing impact investment capital by non-profit organisation means these organisations can now undertake more impact projects than before. This is in agreement with (Phillips & Johnson, 2019) that notes the beneficiaries of impact investments includes charities; non-profits, social enterprises, and social purpose businesses that have projects in need of capital for their impact projects.

Studies by (Choda, 2018) concurs with participants views that government capacity in providing social and environmental infrastructure is limited and collaboration with social enterprises, is necessary to deliver impact investments. As mentioned by (Urban & George, 2018) that social enterprises are better positioned to develop capacity and intervene where government have failed to address social needs.

Participants highlighted the role played by past apartheid policies in perpetuating inequality and where black South Africans were denied opportunities for equal employment, dispossession of land and limited education opportunities resulting in increased poverty levels. Most are participants viewed impact investments as a tool that can address social injustices of the past. This concurs with studies by (Seekings, 2007) that noted increased income inequality that actually worsened after 1994 and the increased Gini coefficient that rose to 63%, making it the highest in the world.

Various responses given about what could be the main drivers of inducing impact investments in South Africa. There is a wide acknowledgment on the part of governments, business, civil society, and organized labour that impact investing is necessary in the South African context and that it cannot be left to government alone to address the social economic challenges that the country is facing.

5.4 The collaboration between private markets and government in funding social projects

The empirical evidence suggests that the credit saturation is forcing governments to look to private capital into funding social projects, and that the DFIs are leading the efforts in funding social infrastructure and attracting private sector funders through blended finance structures that de-risks these projects. Attridge and Engen (2019) supports this opinion that blended finance approaches channelled through DFIs and their role in mobilising additional private commercial finance beyond their own resources.

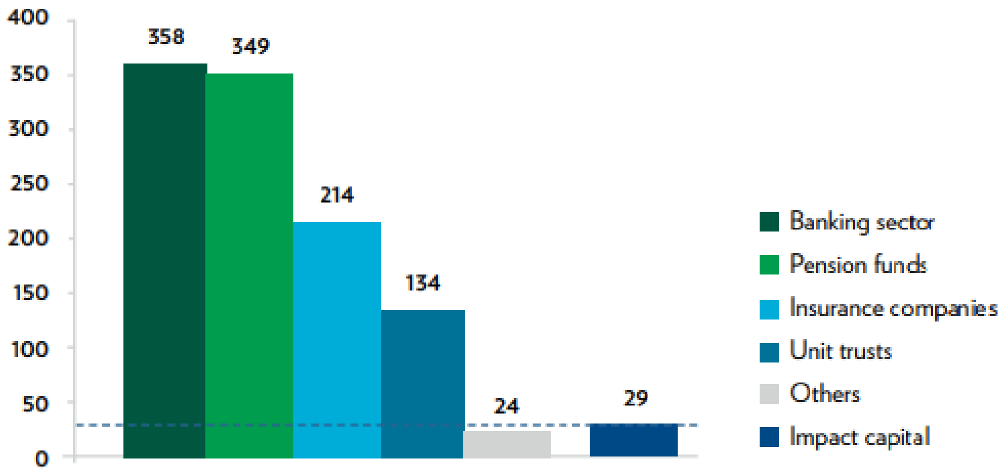
The evidence from empirical studies suggests that collaboration between government and private markets is limited and it needs to scale up quite significantly to address the needs of funding social infrastructure. Some of the reasons mentioned is that the collaboration is in various degrees and it is not cohesive. There are views that seems to suggest that the Public Private Partnership (PPP) model in as much as it makes sense, the private sector has abandoned it because of poor implementation. Bovaird (2004) defines PPPs "*as working arrangements based on a mutual commitment (over and above that implied in any contract) between a public sector organisation with any organisation outside the public sector.*" Brinkerhoff and Brinkerhoff (2011) supports the empirical findings that despite their originating rationale, many PPPs may not achieve their intended public benefits, either due to poor implementation (including inadequate government regulation) or skewed incentives that may yield unintended consequences such as the long term stripping of government capacity.

Private sector profit motive mostly is the value proposition to be in business. It is widely known that government's mandates include the provision of basic services and social infrastructure for its citizens. The relationship between government and private sector seems to be in opposing sides, and each needs each other for survival.

5.5 Level of awareness in driving social and sustainable investments in South Africa

The empirical evidence suggests low level of awareness of impact investing in South Africa. This stems from many participants views that level of awareness for impact investing is very low and is limited to people who are already in the sector. GIIN (2016) support this view, that the term "impact investing" is not widely understood in South Africa and many investors did not consider themselves impact investors, even though they had stated impact goals, explicitly tracked impact and compensated their team based on impact performance. Other cited a lack of familiarity with the term. Impact investing represents only a small part of the overall investment landscape in South Africa as shown in figure 2 below.

Figure 2: Impact Capital Relative to other financial assets



<u>Source: International Monetary Fund</u>

The fact that the industry is still nascent in South Africa contributes to lack of awareness of impact investing.

5.6 Variables that create an enabling environment to attract impact investments

Participants had listed various interventions that could create an enabling environment to attract impact investments that included legislative and tax incentives interventions, amongst others. McCallum and Viviers (2020b) mentions the recent amendments to Regulation 28 of the Pension Fund Act (No.24 of 1956) and Section 12J of the Income Tax Act (No. 58 of 1962) regarding prudential limits, investment limits and tax incentives could encourage engagement in the impact market and indirectly unlock opportunities for growth in this market.

Although government decided not extend the 12J tax breaks beyond June 2021, citing the regime not achieving its objective of developing small business, generating economic activity and creating jobs. However, the amendment of Regulation 28 will allow pension funds to invest up to 45% of their assets in South Africa infrastructure projects, which will support impact investments.

5.7 The future of impact investments in South Africa given socio-economic challenges

Given the development needs of South Africa, participants agreed that the future of impact investments is an imperative for the country's future. Participants were of the view that recent conversations around impact investments has shone the spotlight on poverty, reduced inequalities, gender equality and climate action, amongst others and has become a consideration for investor when making investment decisions. Schramade (2017) study highlights the Sustainable Development Goals (SDGs) which are a set of 17 non-binding, or aspirational goals that have been set by the United Nations with the aim of achieving a more sustainable planet by 2030. Among the UN objectives are significant reductions of poverty (Goal 1), reduced inequalities (Goal 10), gender equality (Goal 5) and climate action (Goal 13). A quick look at Figure 3 would make clear that goals are interconnected.

Figure 3: The 17 UN Sustainable Development Goals

Source: United Nations

Given the 17 SDGs, investors and impact practitioners are able to choose any of the goals that aligns with their business strategy. Many women focused funds interviewed, aligned with the gender equality (Goal 5) of the SDGs.

5.8 Impact investments influenced by firm's investment thesis

The DFI's and state owned entities interviewed mentioned that their mandates are developmental in nature. George and Prabhu (2000) supports this view that DFIs political mandate of developing priority sectors influence their involvement in projects. Therefore, DFIs are willing to expend their limited resources in specialising and developing priority sectors.

The newly established black-owned venture capital funds interviewed mentioned that tend to pursue financial returns first as they would want to be in a position to attract and secure future investments into their funds when they perform. This then results in social returns being a secondary consideration. Mlambo (2013) study concurs with this view that the lack of track record or steady stream of success stories of early stage investments in South Africa deters the ability to attract funds at the early stage. It becomes difficult to convince pension funds and other investors on the merit of investing at this stage as is considered too risky.

This reality poses a challenge for impact projects, as most of them tend to be early stage in nature such as affordable social housing projects that require subsidized funding form government. Government programmes like the Financial Linked Individual Subsidy Programme (FLISP) that work through the National Housing Finance Corporation (NHFC) to provide affordable housing to households who earn between R3 501 and R15 000 (Limba, 2019).

5.9 Measurement tools used by impact funds and standardization initiatives

The type of firms interviewed mentioned that they used different types of measurement tools to measure impact. It seems that there are no standardized tools used by the industry. Two of the participants from the private equity industry were not in favour of standardising measurement tools as they deemed each impact project unique and the structuring thereof is bespoke. Verrinder, Zwane, Vaca, and Nixon (2018) acknowledge that how one defines, measures and communicates impact is not well defined or consistently defined. The evaluation community have at their disposal many tools that could be adapted and used in the world of impact investing. This view concurs with participants that there is a plethora of tools available of which some are getting widely used by the industry such as the IFC's Performance Standards, UN SDGs and the International Reporting Standards (IRS). Given these baseline standards and measuring tools, some participants mentioned that were able to develop their intellectual property (IP) internal models to measure impact that aligns with their business goals.

Participants expressed reliance on international bodies like GIIN to lead the charge in standardizing measuring tools. On the local front, Impact Task Force, SAVCA and the Bertha Institute seems to be working on similar initiatives to standardize measuring tools for the South African market.

5.10 Profile of local versus offshore investors driving impact investments

The DFI's main shareholder is their respective governments. In South Africa, government funds the likes of Development Bank of South Africa (DBSA), Industrial Development Corporation (IDC), National Empowerment Fund (NEF) and others. The DFI's interviewed mentioned that they are accountable to the government through its executive and legislature. These DFIs to collaborate with their international counterparts to attract donor funding at favourable rates. The case in point is the BRICS New Development Bank (NDB) mandates to provide interest free loans to developing countries for sustainable infrastructure development projects in the BRICS economies (Mazenda & Ncwadi, 2016). These transfers take place through the member countries DFIs, such as the DBSA in the case of South Africa.

The local private equity funds interviewed mentioned that they receive most of their funding from local pension funds and DFIs. In order for them to attract international funding, they needs to adopt a pan-African strategy than not only focuses on South Africa, the rest of the continent. Babarinde (2012) notes the renewed interest in Africa by global by global investment community due to the overall improvement in political, economic and business governance.

5.11 Views on social returns versus financial returns for impact investments

The debate between "financial first" and "impact first" continues to be contentious. The empirical results shows that DFIs, by virtue of their mandates articulate both financial and socials returns. They have internal thresholds of what they need to see as a financial return, as well as what they need to see benefits under their internal social imperatives. The private sector participants interviewed especially the newly formed funds mentioned that although they understand the national agenda of supporting impact investments, they first use the financial lens to screen investment opportunities and then followed by whether the investment makes an impact. Private equity firms and investment funds have been key organisations operating in returns driven social impact investment space (Watts & Scales, 2020). These views is supported by (Ormiston et al., 2015) who is of the view that investors who manages funds on behalf of other are restricted by their fiduciary duties. In contrast, high net worth individuals and family offices are able to control the direction of their investments tend to adopt the "impact first" stance on their investments.

The overarching sentiment is that the two are not mutually exclusive, and the recent economic crisis have taught us that sustainability is key, and capital is one of the big protectors and enablers for sustainability. Therefore, we do not have the luxury of choosing one over the other anymore.

6 SUMMARY, CONCLUSIONS, LIMITATIONS, AND RECOMMENDATIONS

6.1 Summary

The research aimed to investigate the role played by socio-economic factors in inducing impact investments in South Africa. The socio economic landscape in South Africa is shaped by the country's past characterized by huge inequalities, highest Gini coefficient in the world at 0.63. South African has been experiencing low GDP growth over the years. Level of unemployment is at its highest levels with youth unemployment in the 30% range. Since 1994, various economic plans developed over the years to address level of poverty. The recent plan has been the National Development Plan, which aims to eradicate poverty by 2030.

Description of impact investing adopted the GIIN definition of viewing Impact Investments as those made into companies with the objective to generate social and environmental impact along with financial returns. The purpose of impact investing seems to be investing in social projects to achieve a social return whilst also seeking a market return. Impact investments has proven to drive social and environmental objectives that needs attention. However, impact investments is still a nascent asset class in South Africa. The Global Impact Investing Network (GIIN, 2020) estimates the size of the sector at $715 billion in 2020.

Government alone and with the help of non-profit organisations cannot meet the social needs of the country. The advent of impact investing has seen social enterprises playing in the space dominated by government. Given capacity constraints from government in delivering social infrastructure, an opportunity for new players to enter the Impact Investments landscape is acute.

GIIN (2016) observe that the Development Finance Institutions (DFIs) are a major driver of impact capital in South Africa via Private Equity Impact Funds. The rise of alternative investments in South Africa with specific reference to Private Equity as a recipient of Impact Funding is notable.

Given the development needs of South Africa, participants agreed that the future of impact investments is an imperative for the country's future.

Challenges facing the industry include no standardization on measurement tools and lack of consensus on "financial first" versus "impact first" debate.

6.2 Conclusions

The research revealed that impact investing in South Africa still faces various challenges related to measurement and the valuation of social and economic returns as well as the market depth to take the sector on a growth trajectory. South Africa as a developing country needs increased level of impact investments in major economic sectors such as education, social housing, healthcare and agriculture. Government capacity in driving the growth of the sector requires collaboration with the private sector, which brings best practice and efficiencies of delivering these projects. The widening income inequalities is a structural problem that is related to high levels of unemployment. The South African education system needs a revamp to encourage students to consider entrepreneurship as a subject. This will encourage the youth to start their own businesses and not rely on finding employment to make a living. Support programs such as the one provided by the National Youth Development Agency (NYDA) needs to scale up and adopt a broader mandate of not only providing grants funding but also develop and monitor these youth entrepreneurs.

For private markets to put their capital alongside government in projects that are invariably government functions, creates an expectation for incentives for the risk taken. It therefore expected private sector to show interest in participating in projects once they are de-risked and their profit motive satisfied. Besides the successful office accommodation PPPs and the energy renewables projects, South Africa has not seen large scale PPPs undertaken in the recent past. In the main, there is an expectation for government to provide an enabling environment, clarity on policy and most importantly start promoting PPPs as part of the solution. The incentives for private markets will activate private capital to assist in solving the problem.

The lack of standardisation for impact measuring tools brought mixed views. Investors seek to perform valuation on their investments. Standardization of impact investments would assist in providing investors with tools to value their projects. Given that impact investments is still nascent, different market participants are adopting different measurement tools but it is not sustainable in the long run. Adopting the logic model framework, as the sector grows and matures; investors and market players will notice the benefits of standardisation, as they will be able to value and price these projects. Efforts by industry bodies such as GIIN and UNDP at global level and the likes of SAVCA, Impact Task Force and the Bertha Institute at the local level is in the right path to develop impact investments as an asset class.

The recent amendments of Regulation 28 of the Pension Fund Act (No.24 of 1956) is major milestone that will recognise infrastructure as an asset class which will unlock growth opportunities for impact investments in South Africa. With the positive changing views on Africa by global investment community, many as see the continent as the frontier market in emerging markets. This is due to the steady political and economic reforms. South Africa has a developed banking and deep capital markets, which places it in a favourable position to be a recipient of impact flows from the developed world.

6.3 Limitations

Any research has inherent limitations primarily driven by time constraints, which is an important element in achieving both the scope and depth of the study. The following aspects are considered potential limitation to this study:

a) The study did not attain the desired sample representation it envisaged. Participants sample comprised only of international and local DFIs, private equity firms; women focused funds, social housing funds, youth development agency, a commercial bank. No views obtained from wider government agencies, family offices and pension funds.

6.4 Recommendations

Private markets must work alongside government to develop impact investment in South Africa by standardizing impact measurement tools and taxonomies. The needs to be efforts aimed at creating awareness and deepening the knowledge base for impact investments in South Africa. Universities should collaborate with government and the private sector to create courses and modules on the subject of impact investments. Government needs to create an enabling environment that foster private sector participation through incentive schemes and de-risking of social projects. Financial returns and social returns are not mutually exclusive and it is encumbered upon all stakeholders to play their part in developing social infrastructure in South Africa.

Governments is already spending a huge portion of the national budget on education. It is only through education and supporting entrepreneurship for the youth of South Africa that the cycle of poverty can be reversed. The amendments of Regulation 28 bodes well for the sector as infrastructure would now be classified as an asset class, which that pension funds would be able to invest directly in infrastructure projects.

REFERENCES

Addis, R., McLeod, J., & Raine, A. (2013). IMPACT Australia: Investment for social and economic benefit.

Agrawal, A., & Hockerts, K. Impact Investing: Review and Research Agenda.

Agrawal, A., & Hockerts, K. (2019). Impact investing: review and research agenda. 1-29.

Alessandri, T. M., Black, S. S., & Jackson III, W. E. J. L. R. P. (2011). Black economic empowerment transactions in South Africa: Understanding when corporate social responsibility may create or destroy value. *44*(4), 229-249.

Alshenqeeti, H. J. E. l. r. (2014). Interviewing as a data collection method: A critical review. *3*(1), 39-45.

Alter, C., & Egan, M. J. J. o. S. W. E. (1997). Logic modeling: A tool for teaching critical thinking in social work practice. *33*(1), 85-102.

Attridge, S., & Engen, L. (2019). *Blended finance in the poorest countries: the need for a better approach*. Retrieved from

Babarinde, O. J. T. J. o. P. E. (2012). The private equity market in Africa: trends, opportunities, challenges, and impact. *16*(1), 56-73.

Babbie, E. J. A. C. L. (2013). The practice of social research (International Edition).

Bickman, L. J. N. d. f. p. e. (1987). The functions of program theory. *1987*(33), 5-18.

Biyase, M., & Zwane, T. J. T. J. o. D. A. (2018). An empirical analysis of the determinants of poverty and household welfare in South Africa. *52*(1), 115-130.

Block, J. H., Colombo, M. G., Cumming, D. J., & Vismara, S. J. S. B. E. (2018). New players in entrepreneurial finance and why they are there. *50*(2), 239-250.

Bocken, N. M. J. J. o. C. P. (2015). Sustainable venture capital–catalyst for sustainable start-up success? *, 108*, 647-658.

Boggild-Jones, I. G.-W., E. (2019). First social impact bond in South Africa shows promise for addresing youth unemployement Retrieved from https://www.brookings.edu/blog/education-plus-development/2019/07/12/first-social-impact-bond-in-south-africa-shows-promise-for-addressing-youth-unemployment/#:~:text=After%20a%20year%20of%20implementation,600%20young%20people%20into%20jobs.

Bonini, S., & Emerson, J. J. R. f. h. c.-w. o. (2005). Maximizing blended value–Building beyond the blended value map to sustainable investing, philanthropy and organizations.

Bovaird, T. J. I. r. o. a. s. (2004). Public–private partnerships: from contested concepts to prevalent practice. *70*(2), 199-215.

Boyne, G. A. J. J. o. m. s. (2002). Public and private management: what's the difference? *, 39*(1), 97-122.

Brest, P., & Born, K. J. S. S. I. R. (2013). When can impact investing create real impact. *11*(4), 22-31.

Brinkerhoff, D. W., & Brinkerhoff, J. M. (2011). Public–private partnerships: Perspectives on purposes, publicness, and good governance. *31*(1), 2-14.

Bryman, A. (2012). Sampling in qualitative research. *4*, 415-429.

Bugg-Levine, & Emerson. (2011). Impact investing.

Cetindamar, D., & Ozkazanc-Pan, B. J. B. E. A. E. R. (2017). Assessing mission drift at venture capital impact investors. *26*(3), 257-270.

Chen, H., Pan, H.-L., Morosanu, L., & Turner, N. (2018). Using Logic Models and the Action Model/Change Model Schema in Planning the Learning Community Program: A Comparative Case Study. *Canadian Journal of Program Evaluation, 33*. doi:10.3138/cjpe.42116

Chepkemoi, J. (2017). The Wealthiest Charitable Foundations in the World. *WorldAtlas*. Retrieved from https://www.worldatlas.com/articles/which-are-the-wealthiest-charitable-foundations-worldwide.html
Choda. (2018). <Conversations about measurement and evaluation of impact investing.pdf>. doi:10.4102/aej
Choda, A. (2018). Conversations about measurement and evaluation in impact investing. *6*(2), 1-11.
Clark. (2000). Pension fund capitalism.
Clark, Emerson, & Thornley. (2014). *Collaborative capitalism and the rise of impact investing*: John Wiley & Sons.
Clark, Reed, & Sunderland. (2018). Bridging funding gaps for climate and sustainable development: Pitfalls, progress and potential of private finance.
Clarkin, J. E., & Cangioni, C. L. J. E. R. J. (2016). Impact investing: A primer and review of the literature. *6*(2), 135-173.
Corbin, J., & Strauss, A. (2014). *Basics of qualitative research: Techniques and procedures for developing grounded theory*: Sage publications.
David, D., & Venkatachalam, A. (2018). *A comparative study on the role of public-private partnerships and green investment banks in boosting low-carbon investments*. Retrieved from
DPLG, T. P. (2005). Provincial Growth and Development Strategy Guidelines 2005-07.pdf>.
Ducastel, & Anseeuw. (2020). Impact Investing in South Africa : Investing in Empowerment, Empowering Investors. *Historical Social Research / Historische Sozialforschung, 45*(3), 53-73.
Elkatawneh, H. J. S. E. J. (2016). The five qualitative approaches: Problem, purpose, and questions/The role of theory in the five qualitative approaches/Comparative case Study. 1-18.
Entrepreneurship, S. F. f. S. E. (2012). Investing for Impact: How social entrepreneurship is redefining the meaning of return.
EY. (2019). <EY Attractivenes Program Africa>.
Falkowski, W. (2013). Impact investment as a new investment class. (1).
Fine, B. (1997). South Africa's Political Economy: from minerals-energy complex to industrialisation. In: Hurst.
Freireich, J., & Fulton, K. J. M. I. (2009). Investing for social and environmental impact: A design for catalyzing an emerging industry. 1-86.
Friedman, M. (2007). The social responsibility of business is to increase its profits. In *Corporate ethics and corporate governance* (pp. 173-178): Springer.
Funnell, S. C., & Rogers, P. J. (2011). *Purposeful program theory: Effective use of theories of change and logic models* (Vol. 31): John Wiley & Sons.
Geczy, C., Jeffers, J., Musto, D. K., & Tucker, A. M. (2018). Contracts with benefits: The implementation of impact investing.
George, G., & Prabhu, G. N. J. A. o. M. R. (2000). Developmental financial institutions as catalysts of entrepreneurship in emerging economies. *25*(3), 620-629.
GIIN. (2016). THE LANDSCAPE FOR IMPACT INVESTING IN SOUTHERN AFRICA.
GIIN. (2020). <GIIN Annual Impact Investor Survey 2020.pdf>.
Gioia, D. A., Corley, K. G., & Hamilton, A. L. J. O. r. m. (2013). Seeking qualitative rigor in inductive research: Notes on the Gioia methodology. *16*(1), 15-31.
Glänzel, G., Scheuerle, T. J. V. I. J. o. V., & Organizations, N. (2016). Social impact investing in Germany: Current impediments from investors' and social entrepreneurs' perspectives. *27*(4), 1638-1668.

Godsall, J., & Sanghvi, A. J. M. Q. (2016). How impact investing can reach the mainstream. 11-14.
Gopinath, G. J. I. b. (2020). The great lockdown: Worst economic downturn since the great depression. *14*, 2020.
Grieco, C., Michelini, L., & Iasevoli, G. (2015). Measuring value creation in social enterprises: A cluster analysis of social impact assessment models. *44*(6), 1173-1193.
Guest, G., Namey, E. E., & Mitchell, M. L. (2013). *Collecting qualitative data: A field manual for applied research*: Sage.
Gumede, W., Govender, M., & Motshidi, K. J. P. B. (2011). The role of South Africa's state-owned development finance institutions (DFIs) in building a democratic developmental state. *1*.
Höchstädter, A. K., & Scheck, B. J. J. o. B. E. (2015). What's in a name: An analysis of impact investing understandings by academics and practitioners. *132*(2), 449-475.
Iheduru, O. C. J. J. o. M. A. S. (2004). Black economic power and nation-building in post-apartheid South Africa. 1-30.
Jacelon, & O'Dell. (2005). Analyzing qualitative data. *25*(3), 217-220.
Jackson. (2013). Interrogating the theory of change: evaluating impact investing where it matters most. *3*(2), 95-110.
Jafri, J. (2019). When billions meet trillions: impact investing and shadow banking in Pakistan. *Review of International Political Economy, 26*(3), 520-544. doi:10.1080/09692290.2019.1608842
Johnson. (1997). Examining the validity structure of qualitative research. *118*(2), 282.
Johnson, & Lee. (2013). Impact investing: A framework for decision making.
Julian. (1997). The utilization of the logic model as a system level planning and evaluation device. *20*(3), 251-257.
Kanyane, M. H., & Sausi, K. J. A. J. o. B. E. (2015). Reviewing state-owned entities' governance landscape in South Africa. *9*(1).
Kearns, M., & Pound, W. T. (2003). *Promoting Economic Development in Vulnerable Communities*.
Kellogg, W. J. M. W. K. F. (2004). Logic model development guide.
Lehner, O. M., Harrer, T., & Quast, M. J. J. o. A. A. R. (2019). Building institutional legitimacy in impact investing.
Levine, G. (2009). Impact investing: Harnessing capital markets to solve problems at scale. (2), 30-41.
Li, W., & Zhang, R. J. J. o. b. e. (2010). Corporate social responsibility, ownership structure, and political interference: Evidence from China. *96*(4), 631-645.
Limba, E. M. (2019). *Barriers Access to Housing Finance by the Low-Income Groups: National Housing Finance Corporation (NHFC) in South Africa.* Faculty of Commerce,
Maas, K., & Liket, K. (2011). Social impact measurement: Classification of methods. In *Environmental management accounting and supply chain management* (pp. 171-202): Springer.
Malhotra, N., Birks, D., & Wills, P. J. E. P. E. L. (2010). Marketing Research: An Applied Orientation (6th Europian ed.).
Mazenda, A., & Ncwadi, R. J. A. E.-A. A. (2016). The rise of BRICS development finance institutions: A comprehensive look into the New Development Bank and the Contingency Reserve Arrangement. (3).
McCallum, S., & Viviers, S. J. S. A. J. o. B. M. (2020a). Exploring key barriers and opportunities in impact investing in an emerging market setting. *51*(1), 11.

McCallum, S., & Viviers, S. J. S. A. J. o. B. M. (2020b). Exploring key barriers and opportunities in impact investing in an emerging market setting. *51*(1), 1-11.
Mlambo, C. J. S. A. J. o. B. M. (2013). Early-stage venture capital in South Africa: Challenges and prospects. *44*(4), 1-12.
Nicholls, A. (2010). The functions of performance measurement in social entrepreneurship: control, planning and accountability. In *Values and opportunities in social entrepreneurship* (pp. 241-272): Springer.
Nicholls, A., & Murdock, A. (2011). *Social innovation: Blurring boundaries to reconfigure markets*: Springer.
OCDE, P. (2010). Taxation, innovation and the environment.
Ormiston, J., Charlton, K., Donald, M. S., & Seymour, R. G. J. J. o. S. E. (2015). Overcoming the challenges of impact investing: Insights from leading investors. *6*(3), 352-378.
PCI. (1979). <The Logical Framework: A managers guide to a scientific approch to design & evaluation>.
Phillips, S. D., & Johnson, B. J. J. o. B. E. (2019). Inching to impact: The demand side of social impact investing. 1-15.
PIC. (2020). <PIC 2020 Integrated Annual Report.pdf>.
Pitt, M. M., & Khandker, S. R. J. J. o. p. e. (1998). The impact of group-based credit programs on poor households in Bangladesh: Does the gender of participants matter? *, 106*(5), 958-996.
Rahi, S. (2017). Research design and methods: A systematic review of research paradigms, sampling issues and instruments development. *6*(2), 1-5.
Rawhouser, H., Cummings, M., Newbert, S. L. J. E. T., & Practice. (2019). Social impact measurement: Current approaches and future directions for social entrepreneurship research. *43*(1), 82-115.
Reeder, N., Colantonio, A. J. T. L. S. o. E., & Institute, t. E. I. B. (2013). Measuring impact and non-financial returns in impact investing: A critical overview of concepts and practice.
Reisman, J., & Millet, H. (2018). *Putting "Impact" at the Center of Impact Investing: A Case Study of Toniic's T100 Project*: The Rockefeller Foundation New York.
Renard, P., Alcolea, A., & Gingsbourger, D. (2013). Stochastic versus deterministic approaches. In *Environmental Modelling: Finding Simplicity in Complexity, Second Edition (eds J. Wainwright and M. Mulligan)* (pp. 133-149): Wiley Online Library.
Rimando, M., Brace, A. M., Namageyo-Funa, A., Parr, T. L., Sealy, D.-A., Davis, T. L., . . . Christiana, R. W. J. T. Q. R. (2015). Data collection challenges and recommendations for early career researchers. *20*(12), 2025-2036.
Rondinelli, D. (2008). Public enterprises: unresolved challenges and new opportunities.
Roundy, P., Holzhauer, H., & Dai, Y. J. S. R. J. (2017). Finance or philanthropy? Exploring the motivations and criteria of impact investors.
Savaya, R., & Waysman, M. J. A. i. S. W. (2005). The logic model: A tool for incorporating theory in development and evaluation of programs. *29*(2), 85-103.
Schatteman, A. M. J. V. I. J. o. V., & Organizations, N. (2016). Mark S. Leclair: Philanthropy in Transition. *2*(28), 871-872.
Schramade, W. J. J. o. A. C. F. (2017). Investing in the UN sustainable development goals: opportunities for companies and investors. *29*(2), 87-99.
Seekings, J. (2007). Poverty and inequality after apartheid.
Sengupta, R., & Aubuchon, C. P. J. F. R. B. o. S. L. R. (2008). The microfinance revolution: An overview. *90*(January/February 2008).
SIIT. (2014). Impact investment: The invisible heart of markets. In: OECD. Available at: http://www. socialimpactinvestment. org/reports/Impact ….

Škare, M., Soriano, D. R., Porada-Rochoń, M. J. T. F., & Change, S. (2021). Impact of COVID-19 on the travel and tourism industry. *163*, 120469.
Snider, A. J. W. M. I. (2015). Impact investing: The performance realities. 1-14.
Stegemann, K. C., & Jaciw, A. P. J. L. D. A. C. J. (2018). Making It Logical: Implementation of Inclusive Education Using a Logic Model Framework. *16*(1), 3-18.
Sulla, V., & Zikhali, P. (2018). *Overcoming poverty and inequality in South Africa: An assessment of drivers, constraints and opportunities*. Retrieved from
Taskforce, I. (2014). Impact investment: The invisible heart of markets. In: OECD. Available at: http://www. socialimpactinvestment. org/reports/Impact ….
Tekula, R., Andersen, K. J. P. P., & Review, M. (2019). The role of government, nonprofit, and private facilitation of the impact investing marketplace. *42*(1), 142-161.
Treasury, N. (2021). Draft Amendments to Regulation 28 of The Pension Funds Act.
Urban, B. (2008). Social entrepreneurship in South Africa: Delineating the construct with associated skills.
Urban, B., & George, J. J. I. J. o. S. E. (2018). An empirical study on measures relating to impact investing in South Africa. *10*(1), 61-77.
Verrinder, N. B., Zwane, K., Vaca, S., & Nixon, D. J. A. E. J. (2018). Evaluative tools in impact investing: Three case studies on the use of theories of change. *6*(2), 1-9.
W Lawrence, N. (2014). Social Research Methods: Qualitative and Quantitative Approaches. In: Pearson Education Limited.
Wagner, C., Kawulich, B., & Garner, M. (2012). *Doing social research: A global context*: McGraw-Hill Higher Education.
Watts, N., & Scales, I. R. J. W. D. (2020). Social impact investing, agriculture, and the financialisation of development: Insights from sub-Saharan Africa. *130*, 104918.
Wholey, J. S. J. N. d. f. p. e. (1987). Evaluability Assessment: Developing Program Theory. *33*, 77-92.
Wilson, K. E., Silva, F., & Ricardson, D. J. A. a. S. (2015). Social impact investment: Building the evidence base.
Wotela, K. (2016). *Towards a systematic approach to reviewing literature for interpreting business and management research results.* Paper presented at the European Conference on Research Methodology for Business and Management Studies.

Appendix 1.1: Data collection instrument

Section A: These questions are based on trying to establish what socio-economic variables influence impact investments and growth in South Africa

1. In your opinion, what do you think are the main drivers of impact investing in South Africa?
2. According to your view, how are private markets collaborating with government in funding social projects? Can you also name any examples of such projects?
3. In your opinion, what is the level of awareness of social and sustainable investing?
4. Can you name your top three factors, which would create an enabling environment to attract impact investments?
5. In your view, how do you see the future of impact investment in South Africa given the challenges the country is experiencing (e.g.: poverty, inequality and unemployment)?

Section B: These questions are based on identifying key factors for investors to invest in a fund

1. Discuss what informs your investment thesis?
2. Can you describe what tools is your firm using to measure impact?
3. In your perspective, what is the profile of your investor's universe (local vs offshore investors)?
4. What are some of the initiatives the industry is undertaking to standardize impact measurement tools?
5. What is your firms view on social returns versus financial returns for impact investments?

Appendix 2.1: One-page bio of the researcher including declaration of interest in the research and funders, if any

Dear Sir / Madam

My name is Kgosietsile Thato Matsafu and I am a Masters of Business Administration (MBA) student at the University of the Witwatersrand in Johannesburg. As part of my studies, **I am conducting research on the role played by socio-economic factors in inducing Impact Investments in South Africa**. Please read this form carefully before signing and accepting to participate in this study.

The research area of impact investing is still emerging in South Africa. The evolution of alternative asset classes and private markets in funding high impact investments is gaining momentum worldwide. South Africa's low growth environment due to lack of new investments into the economy is not abating. The lack of packaged projects that are ready for funding presents an opportunity for the investment community. The global movement supporting sustainable finance (ESG) and social impact outcomes is becoming mainstream.

As part of this project, I would like to invite you to take part in an online telephonic interview on either Microsoft Teams, Zoom or Skype. This activity will involve answering questions on your experiences in Impact Investing and will take approximately between thirty and sixty minutes. With your permission, I would also like to record the interview using a digital device.

You will not receive any direct benefits from participating in this research, and there are no disadvantages or penalties for not participating. You may withdraw at any time or not answer any question if you do not want to.

Anonymity and confidentiality will be maintained as much as possible at all times, and the information you give to me will be held securely and not disclosed to anyone else. The study will be using a pseudonym (false name) to represent your participation in my final research report. If you experience any distress or discomfort at any point in this process, we will stop the interview or resume another time.

If you have any questions during or afterwards about this research, feel free to contact me on the details listed below. This study will be written up as a research report which will be available online through the university library website. If you have any concerns or complaints regarding the ethical procedures of this study, you are welcome to contact the University Human Research Ethics Committee (Non-Medical), telephone +27(0) 11 717 1408, email hrec-medical.researchoffice@wits.ac.za

CONSENT

I have read and understood the objectives of the study and the fact that the information that I provide will be used only for the purposes of the study. I am willing to participate in the study and therefore give consent below.

Participant's signature___________________________________

Date___________________

Witness's signature_________________________________

Date____________________

In case of any queries or further information, please contact the following persons:

Researcher: Kgosietsile Thato Matsafu, 1789238@students.wits.ac.za, +27833542516

Supervisor: Derek Seeley, Derek.Seely@td.com, +1 613 220 8016

Appendix 2.2: Ethic documentation

Graduate School of Business Administration
University of the Witwatersrand, Johannesburg

Wits Business School Ethics Committee
Constituted under the University Human Research Ethics Committee (Non-Medical)

Ethics Clearance Certificate

Ethics protocol number: WBS/BA1789238/604
This certificate is only valid with a legitimate ethics protocol number and signed by the Researcher (below).

This certificate is only valid if accompanied by formal permission from the relevant stakeholder(s).

Project title	The socio-economic role of impact investments in South Africa
Investigator / Researcher	Mr Kgosietsile Matsafu
Nature of Project	MBA (Research Article)
Decision of the Committee	Approved, provided stakeholders and participants are guaranteed anonymity and confidentiality.
Issue Date of Certificate	2021-03-31
Expiry date	Date of submission of the project report
Chairperson	Prof Anthony Stacey ☎ +27 11 717 3587 +27 82 880 4531 Anthony.Stacey@wits.ac.za

Declaration by Researcher

One copy must be signed by the Researcher and returned to the Chairperson of the Wits Business School Ethics Committee.

I fully understand the conditions under which I am authorized to carry out the abovementioned research and I guarantee to ensure compliance with these conditions. Should any departure to be contemplated from the research procedure as approved I undertake to resubmit the protocol to the Committee.

Kgosietsile Matsafu — 31 March 2021

Signature — Date: