Title: Social impact investing, agriculture, and the financialisation of development: insights from sub-Saharan Africa

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Abstract

This paper explores how social impact investing (SII)—where financial investments are made with the intention to generate a beneficial and measurable social impact alongside a financial return—is influencing new forms of agricultural development, particularly in sub-Saharan Africa. The rapid growth of SII is occurring in the context of broader shifts in development away from aid-based interventions towards private-sector led and growth-orientated models. We ask four questions: i) who are the key actors involved in SII in African agriculture (and what motivates their involvement); ii) how is the notion of social impact defined and operationalised; iii) through what practices and narratives is African agriculture specifically constructed as a site for investment; and iv) what are the political-economic implications of the resulting assemblage of actors, metrics and motivations (especially in terms of what and where is rendered investable)? We draw on a cultural political economy approach combining the core interests of political economy (investigating the structures, institutions and power relations of economic processes) with insights from post-structuralist social science into how such economic processes take on particular meanings through historically and geographically specific practices and discourses. We show that SII is driven by commercial interests, shifts in investment in relation to the growth of ethical capitalism, and shifts in philanthropic circles to viewing SII as a mechanism to access alternative sources of funding. SII is thus not simply a tool for creating new sources of funding for existing development activities. It is changing development policy and practice by bringing in new actors (most notably private equity funds and institutional investors); altering the nature and activities of existing actors (for example encouraging philanthropic organisations to blend their activities, rather than simply using investment returns to fund development work); and producing new and uneven geographies of agricultural development.

Keywords: agrarian change; development finance; ethical capitalism; cultural political economy

1. Introduction

One of the most significant and potentially game changing trends in international development has been the widening of the marketplace for development finance (Mawdsley 2015, Mawdsley 2016). Over the last decade development policy and practice have witnessed a move towards greater financialisation, defined as 'the increasing importance of financial motives, financial actors, financial markets, and financial institutions' (Epstein 2005, p.3). The financialisation of development is underpinned by the belief that greater financial involvement is crucial in bringing both funding and business expertise to international development. This process is creating a complex web of relations that brings together a wide range of actors including banks, private equity firms, philanthropic organisations, international development donors, non-governmental organisations (NGOs), and multi-national corporations (Clapp 2014, Gabor and Brooks 2017, Young 2010).

An increasingly important strand of development finance involves social impact investing (SII). SII is understood and implemented in different ways by different actors, but is defined by the Global Impact Investing Network (GIIN) as investments made into 'companies, organizations and funds with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return' (GIIN 2017). The number of reported impact investments increased from 1,105 in 2010, totalling almost USD 2.5 billion, to 7,551 in 2015, totalling USD 15.2 billion (Rockefeller Foundation 2012; GIIN 2016). To put this in context, total official development assistance in 2018 was USD 153 billion (OECD 2019). Despite the proliferation of funds and actors involved in SII, critical scholarship on SII is still relatively sparse. Existing research has tended to focus on high-income countries (e.g. Jackson 2013, Glanzon and Scheuerle 2016), and has mainly come from disciplines such as economics and business studies (e.g. Evans 2013, Grabenwarter and Liechtenstein 2012, Hochstadter and Sheck 2015, Porter and Kramer 2011).

This article explores the relationship between SII and development, with a focus on investment in agriculture in sub-Saharan Africa (SSA). In this context, agriculture refers to operations across the agricultural value chain and includes crop production, the provision of inputs, as well as the purchasing of agricultural products for processing. Agricultural development in SSA has risen up policy agendas in relation to a set of interrelated challenges. These include feeding the expected nine billion global population by 2050 (Godfray et al. 2010); alleviating rural poverty and boosting national economic development (DFID 2015, World Bank 2008); and meeting energy needs through biofuel production (Escobar et al. 2009; Koonin 2006). There has been particular focus on smallholder agriculture (Collier and Durcon 2014, Wiggins et al. 2010), crystallised through the narrative of a New Green Revolution (Rockefeller Foundation 2006; de Schutter & Vanloqueren 2011; Conway 1997; Dano 2007). This narrative emphasizes integrating smallholder farmers into commercial agricultural value chains; boosting crop yields via new genetically modified plant varieties and the increased use of fertilizers; changes in the agricultural techniques of rural households; and the liberalization of trade and gearing of agriculture towards private-sector led and market-orientated growth.

The renewed prominence of agricultural development in SSA and the expansion of SII is occurring in the context of a rapidly changing funding landscape and a shift to embracing private sector led economic growth as the primary engine for development (Mawdsley 2016, 2018). It is estimated that there is a USD 2.5 trillion annual gap between current investment levels in the Global South and what is needed to fulfil the Sustainable Development Goals

(CGAP and Symbiotics 2016). According to the OECD-DAC (2010), agriculture received a declining percentage of total overseas development assistance from the 1980s to the mid 2000s, falling by 43% by 2005. Aid to agriculture has increased since the late 2000s, but in line with broader trends in development there has been a shift in the channels towards the private sector (Mawdsley 2018).

To investigate the emerging dynamics of SII in the agricultural sector in SSA we draw on a cultural political economy approach. This emphasises the cultural dimensions of political-economic processes and pays close attention to how economic relations come to be embedded in distinct cultural and moral contexts (Best and Paterson 2010, Descheneau and Paterson 2012, Jessop and Oosterlynck 2008). This article is not intended to establish the significance of SII in terms of total flows of capital, but rather to unpack how the increasingly circulated narrative of SII is influencing development discourse, policy, and practice. We show that tracking and evaluating investments is complicated by the diversity of actors involved (blurring boundaries between private and public sectors); differences in how SII is understood and implemented; and a lack of clarity over the extent to which both financial and social impacts are measured and achieved. We show how agriculture in SSA is rendered amenable for global investment through the assemblage of various heterogenous elements, including key actors (e.g. private equity funds and private philanthropic foundations); metrics (which attempt to quantify social impact as well as assess the investment potential of different sectors and regions); and narratives (which portray agriculture in SSA as a profitable business opportunity). The resulting web of relations between actors, motivations, metrics and narratives has produced an uneven geography of investment, with some sectors, regions, and countries favoured and others rendered un-investable.

2. Analytical framework and methods

There is a long tradition of interrogating international development through the lens of political economy. Research has shown how development institutions, policies, and practices have been involved in restructuring the global economy, most recently and perhaps most significantly through Structural Adjustment Programs and the neoliberalisation of development (Baylis et al. 2011, Watts 1994). This is particularly the case with agriculture in the Global South. Recent work has revealed the rapid expansion in foreign land acquisitions (Zoomers 2010; Borras and Franco 2012; Cotula 2012), as well as the growing importance of transnational corporations and investors in the global food system (Clapp 2014, Daniel 2012, Ghosh 2010, McMichael 2009).

Research on the political economy of agricultural development has emphasised the role of capital, labour, and class in shaping how interventions unfold (Bernstein 2010; Friedmann 1992; McMichael 2009). While this has revealed the unequal power relations of agricultural development policies and their potential to negatively impact certain individuals and groups, there has been a tendency for those drawing on political economy to abstract economic institutions and relations from their cultural contexts (Best and Paterson 2010). There have been calls to pay closer attention to the cultural dimensions of political-economic processes and move from broad studies of institutions and structures to analyses of capitalism as a set of globalised—yet historically and geographically specific—socio-spatial formations and lived praxis (Best and Paterson 2010, Ouma 2017, Descheneau and Paterson 2011).

Cultural political economy combines the core interests of critical political economy—namely investigating the structures, institutions, and power relations of economic processes—with insights from post-structuralism and actor-network theory to understand how economic processes take on particular meanings through historically and geographically specific practices and discourses. In this paper we draw on a cultural political economy approach to investigate how SII, as an emerging form of finance, is interacting with agricultural development. We build on the work of Li (2014, 2017) and others (e.g. Goldstein and Yates 2017, Le Billon and Sommerville 2017, Watts and Scales 2015) to enquire how the agricultural sector in SSA is rendered investable and becomes available as a resource for global investment. We ask four questions: i) who are the key actors involved in SII in agriculture (and what role have different motivations played in their involvement); ii) how is the notion of social impact defined and operationalised; iii) through what practices and narratives is agriculture in SSA specifically constructed as a site for investment; and iv) what are the political-economic implications of the resulting assemblage (especially in terms of what and where is rendered investable)?

This paper is based on qualitative research that took place during 2015 and 2016. Semi-structured interviews were conducted by the first author with 30 key informants involved in SII in the agriculture sector in SSA. Document analysis was conducted of key documents from social impact investors, organisations such as the Global Impact Investing Network (GIIN), philanthropic organisations, and national government initiatives promoting SII in agriculture. To support this sector-wide approach to SII in agriculture across SSA, the first author carried out field visits, participant observation, and repeat informal interviews with representatives of two SII organisations active in Tanzania. The paper also draws on a literature review of the small number of academic studies on SII, and the literature on broader shifts to a private-sector orientation with development.

3. **The origins and expansion of social impact investing**

The term 'impact investing' was coined by the Rockefeller Foundation in 2007 to refer to the placement of capital with the explicit intent to positively screen for opportunities to generate positive social impacts, as well as some degree of financial return (Rockefeller Foundation 2012). SII differs from traditional philanthropy where financial returns are not expected, and differs from responsible investment which primarily focuses on preserving the reputation of the firm by screening out negative social and environmental impacts (for example investing in weapons companies).

The idea that money should be invested to generate both financial returns and desirable social outcomes is not new. Notable pre-cursors include the investment policies of the Quaker movement since the 17th century, as well as building societies, cooperative banks and credit unions (Bugg-Levine and Emerson 2011). The provision of small loans through microfinance to individuals and small businesses who are excluded from mainstream banking services is another precursor. While microfinance programmes have the potential to deliver poverty reduction through improved access to capital, unlike SII they are not tied to specific social and environmental goals.[1] It is also worth noting that microfinance has come under considerable criticism for privileging profits over poverty alleviation, lacking financial sustainability, failing to challenge problematic gender relations and power dynamics, and even failing to reach the rural poor at all (Christen and Anderson 2013, Goetz and Sen Gupta 1996, Hummels and de Leede 2014, Shaky and Rankin 2008).

Until the late 2000s, investing with the explicit intention of proactively generating social impacts as well as financial returns was largely a side line activity for investors. In 2009 the

Monitor Institute, part of Deloitte (a UK-incorporated multinational professional services network), recognised that a diffuse sector loosely united under the banner of SII was on the cusp of moving from 'uncoordinated innovation' towards greater mainstreaming and momentum (Monitor Institute 2009). Looking specifically at SII in agriculture, between 2011 and 2015 the number of organisations active in the agricultural sector globally increased from 265 (with 62 operating in sub-Saharan Africa) to 520 (with 141 operating in sub-Saharan Africa), and agriculture was the largest sector for SII organisations after financial services (IRIS 2011 and GIIN, IRIS and GIIN 2015). Approximately a quarter of the respondents to the 2017 Annual Impact Investor Survey were planning to grow their proportional allocations to food and agriculture (GIIN 2017, p.24).

It must be noted, however, that there is a lack of transparency surrounding investment capital flows, and these figures only include voluntarily reported investments. Statistics on SII are difficult to come by, especially as SII can take many forms and is implemented by both donors and the private sector. There is no single measure that can be used to track SII flows. In the private sector, commercial concerns limits publication of capital flows to voluntary reporting. The Global Impact Investing Network (GIIN) annually publishes a report on SII that attempts to capture best estimates of private sector flows using voluntary reporting from a sector sample.

As well as increases in the number of actors involved and in the volume of capital flows, the period from the late 2000s has also seen the development of SII intermediaries and infrastructure, for example the Rockefeller Foundation's Impact Investing Initiative founded in 2008 (which awards grants and program-related investments to accelerate the growth of the impact investing industry), the GIIN in 2009 (which brings together impact investors on a platform for knowledge sharing and coordination, and DFID's Impact Programme in 2012 (to overcome barriers to impact investments and catalyse investment).

All social impact investors aim to generate some level of financial return and a degree of positive social impact, but actors occupy a spectrum between financial returns-driven investment and impact-driven investment. SII is thus characterised by a wide range of actors with diverse motivations and expectations. The rest of this section identifies the diverse range of actors involved in the rapid growth in SII in agriculture (including private equity funds, philanthropic donors, and aid agencies) as well as the three principle motivating factors: i) commercial interests (including the search for new profitability frontiers); ii) a shift in investment emphasis in relation to the growth of ethical capitalism (as well as a more specific moral crisis in finance relating to the 2007/2008 financial crash); and iii) a shift in philanthropic circles to SII as a mechanism to access alternative sources of funding for development activities.

3.1 Commercial interests and the business case for social impact investing

All impact investors require some form of a financial return on their investment. Some investors, however, are willing to accept lower than typically acceptable financial returns to achieve high social impact, while for others the social impact must be contingent on achieving full market-rate returns. For returns-driven investors, SII has offered the potential for new profitability frontiers, particularly in the wake of the financial crisis in the late 2000s. According to a representative from the CDC, the UK's Development Finance Institute:

> *'from 2008 until now the ability to generate yields that generate a return in traditional developed world markets has been quite hard, so people are looking for amazing*

investment opportunities where you are going to put all your money and make an outsized return… you see a lot of companies willing to adopt it because again it is not just 'oh this is good from a social responsibility standpoint', but it actually commercially makes sense and I think sometimes people forget that.[2]

A landmark survey of 138 returns-driven impact investors by Cambridge Associates & GIIN (2015) that concluded that it is possible to attain market-rate returns from impact investing. Similarly, 89% of impact investors reporting to the GIIN in 2016 experienced financial performance in line with or better than expectations (GIIN 2016). An important caveat is that the survey only included voluntarily reported investments, and it is unlikely that underperforming funds would have reported.

Private equity firms and investment funds have been key organisations operating in returns-driven SII. Private equity is a form of investment vehicle that functions by pooling investments from limited partners (for example pension funds, sovereign wealth funds, university endowments, and high net-worth individuals) to create a fund. This pooling of capital serves to mitigate investment risks, and this is pertinent in the agriculture sector where perceptions of high risks have deterred investment in the past (Miller et al. 2010). Fund managers analyse economic sectors and companies for potential investment or acquisition. A key stage in this process is the undertaking of due diligence to assess business models, the broader industry and market, and potential risks. Once companies have been established or acquired, the partners of the private equity firm will seek to improve operations and cut costs by providing advice and support. Having improved the performance of acquired companies, the aim is to sell them to achieve a profit, usually after an investment period of around five years. Private equity firms earn a management fee as well as a share of the profits.

With regards to SII in agriculture, the sector has attracted both pre-existing investment organisations who have opened-up new agricultural SII funds, and new specialist agriculture funds. The realities of investing in agriculture in SSA specifically for social impact have led to some key differences with the more traditional private equity investment activities outlined above. The tendency in mainstream private equity is to acquire existing firms through leveraged buy-outs, where a controlling share of a company is purchased mainly by using borrowed money. However, the lack of existing large-scale companies and operations to purchase has often led SII private equity funds operating in the agricultural sector in SSA to establish their own firms from scratch. As a result, private equity investment through SII has also tended to involve greater direct involvement in the management of day to day activities. Together with the lack of clear avenues to sell firms and achieve a profitable exit, as well as time lags between capital deployment and returns from agricultural investments, this has led to repeated rounds of financing and longer timelines than traditional private equity to create pipelines of commercially viable agri-businesses. This raises important questions about the tensions between the temporal dynamics and priorities of finance and those of agricultural development, particularly with projects that involve smallholders. The linear relationships between time and money that are expressed through calculations of, for example, investment cycles and interest rates may not align with local agricultural production cycles or coping strategies, which can lead to conflict and unmet expectations between farmers and investors (Hazell et al. 2010, Watts 2018).

From the mid-2000s there has been an increase in the number of private equity funds specialising in SII in the agricultural sector in SSA. Investments are being made in businesses across agricultural value chains, including primary production as well as upstream (the provision of agricultural inputs such as fertilizers) and downstream (the processing and distribution of agricultural products) (Chen et al. 2014). While the 2007/2008 financial crisis decimated conventional private equity markets, returns-driven SII remained relatively stable, and both the number of new funds and volume of capital committed have continued to grow (Cambridge Associates & GIIN 2015). The Chief Investment Officer at SilverStreet Capital (a private equity firm and leading investor in African agricultural value chains operating in Namibia, South Africa, Tanzania, and Zambia) stated that 'we set up in 2007 and decided only to focus on investment in agriculture in 2009 straight after the credit crunch.'[3] The global food price crisis in 2007/2008, where the price of staple foods such as rice, maize and wheat increased by more than 70% (Loewenberg 2008) further incentivised investment through the anticipation of higher returns.

A major objective of SII private equity firms is to establish track records and opportunities through which institutional investors, for example pension funds, can invest in sectors and actors they would not normally be able to access. Institutional investors are attractive as a source of SII capital as they control large sums of money, often have long time horizons on investment, and are facing pressure from limited partners and shareholders to invest in an ethically responsible manner. Agriculture in SSA has, however, historically been seen as a difficult economic sector for institutional investors to invest in due to perceptions of high risks for low returns, as well as a lack of large-scale investment opportunities. SII private equity investors thus have the potential to play a central role in bringing institutional capital to agriculture in SSA, not only through pooling funds but also through the establishment and direct day to day management of agricultural companies that enable larger-scale investment.

Some agricultural SII funds have been successful in leveraging additional institutional capital and generating profitable financial returns. SilverStreet Capital, for example, sources 17% of its capital from donors and development finance institutes, with the rest coming from institutional investors that do not have a requirement to invest for social impact in African agriculture.[4] Many of these funds are still in the fundraising and planning stages or have not yet demonstrated successful exits. There are thus potential parallels with other recent trends in African agriculture involving speculative investment—such as foreign land acquisitions and 'mega-farm' projects—that have not materialised or soon ceased to operate (Collier and Dercon 2014).

3.2 The ethical case for social impact investing

In addition to business considerations, the expansion of SII also reflects a set of ethical considerations about business models. Many social impact investors believe that it is possible to build more ethical economies that benefit the lives of the disadvantaged and marginalised. The potential of SII to enable capitalism to 'do good' can partly be understood in relation to the broader development of ideas surrounding the notion of 'ethical capitalism'. The last twenty years have seen various efforts to reduce the negative impacts of economic activities, as well as re-orientate capitalism's profit motive and entrepreneurial dynamism to tackle social and environmental problems, for example through corporate social responsibility and ethical consumption (Blowfield 2005, Carrier 2010; Scales 2014). A PwC survey of major private equity houses in the UK and the US found that 88% of respondents believed that shareholder attention to social and environmental issues would increase in the next five years (PwC 2012). Herve Guez, Director of Responsible Investment Research at asset management firm Mirova, stated that 'with crisis after crisis engulfing the world, the era of sustainable development is long overdue. Many of our clients and beneficiaries are there already. They are asking us how we are using their money to create a better world' (cited in CISL 2016, p.1). SII can thus partly be understood as an effort by the investment sector to catch up with shifting shareholder priorities.

As well as a broader shift towards notions of 'ethical capitalism', we can also identify the role of a more specific moral crisis in finance resulting from the 2007/2008 financial crash. There has been recognition in the financial sector of the central role that investment played in creating the conditions for—and precipitating—the economic crash, for example through excessive risk-taking, loose lending practices, and the creation and distribution of the mortgage-backed investment vehicles that were at the centre of the crisis. The guilt felt by many investors sparked a move to attempt to rebuild trust in the industry, and to repurpose investment vehicles to deliver social impacts:

> *'if there was a reaction to the financial crisis it was wealthy people saying OK I have run my race in private equity. They are the sort of people who make their money from business and they understand the importance of commercial discipline to deliver impact in the long term. I think they also like the idea of getting their money back and investing it for more philanthropy.'*[5]

One social impact investor stated that 'now is the time to stop making rich people richer and start making poor people richer'.[6] Another impact investor explained:

> *'I don't think it [SII] is seen purely as a funding and a profit opportunity. I think there has been a change of mentality. I think most people are sold on the model that you can actually provide impact and at the same time generate a reasonable commercial rate of return. I think people are doing it because they genuinely believe that there is a better way of doing things that can have the right outcomes.'*[7]

In the wake of this moral crisis in finance, the Managing Director of the Rockefeller Foundation labelled these new investors 'The Friendly Capitalists', in contrast to investors who pursue solely financial goals (Madsbjerg 2015).

Although on the surface this shift towards promoting a more ethical form of capitalism seems positive, concerns have been raised about wider implications for the international development sector, as well as for inclusion and equity in agricultural development in SSA. There is a risk that the hype around SII creates the illusion that all social issues can be dealt with by investment models. The World Economic Forum, for example, stated that businesses can 'reframe the problems' by 'finding ways to leverage them into business opportunities' (World Economic Forum 2009, p.6). This is, however, a moral question, as 'not everything can or should be priced... not everything that can be priced should have its price determined by market forces' (CISL 2014, p.13). Interventions based on profitability and enforcing financial discipline may miss the poorest of the poor and instead benefit those already best able to absorb the investment capital, adopt new practices and equipment, and meet financial stipulations. Furthermore, an investment manager at a philanthropic foundation raised the issue that in investment, some level of failure is to be expected. However, this presents particular functional challenges for charities: 'some charities invest their funding. I look at some of them and think oh my god, I hope you realise you are probably frittering your capital away.'[8] The promotion of SII means that charitable organisations catering for the poorest of the poor may be at risk of losing funding to impact investors and may experience increasing pressure to take on loans and make investments using capital provided by funders who expect the prospect of a financial return on their investment.

3.3 SII and the sustainable funding of development

As well as being motivated by financial and ethical concerns, SII is also being adopted by donors, non-governmental organisations (NGOs) and philanthropic foundations as a response to funding challenges, the need for financial sustainability, and recognition that social impact investments are 'an attractive area in the development and aid community because they hold out the opportunity of providing solutions that are financially sustainable, and so go on beyond the end of the donor-funded programme'.[9] An SII consultant argued that traditional development organisations 'face serious questions about the social return of the dollars they invest in aid projects'.[10] According to the co-founder of online agricultural investment platform AgFunder, 'that is the future for them [NGOs]. I think you need to not necessarily be profitable, but you need to be revenue driven because that is the only model that works. Doing it the way they have always done it, it has just failed.'[11] As one interviewee explained: 'maybe you will invest a dollar and only get 80 cents back, but in doing that you can be far more impactful than just doing a dollar of straight aid money. Of course, if you get 80 cents back you can invest it again and again and again. Whereas a dollar of aid or donor money, that is a one-off hit'.[12]

SII is thus being sold as a pragmatic solution to funding international development and the rise of SII can be situated in broader 'dead aid' and 'beyond aid' discourses that warn against aid dependency and related issues of corruption and the crowding out of alternatives (see Hillary 2010, Gulrajani 2011). An example is the DFID Impact Acceleration Facility, which aims to catalyse the market for impact investment by 'helping businesses to do high development impact interventions related to their core business that they wouldn't otherwise have done – such as entering a new, very difficult geography or developing a product offering at a significantly lower price point to allow access to goods and services for poorer consumers, particularly women and girls.'[13] The rise of SII can therefore be linked to the broader shifts amongst development actors towards a growth-orientated and private sector driven agenda (see Mawdsley 2015, 2016).

It is in this discursive, institutional, and financial context that NGOs, private foundations and Development Finance Institutions (DFIs) have attempted to establish themselves as leaders in SII. They have committed capital to demonstrate the effectiveness of impact investing models, leverage further private investment, and build pipelines of commercially viable businesses in sectors such as agriculture in SSA. DFIs have played a particularly important role. DFIs are established and funded by national states to support private sector investment in low-income countries. They include bilateral organisations such as the United Kingdom CDC, the Norwegian Norfund, Finnish FinnFund, and the Overseas Private Investment Corporation in the United States of America, as well as multilateral development banks such as the African Development Bank and the Asian Development Bank. For example, the CDC invests in Jacoma Estates in Malawi, which supports the production of high-value crops like macadamia nuts and paprika among local farmers and provides support with water monitoring and irrigation to extend growing seasons while protecting downstream water supplies.[14] As another example, FinnFund invests in EthioChicken, which produces high-quality day-old chicks, chicken feed, and extension services for local poultry producers to boost incomes and diversify livelihoods.[15]

A representative from the CDC emphasised the importance of SII to develop the business environment and enable greater flows of private capital into under-financed sectors: 'we will tend to do things that a commercial private equity shop would stay clear of because of the risk involved. That is because part of the development agenda is to formalise the space that we have invested in, and help bring commercial capital into that market.'[16] This is also the perspective of The Gatsby Charitable Foundation, which sees SII with sub-commercial financial returns as a means to de-risk the investment environment, build up businesses to become commercially viable, and create opportunities for investors requiring commercial financial returns to move in at a later date to provide financing to expand the sector.[17]

While private foundations have a long history of involvement in agricultural development (for example the Rockefeller Foundation played a key role in the Green Revolution in the 1950s and 1960s), SII is changing the way they operate. Historically, foundations have kept fund management and asset growth separate from their philanthropic projects. They are now beginning to align these two sides through investing for social impact to further their mission, as well as receiving at least some of their invested capital back as a financial return.

Private foundations, DFIs, and NGOs thus play a different role in SII assemblages to private equity firms. They show a willingness to take on greater risk with lower prospects of immediate financial returns to demonstrate that sectors are investable and to make them viable for further investment by traditional investors. This role is presented as important in rendering smallholder agriculture in SSA attractive to investors, but it does lead to questions about the future of agricultural SII. Some funds, for example AgDevCo and the African Agricultural Capital Fund, combine longer term 'patient' grants from philanthropic or aid donors with commercial debt and equity. In these funding structures, the philanthropic or aid capital provides 'first loss' funds that underwrite the commercial debt and equity in the case that the fund fails to make a return on its investments. If this philanthropic and donor capital continues to be necessary to attract commercial capital, it raises the question of whether agricultural SII can ever completely divorce itself from concessional grant capital to become completely financially sustainable and profit making.

4. Defining and measuring impact: the role of metrics in social impact investment

Despite diversity in motivations and expectations, the SII sector is united around the intention to create positive social impacts for intended beneficiaries as well as some degree of financial returns for the investor. Investors, however, often struggle to convert the vague and abstract notion of 'social impact' into something that can be used to guide and evaluate investment decisions and make evidence-based assessments of success. While there are standardised means for understanding and measuring financial impact, for example metrics such as return on assets (the ratio of company profits to overall resources) and return on investment, no such clear consensus exists for social impact (Tideline 2016; CISL 2016). When asked how to define, measure, and evaluate social impact, one interviewee replied that 'the answer is still pretty fuzzy'.[18] This 'fuzziness' is partly due to the relatively recent mainstreaming of the concept, but is also related to the diverse and context-specific ways in which social impact can be understood and implemented.

A major way that social impact is being operationalised within SII is through the development of standardised metrics. Examples include the Global Impact Investment Ratings System (GIIRS) created by the non-profit organisation B Lab; the Impact Reporting and Investment Standards (IRIS) framework of the GIIN; and the social return on investment tool. The latter is a quantitative methodology that attaches financial values to particular impacts. In this way, it is an attempt to commodify social impact so it can be traded and directly compared. IRIS, on the other hand, is a catalogue of qualitative and quantitative 'generally accepted performance metrics that leading investors use to measure social, environmental, and financial success'.[19] The IRIS metrics include 'access to clean water and sanitation', 'agricultural productivity', 'access to financial services', 'capacity building', and 'equality and empowerment', to name a few.

While these metrics have facilitated comparative performance monitoring, they have proved controversial. SII has been described as 'metrics-rich' but 'data-poor' due to the limited uptake of these metrics amongst social impact investors (Rockfeller Foundation 2012, p.8). Standardised metrics have been critiqued as being too cumbersome, top-down, and prescriptive to be useful for assessing early stage programmes in emerging and developing markets.[20] Furthermore, the Rockefeller Foundation notes that there has been little involvement of stakeholders from the Global South in the formulation of the IRIS metrics (Rockefeller Foundation 2012). SII thus repeats longstanding failures in development policy and practice to include the values and priorities of the individuals and groups targeted (Chambers 1983, Cornwall 2003).

Although metrics enable the 'fuzziness' of social impact to be quantified, formalised, and understood through the lens of finance, there are important questions about the appropriateness of using metrics to understand social impact, and what they may conceal. Positive social impacts can take many forms, and can occur at multiple points, for example through providing socially beneficial products and services such as affordable high quality agricultural inputs or guaranteed markets for produce; through increasing the participation of disadvantaged individuals and groups; or by locating operations in an under-served community to generate economic benefits (Bridges Ventures & AVCA 2014). Perspectives may differ between the impact investor, the investee business, and the intended beneficiaries, and there may be unbalanced power relations in settling on a definition. Some investors have aligned their impact objectives with the internationally agreed reference point of the Sustainable Development Goals (SDGs) as a benchmark to delineate what constitutes a 'positive' impact, and to provide a common language across diverse organisations (CISL 2016; GIIN 2016). The SDGs are, however, very broad and do not directly relate to specific impacts or measurement strategies (GIIN 2016, p.5).

Even if the notion of social impact is clearly defined and understood by investors, measuring and monitoring can be time, money, and effort-consuming for both the people doing the monitoring and those being monitored. Firms therefore often focus on a limited number of metrics as proxies for broader social impact, for example the number of 'lives touched' and 'economic value created'. Rather than long 'laundry lists' of 'soft' qualitative measures, one social impact investor argued for defining social impact as analogous to poverty alleviation, measured through the metric of net additional dollars in the pockets of smallholder farmers.[21] The focus therefore shifts from measuring development outcomes to more easily measurable outputs like 'lives touched'. An SII firm focusing on smallholder farmer agricultural development in Tanzania stated that their 'objective is livelihood development not the more difficult targets like training, health, etc. Therefore, we are able to see intrinsically measured results—they are a part of our financial data, which is audited.'[22] A representative from this firm explained that 'the most important number for us is how much money we paid our farmer, and we know that because we paid it.'[23]

The need to measure impact thus leads to certain issues being prioritised and others being ignored because they are seen as too difficult to quantify. However, simple measures of social impact—such as increased income for intended beneficiaries—simplifies social impact and papers over qualitative differences in experiences, for example based on factors like gender (Adams et al. 2017). If social impact is defined simply as more money in (some) people's pockets, it is unclear how SII differs in practice from traditional investing, or in fact, economic growth more generally.

Moving to the political-economic implications of SII's metrics, it is likely that interventions based on profitability and enforcing financial discipline may exclude the most marginalised individuals and groups, and instead lift those already best able to absorb the investment capital, adopt new practices and equipment, and meet financial stipulations:

> *Very quickly what you get is an environment where a smaller number of people benefit disproportionately well as they are more entrepreneurial and they get the model. The number of times you see the economic targets on your impact substantially exceeded, but the inclusiveness in terms of number of lives touched is reduced. You help a few people from USD 1 a day to USD 10 a day and maybe into lower middle-class farmers, but most of the people get left behind.*[24]

Such forms of exclusion have already been documented in relation to Fairtrade and other forms of ethical consumerism, where the high costs of meeting consumer standards and obtaining certification have often excluded the poorest producers (see for example Ponte 2008, Potts et al. 2014, Cramer et al. 2014). The promotion of SII means that charitable organisations catering for the poorest of the poor may be at risk of losing out on funding to impact investors and are under increasing pressure to accept capital provided by funders who expect a financial return as well as social impacts that are easily understood through metrics. SII thus is not simply responding to existing development practices, it is reshaping them.

There is a large literature revealing the challenges of measuring poverty and the tendency for metrics to over-simplify complex realities (e.g. Lipton 1996, Noordbakhsh 1998, Sen 2006), as well as the tendency of techno-centric approaches to obscure the political dimensions of poverty (e.g. Ferguson 1990, Li 2007). However, what is distinctive about SII is that its metrics are often determined by the logic, needs, and practices of finance based on the generation of measurable and quantifiable returns over a given timeframe, with major implications for who and what becomes investable or not investable. This is demonstrated in the next section, when we see how SII has unfolded unevenly in the context of African agriculture, rendering certain countries, regions, and groups investable, while ignoring others.

5. Agriculture in sub-Saharan Africa as a site for SII

The number of SII organisations involved in agriculture in SSA expanded by 82% from 2011 to 2015, giving it the second highest growth rate after Latin America and the Caribbean (GIIN 2016). Both the returns-driven and social impact-driven sides of SII can be seen in the discursive framing of agriculture in SSA as a site for investment. Since the late 2000s, there has been much hype around 'Africa rising' in development and business discourse, with African economies portrayed as 'lions on the move' offering a range of potentially profitable investment opportunities, especially in the agricultural sector: 'Africa's economic pulse has quickened, infusing the continent with a new commercial vibrancy' (Roxburgh et al. 2010, p.1). It is important to note that the 'Africa rising' narrative is not unique to SII and has played an important role in other economic and development discourses, as well as popular media (Taylor 2014a, Taylor 2014b, Beresford 2016).

Central to the 'Africa rising' narrative driving SII in agriculture are perceptions of abundant land and agricultural productivity potential. According to Susan Payne from Emergent Asset Management, Africa is the 'one continent that remains relatively unexploited' in terms of agricultural production potential (quoted in Rice 2009). Narratives stress Africa's agricultural potential, particularly of the Guinea Savannah zone which according to emerging markets investment firm Renaissance Capital (2011, p.) 'represents a major opportunity for Africa to provide for its own food security needs, and possibly those of other parts of the world'. These narratives also stress, however, that despite agricultural potential and technological advancements (for example during the Green Revolution), productivity is lagging. Investment funds stress the possibilities of investing in a wide range of activities, including the provision of high quality seed and fertiliser, agronomic education, and access to equitable value chains.[25]

Although widely circulated and persistent in development and business circles, narratives about unexploited agricultural land in SSA have been critiqued. Scholars have highlighted that although land may seem 'unused' and 'marginal', these terms are ambiguous and land is often part of complex access and use relations that may be seasonal or transitory (Borras et al. 2011, Exner et al. 2015, Leach and Mearns 1996, Li 2014a). The narrative also ignores significant biogeographical and agro-climatic variability in SSA, especially in terms of rainfall and soil fertility (Mortimore 2008, Ayanlade et al. 2018).

A second element of the 'Africa rising' narrative relates to demographic factors. For social impact investors, the Malthusian threat of population growth is reworked to represent a business opportunity. One investor commented that 'if you take these two things, this vast pool of what we call 'hands and lands', and you put it together with the fact that we have got to find a lot more food in the world, that becomes a tremendous business opportunity'.[26] Across the continent the population is growing by 2.5% per annum, and by 2025 Africa's population is expected to be the youngest in the world creating an expanded sector of working age people: a 'demographic dividend' (Eastwood and Lipton 2011). Many African nations are also experiencing an expansion of the middle class with increasing disposable incomes. Urbanisation rates are high, with an estimated 50% of Africans living in cities by 2030 (Roxburgh et al. 2010). For investors, the challenge of feeding a rapidly expanding urban population—and catering for changing diets—provides further market opportunities.

Smallholder farmers occupy a prominent place in the SII discourse. One social impact investor explained the rationale of this model as 'if you're an average farmer in Africa and you have say a hectare and if you are an average big farmer in Africa you have say 5000, and so literally 5000 hectares competes against 5000 families. Why not instead put all that money in investments towards making those 5000 families succeed?'[27] While the depiction of untapped agricultural productivity is a key element, what sets SII apart from the broader literature on private sector involvement in African agriculture is its dual framing of smallholder farmers as 'needy but needed': investment in smallholder farming is justified as presenting a huge market opportunity, and as a conduit for generating substantial positive social impacts.

Alongside this depiction of smallholders as potential entrepreneurs and an under-tapped market, there is a continued narrative of smallholder farmers in SSA in need of help to modernise and improve standards of living to 'catch up' with other emerging economies: 'I think it is probably driven by the number of famines in Africa. It is very in your face. People are like crikey we have to do something about Africa, we really have to help people'.[28] The result is that at the heart of SII lies an uncomfortable dual depiction of smallholder farmers as both entrepreneurs enrolled in value chains, and as victims of poverty in need of support.

While the story of 'Africa rising' dominated depictions of the continent in investment circles from around 2005 to 2015, there has recently been a marked shift in how SSA is perceived as an investment location. In practice, investors have often found the realities of investing in agriculture in SSA challenging, and questions have been raised about the uncritical 'win-win' rhetoric. One impact investor explained that:

> *'There has not been much returns-driven money. Nobody is going to say from primarily a returns perspective that they are going to invest in businesses that service smallholder farmers in East Africa. They will build an office block in Reading or something. All of the pie in the sky ideals of the early movers in impact investment that you can actually make more money by being impactful, I just don't see that having any traction.'*[29]

SII projects have failed to meet their ambitions due to a variety of factors including unforeseen socio-political issues such as religious and political instability, limited market opportunities and inadequate financial or infrastructural ecosystems, and currency volatility.[30] As an example, SeedRock, a now closed down social impact investor in emerging markets, pulled out of a cooking oil project in Burkina Faso—where they had leased 43,000 acres and built a processing plant—due to a political coup and resulting instability.[31] There have also been issues relating to poor investment decision making, a lack of specialist expertise on agriculture in SSA, and unwise capital deployment strategies.

The result is increased scepticism surrounding SII in agriculture as 'looking at it from a 5000ft above the ground perspective you think this sunshine, rainfall, and abundance of land, the opportunity is massive. But it really isn't that simple. Only once you've invested do people realise how problematic it can be.'[32] There is growing recognition that within SSA there are countries—and regions within countries—with different business environments, agricultural opportunities, political stability, land rights, and different levels of currency stability and infrastructural development, and these factors necessitate different approaches to investment.

To differentiate between investment opportunities in the agricultural sector in SSA, impact investors use a variety of methods that often combine metrics with a high degree of subjectivity. SilverStreet Capital has a complex method for identifying locations for investment: 'we score countries, and they don't all pass. If you are going to bring institutional money you have got to be absolutely rigorous'.[33] To assess and compare countries, SilverStreet Capital uses five rankings drawn up by other organisations such as the World Bank: ease of doing business, credit risk, war risk, corruption, and risk of appropriation. They also look at population growth, economic growth, agro-ecology, land availability, and incentives for foreign investment. This leaves them with a list of so-called 'better' countries, and from that list it is a subjective decision as to which countries to invest in. They re-score countries every year, which has allowed for countries such as Rwanda to rise up the ranking over the past five years, while Kenya has declined due to political instability and security issues relating to the rise of militant groups. The Chief Investment Officer at SilverStreet explains that:

> *'we can rank any country in the world. The interesting thing is you can then compare with Brazil, India, or Romania, and the better countries are the same score as Brazil. That process screens out certain countries in an obvious way. Zimbabwe, Somalia, Congo, and Burundi get screened out. Below a certain number we just say no, and above there ok that is investable, but there is still a subjective aspect.'* [34]

The combination of metrics and subjective judgements to identify investment locations process has led to a highly uneven geography of investment. The outcome of the rankings is that investments tend to be clustered in countries possessing characteristics perceived to be advantageous. These include abundant water and land resources and appropriate agro-ecology to produce higher value crops, a government that is stable and providing an enabling environment for investment, low production costs, low currency volatility, and a well-developed transport and communications network. This has led to concentrations of SII in a few countries—for example Kenya (which has received nearly half of SII flowing into East Africa), Nigeria in West Africa, and South Africa in Southern Africa (GIIN 2015). These are countries that have historically received higher flows of investment capital and are regional technology and trade hubs. There is negligible evidence of impact investments in countries struggling from conflict, for example Burundi and South Sudan, and lower flows in larger but more centrally managed economies like Ethiopia (GIIN 2015).

Clustering of investments also occurs within countries, for example along transportation links or near major cities in comparison to potentially more volatile border areas. This sub-national clustering demonstrates the role that is often played by the state in identifying opportunities for investment and providing incentives like tax breaks. In Tanzania, for example, investment clusters can clearly be identified along the infrastructural backbone from Dar es Salaam on the coast to Iringa in the Southern Highlands which provides the focus for the Southern Agricultural Growth Corridor of Tanzania (SAGCOT).

The existence of regional hubs and clustering within countries raises questions about the extent to which SII is a valid strategy to improve the livelihoods and incomes of the poorest smallholder farmers in SSA. SII appears to be doing little to alter (or make more equitable) structural inequalities both within and between countries in SSA. By using these metrics combined with subjective judgements, social impact investors are creating standards against which countries are judged, compared, and made to conform. Carrier and Miller (1998) have highlighted the increasing ‘virtualism’ of policymaking, whereby economic models, based on the implicit cultural values of finance, have become the standard against which judgements are made, regardless of other value systems. The literature on credit scoring has also critically examined how forms and algorithms are used to assess potential borrowers against normative financial expectations, categorise them, and then use this categorisation to exclude and discipline to promote behaviour change (see Poon 2007; Burton 2012). From this perspective, the process of ranking and scoring countries to guide SII formalises what are highly subjective judgements into supposedly objective ‘facts’. It thus continues a tendency of development interventions to reduce complex structural drivers of poverty to a set of technical fixes, thereby ‘rendering technical’ and depoliticising poverty (Ferguson 1990, Li 2007b).

6. Conclusions

This paper has shown how, through differentiated ways, agriculture in SSA is being shaped by—and is shaping—social impact investing through a complex web of relations that brings together a diverse set of actors, motivations, metrics, and narratives. The motivations underpinning investments are financial, moral, and pragmatic. The ability to open new profitability frontiers through SII has proved particularly attractive to investors in the context of the 2008 financial crisis. This has brought in private equity funds, and with them large institutional investors who would otherwise be unwilling and unable to invest in African agriculture, especially agriculture involving smallholders.

While there is evidence that SII in the agricultural sector in SSA has grown rapidly over the last decade, quantitative data are difficult to obtain. There is a lack of transparency surrounding private sector capital flows and data that do exist come from voluntarily reported investments. The desire to maintain reputations in a competitive market place means it is unlikely that underperforming funds would report. It is also still unclear how many funds have moved from fundraising and planning to actual investments 'on the ground' or successful exits (where companies are sold). It is likely that, mirroring a broader boom in land acquisitions and foreign investment (see Collier and Dercon 2014, Cotula 2012), a significant portion of SII has been highly speculative. There is a need for further quantitative research to ascertain the amount of money being invested through SII, where it is coming from, and where it is being invested (both geographically and also in which parts of the agricultural sector).

In addition to business motivations, the rise of SII must also be understood in the context of the broader development of 'ethical capitalism', as well as a more specific moral crisis following the 2008 financial crisis. At the heart of SII is the idea that financial investment might be a force for good: while markets might be underpinned by the profit motive and the quest for new profitability frontiers, they are also sustained by belief, energy and enthusiasm (Descheneau and Paterson 2012, Thrift 2001).

For more traditional development actors such as philanthropic organisations, state development agencies, and development corporations, SII is perceived as an alternative and potentially more sustainable source of funding in the light of 'dead aid' and 'beyond aid' discourses. These actors tend to be less driven by a quest for financial returns and follow a more impact-driven agenda. They play an important role operating in potentially high risk and low return environments to mitigate risks and demonstrate to other investors that a sector is commercially viable. This holds out that eventually finance-driven flows will crowd in to sectors such as smallholder African agriculture, which have historically tended to be ignored by investors such as private equity firms.

There is still considerable variation and ambiguity when it comes to defining what social impact is and how it should be assessed. Social impact is conceptualised differently by different actors and different metrics have been developed in an attempt to quantify impact and guide investment. This ambiguity raises questions about the extent to which SII is, can be, or even should be an approach to agricultural development that aims to improve the livelihoods and living standards of the poorest. This is a particularly important question given the shift towards SII within traditional agricultural development donors, charities, and philanthropic organisations.

Finally, SII reshapes sub-Saharan African agriculture through a set of narratives surrounding the idea of 'Africa rising'. This draws on old tropes of Africa in need of modernisation to catch up with the rest of the world, as well as new tropes of an increasingly vibrant commercial sector, a 'demographic dividend', and the untapped potential of Africa's agro-ecological diversity. This repackages African countries as 'lions on the move', with smallholder farmers representing a business opportunity. Initial blanket enthusiasm for the 'African rising' narrative has been curbed by recognition that in practice many African country and sector contexts represent multiple operational challenges, and there is diversity in enabling environments and investment opportunities. This is leading to greater scepticism, and an uneven geography of investment. It is important to note that the countries receiving the most attention from impact investors, for example Kenya, Nigeria, and South Africa, are already technology, trade, and investment hubs. Countries suffering from conflict, fragility, or economic stagnation have received negligible social impact investment. This raises concerns that SII is entrenching inequalities both between and within sub-Saharan African countries.

The interaction of these actors, motivations, metrics and narratives has important implications for agricultural development and its political-economic dynamics. Our paper has shown that SII is not simply a tool for creating new sources of funding for existing development activities. We have found that it is changing development policy and practice by bringing in new actors (most notably private equity funds and institutional investors); altering the nature and activities of existing actors (for example encouraging philanthropic organisations to blend their charitable and investment activities and focus on different timeframes); and entrenching highly uneven geographies of agricultural development. Through SII, certain sectors, regions, countries, and even people are being rendered investable or un-investable by activities cloaked in a justifying rhetoric of 'ethical capitalism', with potentially profound consequences for who benefits from agricultural development efforts.

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Notes

[1] The relationship between microfinance and poverty alleviation is heavily debated – see for example Chowdury 2009, Hume and Mosley 1996, Pankaj and Moore 2003, Morduch 2000, Buckley 1997
[2] Interview with a representative from CDC, 04/05/2016
[3] Interview with the Chief Investment Officer at SilverStreet Capital, 13/05/2016
[4] Interview with the Chief Investment Officer at SilverStreet Capital, 13/05/2016
[5] Interview with a managing partner of an agricultural social impact investing firm, 15/02/2017.
[6] Interview with Co-Founder and CEO of an agricultural social impact investing firm, 17/05/2016
[7] Interview with an investment director from The Gatsby Foundation, 27/02/2017
[8] Interview with an investment director from The Gatsby Foundation, 27/02/2017
[9] Interview with an investment director from The Gatsby Foundation, 27/02/2017
[10] Interview a social impact investing consultant, 07/10/2016
[11] Interview with Co-Founder of AgFunder, 29/03/2016
[12] Interview with an investment director from The Gatsby Foundation, 27/02/2017
[13] http://www.theimpactprogramme.org.uk/investments-dfid-impact-acceleration-facility/
[14] https://www.cdcgroup.com/en/story/jacoma-estates/
[15] https://www.finnfund.fi/sijoitukset/en_GB/list_investments/
[16] Interview with a representative from CDC, 04/05/2016
[17] Interview with an investment director from The Gatsby Foundation, 27/02/2017
[18] Interview with Co-Founder and CEO of an agricultural social impact investing firm, 17/05/2016
[19] https://iris.thegiin.org/guide/getting-started-guide#welcome
[20] Interview with the Chief Investment Officer at SilverStreet Capital, 13/05/2016
[21] Interview with a managing partner of an agricultural social impact investing firm, 15/02/2017.
[22] Cheetah Development (n.d) *Solving the Biggest Problem in International Development*
[23] Interview with Co-Founder and CEO of a social impact investing firm focused on smallholder agriculture in Tanzania, 17/05/2016
[24] Interview with an investment director from The Gatsby Foundation, 27/02/2017
[25] Interview with the Chief Investment Officer at SilverStreet Capital, 13/05/2016
[26] Interview with Co-Founder and CEO of a social impact investing firm, 17/05/2016
[27] Interview with Co-Founder and CEO of an agricultural social impact investing firm, 17/05/2016
[28] Interview with Co-Founder of AgFunder, 29/03/2016
[29] Interview with a managing partner of an agricultural social impact investing firm, 15/02/2017.
[30] Interview with a representative from CDC, 04/05/2016
[31] Interview with Co-Founder of AgFunder, 29/03/2016
[32] Interview with a representative from CDC, 04/05/2016
[33] Interview with the Chief Investment Officer at SilverStreet Capital, 13/05/2016
[34] Interview with the Chief Investment Officer at SilverStreet Capital, 13/05/2016