



Knowledge Exchange Series

The Impact Investing Institute's Knowledge Exchange Series is a series of roundtables providing a platform for mutual learning and practical knowledge sharing between impact investing National Advisory Boards in different countries, to help strengthen impact investing markets globally.

The role of NABs in supporting enterprises and demand-side actors

This session of the Knowledge Exchange Series continued to explore the role of impact investing National Advisory Boards (NABs) as market navigators. This session focussed on how NABs can effectively engage with and support demand-side impact actors including enterprises. The session was moderated by Anne-Marie Chidzero, Chief Investment Officer at [FSD Africa Investments](#) and featured participants from global NABs, as well as Annie Roberts, founding partner at [Open Capital Advisors](#).

Global NABs and other market-building organisations shared experiences and challenges and identified best practices in tackling the common challenge of helping enterprises connect with potential suppliers of capital.



Top tips: supporting enterprises in accessing impact capital

- **Know your context and identify local demand-side barriers.** Common challenges include lack of knowledge about impact investing; lack of defined channels for SMEs to access financing; lack of awareness of and access to opportunities for impact capital; and large information and understanding gap between the demand- and supply-sides, which may partly reflect perceived low demand-side absorption capacity, and inability to meet investor expectations of opportunities at a larger scale.
- **Make a choice:** do you support demand-side actors by working directly with enterprises, or can you work through intermediaries? Each country is different – your local context will inform your response. If your intermediary ecosystem is active, avoid competing with other ecosystem players and consider adopting a convening, advocacy and research role.
- While your local context should ultimately inform which part of the [spectrum of capital](#) your activities will focus on, it may be useful to **adopt a “pincer” approach to engage actors at different stages of their impact journey.** Such an approach focuses both on putting impact integrity in the heart of mainstream capital whilst acknowledging the specific needs of social enterprises, including in terms of financing, which are not always covered by the mainstream. A sector-based approach may be helpful in building momentum here, going deep into specific sectors that are particularly relevant in your local ecosystem.
- **Consider creating and facilitating a common impact investing language.** NABs have powerful convening and connecting roles, and a focus on awareness-raising and narrative building can effectively narrow the gap between demand- and supply-side actors.
- **Research can be a powerful way for NABs to support demand-side actors.** For example, you may produce evidence on what kinds of investors are appropriate for certain investments in your local context. This will enable you to make an evidence-led business case to relevant stakeholders, which may include government. NABs can play a unique role in supporting the ecosystem and acting as an informed, committed yet objective ‘voice’ for the demand side.
- **Consider institutional mechanisms** to foster greater interaction between the supply- and demand- sides and work with government to implement them. Innovative financing vehicles, such as blended finance, can help to mobilise local capital. NABs can be well placed to work with investors, investees and government to develop and promote such initiatives.
- **Capitalise on your convening power.** Powerful, institutional mechanisms can be costly in time and resources to set up. Consider whether there is a role that you, as a NAB, can play, for example to identify specific barriers to asset classes and investments opportunities, or to foster better communication, which may be grounded in tangible examples and case studies, between investors and investees to overcome these.
- **Work with other NABs, especially those in your region.** For example, many NABs in Africa are tackling similar challenges and should consider coming together on one platform to scale these solutions.

NAB spotlights

UK: The Impact Investing Institute

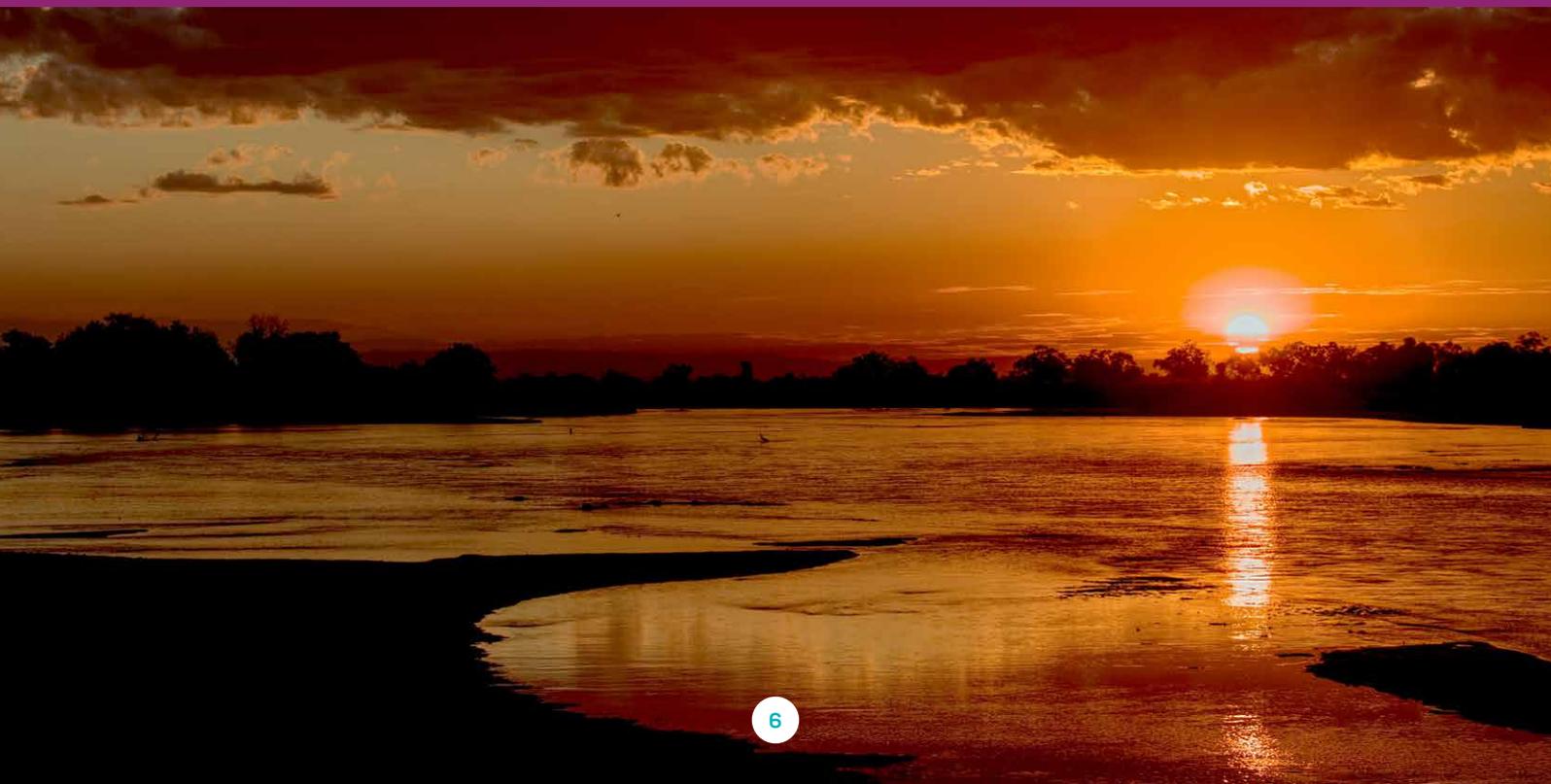
- The Impact Investing Institute, and its predecessor the UK NAB, has supported demand-side actors through its convening, advocacy and research role. The focus of this work has evolved as the impact investing market in the UK has matured. The Institute has never set up funds or distributed capital, as other organisations in the UK fulfil this role. Over time, the Institute has shifted from focusing on social enterprise as a driver of impact, to the wider impact economy, and most recently towards advocating for purpose to be put at the heart of all enterprises and investments.
- Research is a central way through which the Institute is supporting demand-side actors. The Institute is building an evidence base that demonstrates the strong impact and financial credentials of certain asset classes for mainstream and impact investors, to encourage investment into enterprises in these sectors.
 - One example is the Institute's research work on **social housing**. In the UK, social housing is funded by a mixture of public and private capital and is a high impact space. Through in-depth analysis, the Institute has demonstrated that social housing has a strong risk return profile and is a viable investment for mainstream investors, like pension schemes.
- The Institute has replicated this approach for different asset classes in the UK and in emerging markets. Related projects include examination of different kinds of asset classes and enterprises (including clean energy companies, infrastructure organisations, SMEs) to identify those that may be suitable for the risk return expectations of different type of investors. In partnership with CDC (the UK's development finance institution), the Institute is also working to build evidence and share data on investing in Africa and Southern Asia, including in private equity and SMEs, and helping CDC to tailor it to address the concerns of different types of UK investors.
- The Institute has also supported policy development and advocacy for the social sector. In 2020-21, the Institute has focused on resilience throughout the pandemic, and has advocated for the UK Government to provide appropriate finance to support the social sector and for the extension of Social Investment Tax Relief (SITR) for individuals investing in social sector organisations.
- The Institute has worked closely with key strategic partners, such as the Impact Management Project, to advocate for the harmonisation of impact measurement, management and reporting standards. The expectation is that harmonising language around impact will strengthen the ability of demand-side actors to engage with investors in a consistent manner while highlighting their specific impact objectives.

South Africa: Impact Investing South Africa

- Getting the demand-side right has been one of the greatest challenges for the South African NAB. South Africa has an active social enterprise market, so to avoid competing with other ecosystem and intermediary players, Impact Investing South Africa has largely adopted a convening role when supporting the demand side.
- Impact Investing South Africa has focused on blended finance and mobilising local capital, advocating for institutional mechanisms to foster greater interaction between the supply- and demand- sides, including:
 - Developing a wholesale feasibility study to activate institutional investors to allocate capital towards impact and impact businesses and opportunities;
 - Launching a Green Outcomes Fund to incentivise local investors to invest in green, early stage, high-risk businesses;
 - Conducting a feasibility study for an Education Outcomes Fund;
 - Working with a local foundation to look specifically at townships and grassroots businesses; and
 - Developing recommendations for local foundations and government on creating an enabling regulatory environment for social investments.
- The NAB partnered with UNDP to produce an **SDG Investor Map** for South Africa, which revealed 30 investment opportunities in select sectors, namely infrastructure, health, education, and agriculture. The map also revealed common challenges, including: market size and segmentation; a need to more efficiently match the demand- and supply-sides by linking and accelerating investment; and a need for more investing models for pre-investment technical assistance. Alongside the UNDP SDG Investor Map, the NAB created a **Supply Side Investment Map**, which highlights the funds and other supply side instruments that invest in the select sectors.
- Following the findings of this mapping, the Task Force established a demand-side Working Group (consisting of 25 members from a range of organisations, including incubators, accelerators, government advisors, SME financiers, etc.). The Group will work with the supply side to host sector-focused workshops on unlocking capital for opportunities in sectors such as affordable housing, education, health tech, etc. In some high impact investment-ready opportunities (such as affordable housing), often all that is needed is a small tweak of the structure (e.g. using capital for de-risking, a return-kicker, or a guarantee) to crowd-in more investors.

Zambia: The National Advisory Board for Impact Investment (NABII)

- The Zambian NAB has been in operation for about a year and plays a facilitative role as a market builder.
- The Zambian NAB mapped its **local impact investing market**, and in doing so uncovered the following key challenges:
 - Pervasive lack of information and information about impact investing;
 - No defined channel for SMEs to access financing due to underdeveloped legal/financial frameworks;
 - Too few opportunities for investment, and a pervasive mismatch between investors and investees in terms of enterprise scale;
 - Underdeveloped intermediary sector and lack of market-enablers, and limited efforts to help the impact investing industry to grow.
- The Zambian NAB is focussing on market development through extensive awareness-raising and communications around impact investment; research on climate surveys; and policy and advocacy work to improve SME financing.
- On access to financing, the NAB is working with the Central Bank and other key market players like the Development Bank of Zambia and selected SME business development service providers on a Central Bank-driven financing facility. The primary objective of the Targeted Medium-Term Refinancing Facility (TMTRF) is to strengthen and enhance the resilience of the financial sector and support post-Covid economic recovery.
- One of the key efforts the Zambian NAB is spearheading within the facility is to ensure enhanced SME access to financing. The NAB is also supporting the establishment and capitalization of a guarantee fund as a mechanism for mitigating the risks associated with SME lending. The NAB will also be working with business development service providers to support SMEs that have bankable projects with de-risking services for their projects as well as general project management support to enhance project success and impact.



NAB FAQs

Q: In contexts where SME finance is limited, is it really useful to draw a line between supporting businesses that have a clear social impact mandate, versus supporting small and growing businesses in general?

- In such contexts, it might make sense to consider supporting impact-led SMEs as being part of broader efforts to support all SMEs in the economy.
- One way to tackle this is by raising awareness of impact investing generally. This can help separate those two elements and raise the profile of those organisations with a specific social impact mandate. This can also encourage more explicitly purpose driven organisations to emerge.

Q: How do you differentiate between impact investment and mainstream investment amongst demand-side actors (especially SMEs)?

- This may vary dependent on your market context. For less mature or nascent markets, a pragmatic approach should be considered whereby an open interpretation of impact is adopted with respect to SMEs.
- Where few impact-driven SMEs seem to exist, you may wish to operate under the assumption that an SME is an impact investment (providing it doesn't intentionally negatively harm the people and the planet), by virtue of it being early stage.
- SMEs that have positive impacts (e.g. by creating local jobs or otherwise contributing to society) will be considered by some impact investors, even if they are not purpose-driven. NABs should not inadvertently 'shut-out' smaller enterprises who are do not explicitly frame themselves

as being impact- or purpose-driven.

Instead, you may consider helping demand-side actors grow their positive contributions and help them develop in a way that is impactful.

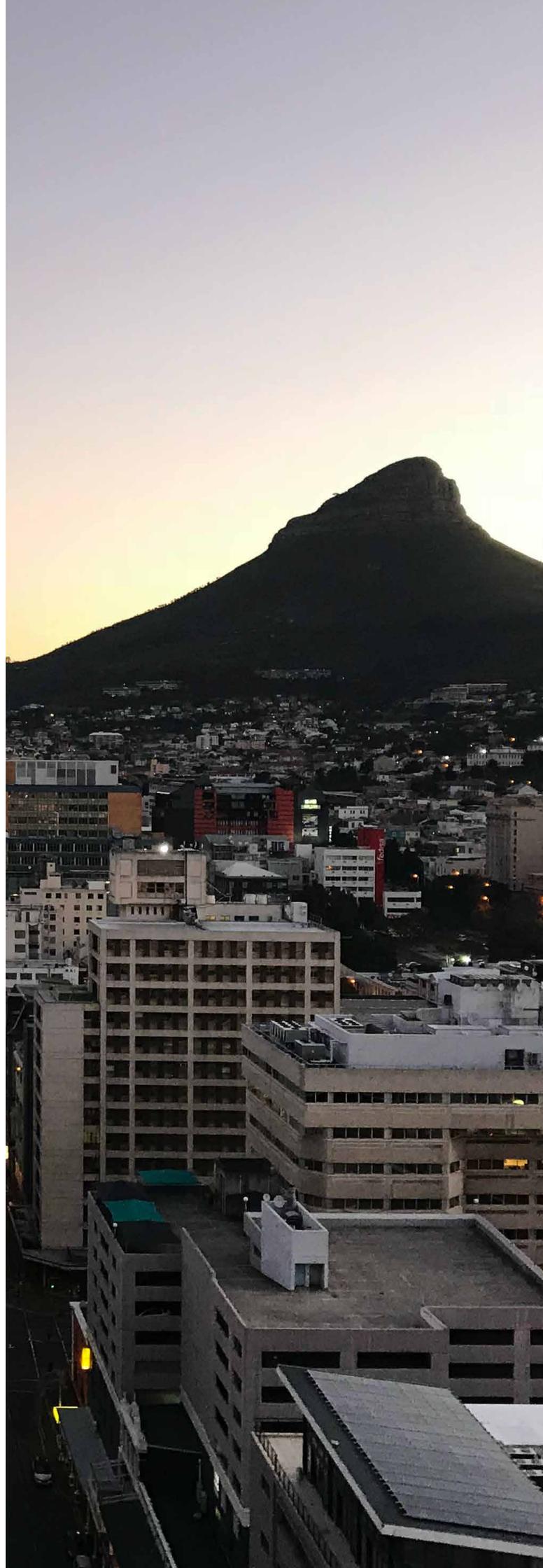
- You could also consider focussing on building impact measurement, management and reporting capacity and expertise amongst both enterprises and investors, to drive the market towards increasing sophistication.

Q: When thinking about impact investing in Africa, the image is that most investors aren't from the continent. Is that true – are most investees still looking to the Global North for capital? What could NABs do to develop access to local sources of capital?

- African NABs have a key role to play in communicating the benefits of local investments to investors and asset owners and in galvanising local capital to invest for impact.
- International investment and aid is important, especially when considering the role of blended finance. However, ideally, blended finance efforts should help find a way to catalyse more risk-averse local investors who may be seeking a different risk return profile.
- One way to tackle this issue could therefore be for NABs and other market-builders to work with stakeholders to showcase the powerful role that money coming in from abroad can play in de-risking investment opportunities and encouraging local capital to invest locally.

Q: What can policymakers do to support demand-side actors? What barriers have NABs faced when engaging with policymakers on this?

- It is important, but often difficult, to engage with policymakers and with government. Government can be an important source of funds, especially for innovative and blended finance models, as well as the source of national policies that will impact the ability of enterprises to access funds.
- One way of involving government is by offering representation on your Board – preferably as an observer in order to maintain the independence of the NAB. Another option to engage policymakers and government is to identify core people and establish ambassadors in key departments who can then amplify your message further. You may also consider working with other key actors in relevant sectors and coalesce around a key message.





The Impact Investing Institute is an independent, non-profit organisation which aims to accelerate the growth and improve the effectiveness of the impact investing market. Our vision is for lives to improve, as more people choose to use their savings and investments to help solve social and environmental challenges, as well as seeking a financial return.

We drive change through education and awareness raising, providing useful tools and resources, and advocating for supportive policies.

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