

# Impact investing and ubuntu: The potential to change South Africa

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As South Africans, we are familiar with the term and concept of 'ubuntu' - which encapsulates humanity through the idea that we are who we are because of others, those who have come before us, and those who currently stand with us.



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It is this philosophy that, some would motivate, we should also base our investment strategies on. By incorporating ubuntu principles, we are intentionally trying to positively impact the people and the world around us, while ensuring a positive return for investors. This can be done through Impact investing.

Impact investing seeks to direct capital to generate both positive financial and positive social returns. This often encompasses projects that traditional business models may overlook, leaving them instead to NGOs, philanthropists, and other adventurous venture capitalists. But why aren't more companies, funds, and even individuals directing their investments with the intention of creating a positive impact? Well, these investments can have an unfair, outdated reputation as being difficult to value, carrying higher risks overall, and being tougher to exit, which may deter potential investors from taking the plunge.

## The link between impact investing and ubuntu

Impact investing speaks to the valuable ubuntu concepts of humanity, togetherness, and creating a better world for all. There are three distinct ways that I see impact investing as having adopted ubuntu into its principles. Firstly, the heart of impact investing is the social enterprises that put people at the centre of what they do and prioritise positive actions to the betterment of individuals and society. It is their innovative ideas that contribute to solving some of our most pressing challenges whilst creating much needed jobs.

Secondly, impact investing requires partnerships and unity. That is to say, it requires the cooperation of government, the contribution of investors, and the commitment of social enterprises to realise positive change in difficult circumstances.

Since the term was coined in 2007 by the Rockefeller Foundation, impact investing has advanced past its formative stages, now representing almost a trillion dollars in assets under management. This would not have been possible with a “me” mindset; creating sustained social change requires individuals to look beyond themselves and it requires a significant amount of effective collaboration. Investors can drive sustainable social change by looking beyond the ROI on the balance sheet and towards ways that will accelerate collaboration.

And lastly, impact investing requires an element of selflessness and concern, particularly for the wellbeing of our external environment - a key characteristic of the philosophy of ubuntu. Impact investors need to evaluate their external environment and identify areas of change to help alleviate business, social, and environmental strain where it is most needed.

## **Impact investing as the solution to South Africa’s business, social, and environmental challenges**

Impact investors are in a unique position to guide South Africans towards a more economically inclusive future and alleviate widespread challenges. Impact investors are providing microfinancing to small businesses, they are developing renewable energy solutions, they are building affordable homes or providing water and sanitation to rural communities.

Perhaps the best news of all is that impact investing appears to also deliver better returns for investors. A 2019 [report](#) shows that US companies with top quintile environmental, social, and governance rankings in the S&P 500 index outperformed their counterparts with bottom quintile rankings. International trends indicate that impact investing is becoming more important to younger investors, with [80% of millennials](#) indicating that environmental, social, and governance performance is a priority when considering investment opportunities.

While impact investing may present itself as the ideal win-win situation to solve our most pressing developmental challenges and generate returns, there are still a few hurdles we need to overcome to truly make the most of the investment strategy. There is an unmistakable gap between what is currently being provided in capital and what is required to reach developmental goals contained in documents like the National Development Plan or the Sustainable Development Goals. However, if traditional institutional investors were to adapt ubuntu into their investment strategies and embrace impact investing, we could see more positive change for all South Africans.

## **ABOUT THE AUTHOR**

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