

Profit with purpose - a practical outlook for impact investment in Africa

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"Social investors need to start actively reconfiguring how they approach development initiatives in Africa and elsewhere," says Reana Rossouw of Next Generation Consultants, a specialist management consultancy that focuses on impactful social innovation.

"In order to come anywhere near achieving the United Nations' Sustainable Development Goals (SDGs) over the next decade, role players in our sector need to make a concerted shift, not only in theory, but in practice," she adds. "Effective impact investment requires that we seek out and utilise sources of blended finance and rapidly expand on commercial investments across the continent to create authentic models for shared value. To put it another way, we need to publicise the *commercial potential* of attaining the SDGs in order to generate the funds needed to reach them."

"Our research shows that it's already happening, but it needs to happen more quickly," Rossouw says. Next Generation has just released its annual research report for 2020, titled: "Disruption with impact". "Our findings are that the [social innovation and development] sector stands on a precipice – our operating context has, over the past decade, been severely disrupted and challenged. We require a more practical mandate and a new social compact to ensure a more equitable and sustainable future."

In addition, says Rossouw, on a more "bottom-liner" level, there is currently a predicted capital shortfall of \$2,5tn to achieving the global SDGs by 2030. "The sector needs to generate \$4tn a year to successfully achieve all 17 of the UN's proposed development goals in the coming decade. Right now, that is not happening near fast enough."

The answer?



"It needs to start landing with social investors in the private sector that creating shared and blended value benefits all tiers of society, including their company stockholders. Commercial success and social progress have become intrinsically linked in the new impact economy and ecosystem," Rossouw observes. "There's no way around it – it must be embraced, advocated for and actioned. Hence the favoured term 'profit with purpose'."

"In many ways, this really is the proverbial 'no-brainer' – an opportunity to generate capital and simultaneously unlock

further funds for continued social development,” she adds. “Grantmakers will also be able to better advocate for and generate adequate funding if more role players in the sector start to grasp that vast potential of effective impact investment. Simply put, it’s a win-win model.”

For companies, the days of surviving off product and profit alone are over, says Rossouw. For society, the age of the hand-out is over, and neither is a bad thing. Instead, running social investment initiatives like any other business makes them more sustainable and far more effective at achieving real, measurable change over the long term.

“For private sector funders to effectively achieve a so-called triple bottom line – one that simultaneously delivers authentic, achievable and sustainable social impact and positive environmental impact along with solid financial returns – we will need more active partnerships and greater cooperation between government, NGOs and the private sector.”

To qualify her viewpoint, Rossouw cites a broad example: “Let’s say we want to provide for an energy shortfall in a particular country and phase out dirty energy practices (burning coal and using fossil fuels) and work towards creating mechanisms and setting up companies to produce clean energy – that’s the positive environmental impact. At the same time, that new company creates employment opportunities and jobs for the local population, along with a transfer of skills and skills enhancement, including introducing technological advances. The positive economic impact is obvious – there’s upliftment, the local economy benefits, the government earns taxes and lastly, private investors still get a return on company profits. In addition, there is social benefit – as communities and society benefit from cleaner energy, at reduced rates which improves their quality of life.”

As a stakeholder in the sector, the Next Generation team is eager to actively assist with the process. “Our research report offers the facts and background to motivate for and support a shift towards profit for purpose. We provide ample case studies, data, research statistics and context to assist investors to motivate for change. It’s intended as a vital resource for the sector.”

Next Generation’s primary work is helping to set up and design, manage and measure impact and innovation initiatives according to this new mandate. “We are active across Africa and beyond the continent to help organisations determine who the players are in a specific investment focus area (who does what) – how to leverage on opportunities, who should be involved and what will it take to ensure sustainable growth and success. We’ve also created the Investment Impact Index™, a powerful tool that effectively and accurately measures, validate and report on impact and returns on investment of social and impact investments.”



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