IMPACT INVESTING IN ZIMBABWE

THEME: Value Creation for Pension Funds in Zimbabwe

DO GREAT THINGS EVERY DAY

TOPIC

Controlled Disclosure

Theme

Value Creation for Pension funds in Zimbabwe

My Topic

Enhancing Long Term Returns: Impact Investing in Zimbabwe

PRESENTATION OUTLINE

Controlled Disclosure

- What is Impact Investment
- Opportunities/ Benefits
- Possible target sectors
- Limitations & Risks
- Enablers
- Way forward

KEY THEMES IN THE OPERATING ENVIRONMENT

Controlled Disclosure

High inflation

Exchange Rate Volatility

A prolonged currency problem

High Market Volatility

Increased risk of the markets

Negative Real Returns on the Investment Markets

Impact of Policy

(CGT, fungibility, closure of the markets...)

Controlled Disclosure

INVESTMENT STRATEGIES

01

Diversification

Investment in diverse asset classes spreads risk, thereby reducing the impact of any single investment on their overall portfolio

02

Defensive Asset Allocation

More focus on real assets

03

Passive Investment Strategies

Introduction of indexed funds; ETFs and REITs

04

Value Preservation

Mitigating loss of value

IMPACT INVESTING DEFINITION

Controlled Disclosure

Impact investing aims to achieve a dual objective of making a financial profit while also contributing to solving social or environmental challenges.

Here are some key points about impact investing:

1. **Intentionality:** Impact investors are intentional about creating a positive impact alongside financial returns.
2. **Measurable Impact:** Define Impact goals (number of jobs created, increase in access to clean water….) and implement a robust Monitoring & Evaluation framework
3. **Diverse Sectors:** Impact investing can span various sectors such as clean energy, affordable housing, healthcare, education, sustainable agriculture, and more. Investments can be made in both developed and developing countries.
4. **Financial Returns:** Impact investors expect to receive financial returns on their investments, although these returns may vary depending on the specific investment and impact goals. (IRR, Payback Period, NPV….)
5. **Types of Investors:** Impact investing is not limited to institutional investors or large funds.
6. **Challenges:** Impact investing faces challenges such as measuring impact accurately, finding suitable investment opportunities that align with impact goals, and balancing financial returns with impact objectives. However, the field is evolving, and efforts are being made to address these challenges.

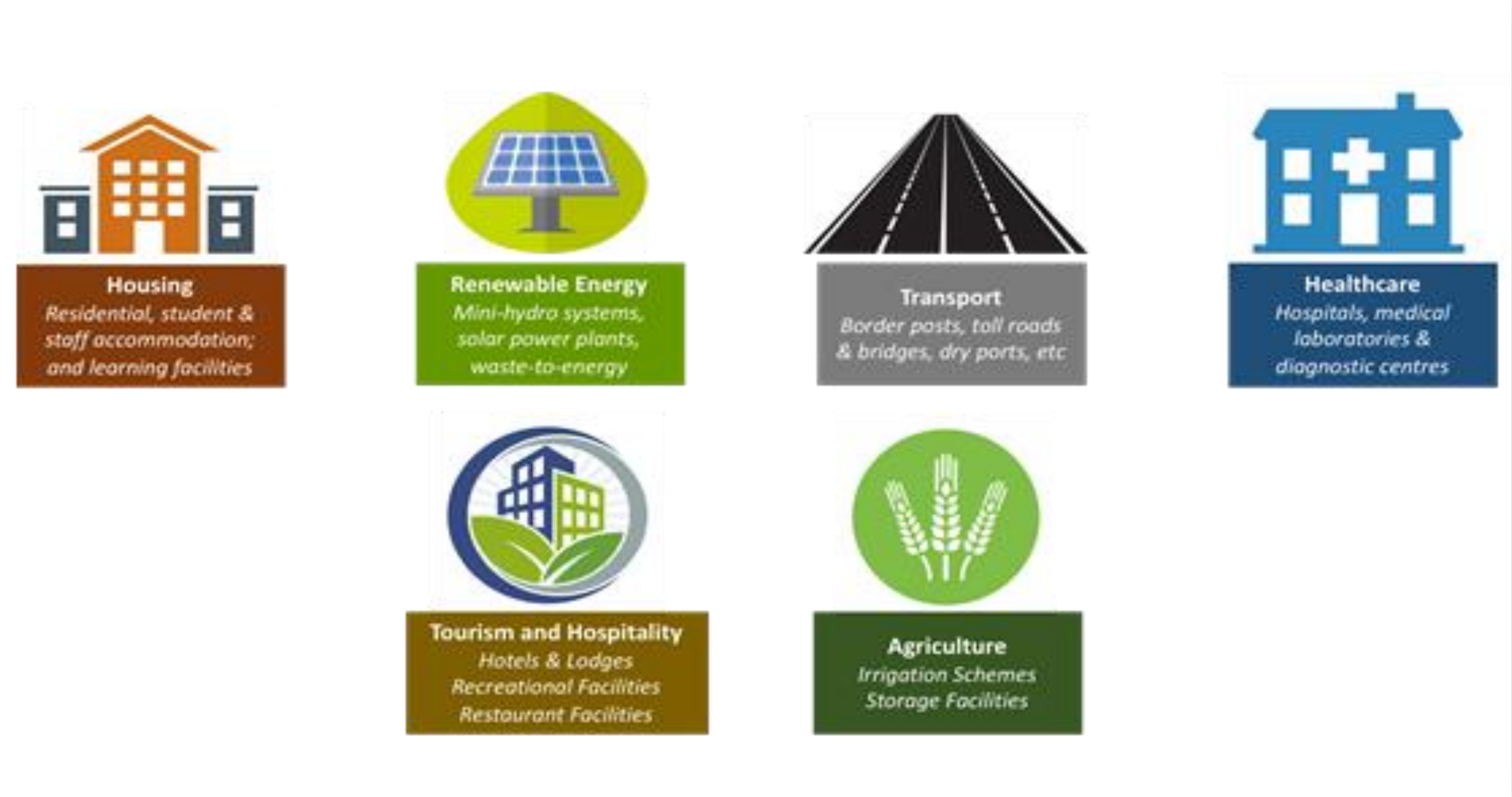
OPPORTUNITIES/BENEFITS

Controlled Disclosure

- **Infrastructure Backlog:** The country's infrastructure backlog – (US$40 billion infrastructure backlog according to ZIDA in 2022)
- **National Development Strategy 1:** There is an opportunity to invest in infrastructure projects of national importance that support Zimbabwe's National Development Strategy 1, "Towards a Prosperous & Empowered Upper Middle-Income Society by 2030", infrastructure pillar which recognises that "efficient infrastructure delivery will be key in the realisation of National Priorities and overall socio-economic development" (Ministry of Finance and Economic Development, 2020).
- **SDGs:** Impact investing can support the country's efforts towards achieving Sustainable Development Goals (SDGs).
- **Sustainable Economic Growth:** Opportunity for investors to make a return while making a meaningful impact on the Zimbabwean economy that will support sustainable long term economic growth and ultimately an improvement in the standards of living of the citizenry.
- **Sustainable Returns:** Investments that preserve capital and generate long-term sustainable returns for Investors while achieving impact through promoting socio-economic development in Zimbabwe.
- **Diversification:** Provide investors with a diversification opportunity by investing in asset classes that have a low correlation to listed equities and other traditional asset classes.
- **Inflation linked returns:** Potential for inflation linked returns.

INVESTMENT SECTOR FOCUS

Controlled Disclosure



Regulated assets:
power generation, gas and oil pipelines, water distribution system

Transportation assets:
commercial toll roads-highways, bridges, railroads, rapid transit links, dry ports and airports

Communications assets:
mobile network base stations, radio and television broadcast towers and satellite networks

Social infrastructure assets:
schools, hospitals, students' accommodation and low-cost houses

LIMITATIONS/RISKS

Controlled Disclosure

- Challenges in obtaining foreign currency to import equipment in a timely manner.
- Currency/exchange control uncertainties - dissuade long-term investing and the level of participation of foreign long-term investors.
- Siloed regulatory structures that inadvertently result in bureaucratic and sometimes protracted processes to get approvals for investment projects in regulated assets – “jumping through hoops”.

ENABLERS

Controlled Disclosure

- **PA status:** Seamless and efficient process of granting Prescribed Asset status to projects that have an impact on the broader economy as a sweetener for pension funds to allocate more resources to impact investments.
- **Capital:** Availability of foreign currency for importation of equipment and spares.
- **Enabling policy environment:** an efficient and well coordinated process of obtaining required regulatory approvals (permits, licences, Governmental/Regulatory Authority approvals, etc).
- **Incentives:** tax breaks (income tax, VAT, excise duty), guarantees on currency convertibility, enforcement of BIPPAs. Acknowledge and applaud interventions that government has so far implemented such as tax breaks for the first 5 years of operation and duty concessions when importing equipment for Independent Power Producers as well as the recently launched Government Implementation Agreements for selected new investments by IPPs. There is scope to extend such incentives across other infrastructural investment types that will positively impact the socio-economic landscape of the country.
- **Capacity building** by the investments and pension fund industries in appraising, implementing and monitoring impact investment projects - technical, financial, environmental, social, governance (ESG) and legal aspects.
- **Awareness & Education:** Raising awareness about impact investing and its potential benefits. Showcase successful case studies

WAY FORWARD/CALL TO ACTION

Controlled Disclosure

2023 Sectorial Funding Priority Infrastructure Projects

SECTOR	FISCAL Z$
Energy	46,515,070,900
Transport	646,672,883,141
Water & Sanitation	388,933,281,500
ICT	19,118,378,228
Health	66,510,347,800
Education	52,896,100,400
Agriculture	57,134,773,400
Housing	124,765,085,705
Other	1,591,507,037,507
TOTAL	2,994,052,958,581

Energy

According to ZIDA, ZIM had a US$40 billion infrastructure development funding gap in 2022. In 2023 government had a sectoral funding priority on infrastructure projects of ZWL$2.9 trillion translating to ZiG1.2 billion (using a conversion rate of 2500). This is roughly US$88 million

WAY FORWARD/CALL TO ACTION (CONT)

Controlled Disclosure

- A multi-sectoral approach involving multiple stakeholders is required – GoZ, private sector, development partners and communities should collectively apply the creative energies to support the thrust towards the attainment of the country's socio-economic developmental goals through investments that are sustainable, make a meaningful impact and generate attractive investment returns for the providers of capital.

- Private sector should create platforms for the efficient allocation of funding into opportunities that provide an optimal mix of impact and return in the journey towards the socio-economic development of Zimbabwe.

- Co-investment on infrastructure deals - the ticket size of some transformative impact projects that the country urgently requires necessitate collaboration and syndication by various players in the private sector.

- I believe with the right partnerships, an enabling policy environment, and capabilities developed already, the Zimbabwe private sector is well poised to participate in the acceleration of socio-economic transitions in the country through actively participating in investments that simultaneously generate the required returns while also making a meaning impact on the society as a whole.

MAXIMIZING RETURNS ON IMPACT INVESTMENTS

Controlled Disclosure

Awareness

01

Understanding the specific characteristics and risks associated with each asset class.

Professional Advice

02

Seek advice from experts to understand the assets and identify attractive assets.

Research & Due Dilligence

03

Financial-Legal-Technical-Commercial

Professionally evaluate the investment assets' performance, and sustainability

Investment Monitoring

04

Periodically assess the key performance indicators of the investments.

Be 6x more

THANK YOU

OLDMUTUAL