What makes a business of interest to an impact investor?

Impact investors have all the same expectatioss that 'traditional' investors do. They look for all the same things, but with the added facet of considering impact, and all the strategy, definition, measurement and reporting that comes with it.

Better incomes for more smallholder farmers?
Recycling and reducing environmental impact?
Increasing access of rural people to power, communications, information and financial services?
Livelihood generation for women/young people?
Better access to affordable, nutritious food/healthcare/education?

Impact investment allows conscientious investors and businesses to move away from philanthropic endeavours to identifying opportunities that have defined, measurable social /environmental impact.

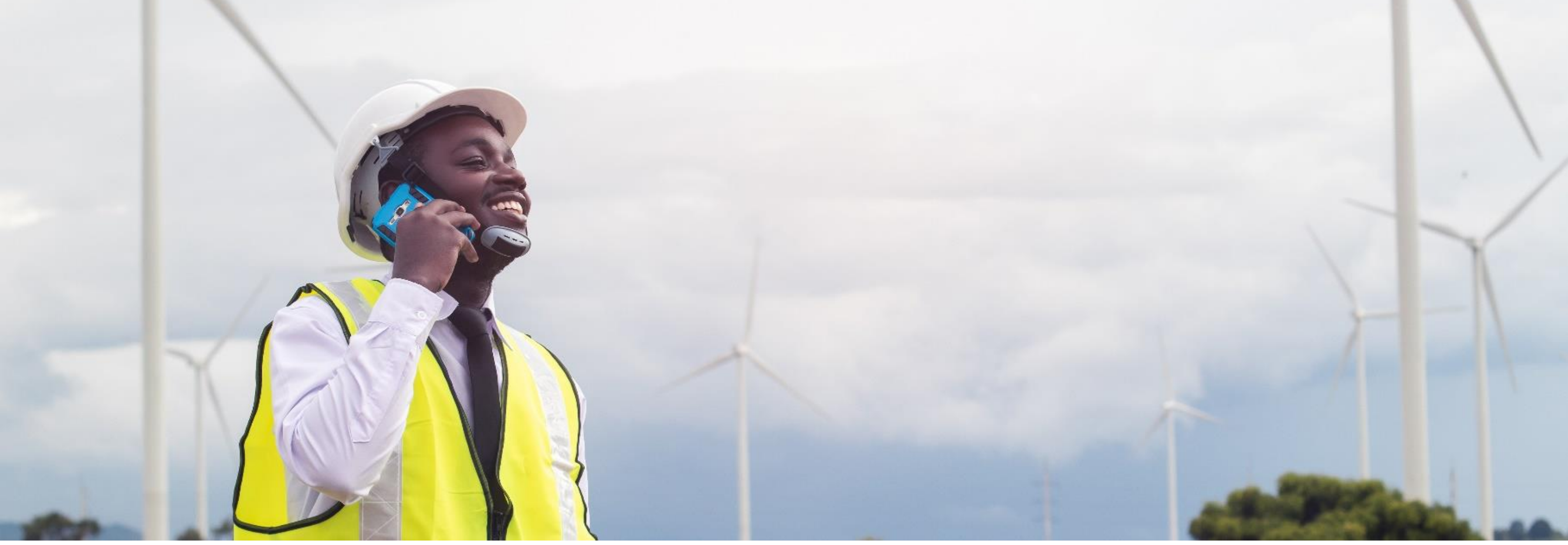
Over the past few years, impact investment has gained momentum, offering an alternative route to finance for growing businesses.

"Over 1,340 organizations currently manage USD 502 billion in impact investing assets worldwide."

Source: GIIN 2018 Report: Sizing the Impact Investing Market

The hallmarks of impact investing

Impact investment	The growing impact investment market provides capital to address the **world's most pressing challenges** in sectors such as sustainable agriculture, renewable energy, conservation, microfinance, and affordable and accessible basic services including housing, healthcare, and education.
Intentionality	An investor's intention to have a positive social or environmental impact through investments is essential to impact investing.
Return expectations	Impact investments are expected to generate a financial return on capital or, at minimum, a return of capital.
Returns & asset class	Impact investments target financial returns that range from below market (sometimes called concessionary) to risk-adjusted market rate, and can be made across asset classes, including but not limited to cash equivalents, fixed income, venture capital, debt and private equity.
Impact measurement	A hallmark of impact investing is the commitment of the investor (through its investee portfolio) to **measure and report the social and environmental performance** and progress of underlying investments, ensuring **transparency and accountability.**



What does this mean for businesses seeking finance?

Few companies will self-identify as impact businesses

To attract an impact investor a business needs to demonstrate:

- Ability to generate a **financial return** on capital
- Ability to **produce returns** aligned with investor expectation
    - Can range from below market rate to a risk-adjusted market rate
- A positive, demonstrable **social or environmental** impact
- An **impact story**, approach and measurement methodology
- Ability to **define, measure, and report** social and environmental performance and progress

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Co-funded by the European Union

german cooperation DEUTSCHE ZUSAMMENARBEIT

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