Fifteen years
Fifteen lessons from Africa

I&P INVESTISSEURS & PARTENAIRES

15 Lesson n°15: The Sustainable Development Goals (SDGs) present both a great opportunity to develop the impact investment sector in Africa, and a challenge to measure concrete contributions

We are seeing an unprecedented mobilization of the private sector, particularly in the international financial community

Since their adoption by the 193 UN Member States in September 2015, the 17 Sustainable Development Goals (SDGs) have become the new benchmark for businesses and investors who want to report on their social and environmental impacts. We are seeing an unprecedented mobilization of the private sector, particularly in the international financial community. Impact investors, who are explicitly seeking to resolve development issues and measure their impact, have a unique position in this new movement. The quantification of the investment needs associated with the SDGs in Africa and this mobilization are therefore a great opportunity for visibility and mobilization of resources for impact investment on the continent, as described in the study we conducted in partnership with Ferdi[1].

At I&P, the SDGs have clearly enriched our reading of our impacts and measurement systems, placing them in a global perspective. Several key objectives are in direct harmony with our investment approach, such as Goal 8 on creating decent jobs and economic growth. Sectoral objectives, such as Goal 3 on "good health and well-being" and Goal 7 on "clean and affordable energy", are linked to several of our investment categories, especially those that meet the basic needs that today constitute 70% of our interventions. However, we also see a real challenge on the ground to measure concrete contributions and avoid impact washing. The 17 SDGs are broken down into 189 targets, which are followed by 230 macroeconomic indicators: their transcription at the level of African SMEs is therefore delicate and requires numerous adjustments. Moreover, a risk of "impact washing" has emerged: as a recent Novethic[2] article points out, some financial players are creating confusion and opportunistically claiming a contribution to the SDGs that is neither intentional or rigorously measured. Measures are limited to calculating the exposure of portfolio companies to "sustainable" or "impact" themes linked to the SDGs (nutrition, health, renewable energies, etc.) in the absence of a real management and measurement system of their impact on the entire investment cycle.

[1] "Investing in Development in Africa, How impact investment can contribute to meeting the SDGs in Africa", I&P and FERDI, October 2016

[2] "Les investisseurs en quête d'impact", Novethic, juillet 2017

Finally, we find in Africa a tendency towards excessive polarization of impact investors around a limited number of countries and sectoral themes (access to nutrition, credit and energy, in particular) that has been increased by the SDGs and creates a risk of mismatch between the offer of impact funding and the variety of needs on the ground.

This is our fifteenth and final lesson on investment in Africa. The institutional framework is gradually being structured, and the impact investment sector, geared in particular to emerging countries, is receiving renewed attention from political and economic decision-makers. As such, the SDGs represent a tremendous opportunity for institutional recognition in the public and private spheres, paving the way for increased mobilization of funding for impact funds and their beneficiaries in developing countries. This is, of course, to be welcomed, while we must remain vigilant to the drifting "impact washing" that puts discourse before the evidence, and to the difficult application of this generic framework to the multitude and complexity of situations encountered in fragile countries.