SSOAR
Open Access Repository
www.ssoar.info

Impact Investing in South Africa: Investing in Empowerment, Empowering Investors

Ducastel, Antoine; Anseeuw, Ward

Veröffentlichungsversion / Published Version
Zeitschriftenartikel / journal article

Zur Verfügung gestellt in Kooperation mit / provided in cooperation with:
GESIS - Leibniz-Institut für Sozialwissenschaften

Empfohlene Zitierung / Suggested Citation:
Ducastel, A., & Anseeuw, W. (2020). Impact Investing in South Africa: Investing in Empowerment, Empowering Investors. *Historical Social Research*, *45*(3), 53-73. https://doi.org/10.12759/hsr.45.2020.3.53-73

Nutzungsbedingungen:
Dieser Text wird unter einer CC BY Lizenz (Namensnennung) zur Verfügung gestellt. Nähere Auskünfte zu den CC-Lizenzen finden Sie hier:
https://creativecommons.org/licenses/by/4.0/deed.de

Terms of use:
This document is made available under a CC BY Licence (Attribution). For more Information see:
https://creativecommons.org/licenses/by/4.0

gesis
Leibniz-Institut
für Sozialwissenschaften

Mitglied der
Leibniz-Gemeinschaft

Impact Investing in South Africa: Investing in Empowerment, Empowering Investors

Antoine Ducastel & Ward Anseeuw *

Abstract: *»Impact Investing in Südafrika: In Ermächtigung investieren und Investoren ermächtigen«*. This paper examines how Impact Investment (II) becomes part and transforms structured accumulation regimes and circuits, with a particular emphasis on South Africa's agricultural sector. Through the joint implementation of a macro study of the South African II circuits, and a micro study of a particular II fund's practices and impacts, the paper develops an in-depth political economy assessment of II circuits in order to historicize these circuits, to map the South African II community, and to characterize the power balances presently structuring it. Rather than highlighting ruptures, it draws the attention to the historical continuities and path-dependencies as II related tools are rooted into older financial practices, shaping today's II development and practice - hence questioning II as a tool for empowerment.

Keywords: Impact Investment, investment funds, Agriculture, Empowerment, political economy, South Africa.

1. Introduction

> The fact is that there are at least ten million people out there who could drop dead tomorrow without having an impact on the Johannesburg Stock Exchange. (Ferguson 2015, 11)

Quoting a South African sociologist, James Ferguson illustrates the radical disconnection between financial market on one hand, and large groups of South Africans kept aside from the financial circuits of accumulation. However, in October 2018, a South African National Task Force for Impact Investing (II) has been set up gathering major JSE actors: i.e., private banks (ABSA), asset management companies (Investec), insurance companies (Old Mutual) as well as government agencies (e.g., the Financial Service Board or the National Treasury), and several recognized impact investors, experts, and academics. This hub aims officially to "*achieve socio-economic justice in South Africa by*

* Antoine Ducastel, CIRAD/UMR Art-Dev, 73 rue Jean-François Breton, TA C-113/15, 34398 Montpellier cedex 5, France; antoine.ducastel@cirad.fr.
Ward Anseeuw, CIRAD/UMR ART-Dev & International Land Coalition, Via Paolo di Dono 44, 00142 Rome, Italy; w.anseeuw@landcoalition.org.

building an inclusive and sustainable economy."[1] This raises a genuine question: is the South African financial industry engaged in a "social U-turn"?

Beyond South Africa, II experts and organizations are developing all over, as is well illustrated by the Global Impact Investment Network (GIIN) established after the 2007/2008 financial crisis. According to its promoters, three characteristics define and differentiate II from other financial practices and circuits: (1) intentionality to address a social or an environmental challenge; (2) investment with return expectations; (3) impact measurement (UNDP 2015).

Rather than looking for objective practices, tools, or moral beliefs, we consider II as an ongoing process, i.e., financial circuits in the making (Ducastel and Anseeuw 2018), continuously defined and re-defined by actors' cooperation and competition. As stated by Théo Bourgeron (2020, 119), in this special issue), "impact investors are engaged in the construction of the impact investing sector as they build the norms and devices that constitute its financial channels." Beyond this material infrastructure, a broad range of practitioners, experts, and regulators, at both global and national levels, engage into an II's definition and legitimation work constantly (re)framing the borders of this emerging asset class.

Since its emergence in 2007, extensive literature has been produced about II. Firstly, by II practitioners highlighting its transformation potential in both developed and developing countries.[2] Later on, by social scientists, who largely criticize and perceive II as a "financialization" of the welfare state (Golka 2019), disseminating financial logics, actors, valuation instruments, and conceptions in non-financial spheres (Chiapello 2015). Moreover, academics noticing the fragmented dimension of the II field established several typologies according to the financiers' political and moral beliefs and/or professional practices and devices (Barman 2016; Chiapello and Godefroy 2017).

Existing II's typologies tend to de-contextualize II circuits often neglecting the weight and influence of social, economic, and political structures over actor's practices and socio-technical devices. However, II practitioners and promoters are embedded into broader growth or accumulation regimes characterized by particular institutional compromises (Boyer 2000). Such a decontextualization is even reinforced by the Northern countries' bias in the II literature. Indeed, existing studies tend to focus on developed countries, such as France (Chiapello and Godefroy 2016) or the UK (Golka 2019), with few – if any – assessing the implementation of II in developing countries.

To fill these gaps, our paper will examine how II becomes part and transforms structured accumulation regime and circuits in South Africa. To answer

1 South African National Task Force for Impact Investing website <http://impactinvestingsouthafrica.co.za/> (Accessed on 16 July 2019)

2 See for instance the annual "Impact Investors survey" published by JP Morgan in partnership with the GIIN.

this question, we will implement in parallel a macro study of the South African II circuits, and a micro study of a particular II fund's practices and impacts. By doing so, we were able to develop an in-depth political economy assessment of II circuits in order to historicize these circuits, to map the South African II community, and to characterize the power balances presently structuring it. Rather than highlighting ruptures, we will draw the attention to the historical continuities and path-dependencies as II related tools are rooted into older financial practices, shaping today's II development and practice. In addition, we will open the black box of II concrete practices beyond official targets and purpose statements.

Indeed, so far, the above mentioned literature remains largely focused on narratives (Golka 2019) or investment decision making (Bourgeron 2020), without assessing the instrument's concrete and local uses. The risk of such assessments is to underestimate the actors' interactions and to take for granted II promoters' narratives. On the contrary, assessing II at ground level exposes instruments' hijacking and unintended effects. For instance, our case study shows how II metrics and tools participate to a "depoliticization" of rural development in South Africa while reinforcing financiers' control over farm workers. As such, focusing on who these impact investors in South Africa are and what they effectively do with the II related tools, we aim at clarifying the articulation between II circuits and the broader South African accumulation regime.

South Africa is an interesting case study of a developing country with a dual economy: on one hand, it includes a better-off, middle-income economy mostly developed around a "mineral-energy complex," i.e., a macroeconomic accumulation regime relying mostly on its mining industry – gold, coal, platinum (Fine and Rustomjee 1997). In addition, the country has a long-standing and powerful financial industry, which generates an increasing part of the domestic revenue: 21% of the GDP in 2013 (Ashman, Fine, and Newman 2011). On the other hand, the post-apartheid society is profoundly unequal with previously disadvantaged racial groups still largely affected by poverty, unemployment or the HIV/AIDS epidemic and mostly confined into rural former homelands or urban townships without access to welfare and basic services (Jacobs and Hart 2014). These embedded dualities have been shaped by public policies during the apartheid regime in order to secure and foster the accumulation regime (O'Meara 1996). Despite the 1994's change of era, ending more than 50 years of apartheid, the hegemony of the dominant accumulation circuits continued and even expanded while a new "redistributive policy" has been implemented (Ferguson 2015).Therefore, it is worth analyzing the emergence of II in such a polarized political economy: does II effectively transform the dominant accumulation circuits?

The data presented in this chapter have been collected mainly through participative observations, during a visiting position of four weeks at Green Firm

in June 2014, during which a study was to be realized on methodologies for social and environmental impacts' financial valuation (a tool Green Firm wants to develop). This immersion, which included office work and visits to Green Firm's farm in the Northern Cape Province, was an opportunity to observe and analyze the concrete practices and rationalities associated with asset management, and, more precisely their financial work, decision-making processes, daily practices, and farm management in practice.

2. A Long-Term Perspective on II in South Africa

2.1 Impact Investment in South Africa from "Volkskapitalism" to Black Economic Empowerment

The Global Impact Investing Network (GIIN)[3] initiated its South African experience in the 2000's, when the II movement also took off at global scale. In its report "The landscape for II in Southern Africa" published in 2016,[4] the GIIN tracks II from 2005 onwards: 7358 deals accounting for about 30 billion dollars, highlighting a steady growth in the region. In the 2000's, the impact rhetoric was indeed adopted by South African investors, as promoted by development banks and business schools such as the Bertha Centre for Social Innovation and Entrepreneurship at the University of Cape Town which is to date still the administrator of the National task force for II. At the same time, the first South African II asset managers and service providers joined the II global networks.[5]

However, these investment practices can be traced back to the development of the country's racialized regime of accumulation in the early 20th century. Since the late 21st century, the South African political economy is structured around the "mineral-energy complex," historically supported and dominated by British imperial conglomerates. From the 1930's, marginalized Afrikaner elites promoted a nationalist project with the objective to develop a "volkskapitalism" (O'Meara 2009), i.e., a capitalism by and for Afrikaners. From then onwards, the support to small and medium Afrikaner enterprises and the empow-

[3] A pioneer initiative launched by the US Rockefeller Foundation in 2007 to promote II globally. Today, the GIIN gathers about 300 members – asset owners, asset managers, and service providers; a sister association organizes II training sessions, promotes its own II rating system, and produces abundant grey literature on this "new asset class" – e.g., its annual "*Spotlight in the market. The impact investor survey.*"

[4] This report prepared by a network of financial actors engaged in the promotion of a "new asset class" must be taken for what it is worth. With this precaution in mind, however, it gives us an overview of the state of the II industry in South and Southern Africa.

[5] Ashburton Investments and Phatisa joined the GIIN.

erment of an Afrikaner bourgeoisie became strategic for this “Afrikaner nation’s promoters.” As such in 1940, Sanlam, an Afrikaner insurance company, created a financial holding, the “*Federaal Volks’ Investment*,” to collect savings from Afrikaner farmers and employees in order to “*afrikanize*” parts of the economy and to develop small and medium enterprises owned and developed by the Afrikaner fraction of the population. At the same time, the South African government implemented Development Financial Institutions (DFI), such as the Industrial Development Corporation (IDC) in 1939. This public institution aimed at developing industrial capacities in South Africa, and after the victory of the National Party in 1949 to empower Afrikaans entrepreneurs (Clark 1994).[6]

After the end of apartheid in 1994, industrial and financial conglomerates – henceforth controlled by a coalition of Afrikaners and English speaking elites – maintained and deepened their domination of the national economy in the framework of a liberalized and deregulated economy (Bond 2000). The control of these conglomerates, often seen as “capitalistic dominions” or even “white economic dominions,” is presently criticized, including for their past support to the apartheid regimes and the benefits harvested from (land, labor and economic) discriminatory policies (Marais 2011). In order to avoid direct public interventions and sanctions, these conglomerates, starting with the mining company Anglo-American and the insurance company Sanlam, implemented the first two Black Economic Empowerment (BEE) transactions in the early nineties. In the framework of these BEE investments, the company lends money to a BEE trust – grouping previously disadvantaged populations[7] – in order to buy a significant, but minority, share of the company. The loan is reimbursed thanks to dividends paid out to the trust. After these pioneering initiatives, several BEE initiatives were set up in order to empower black South Africans and give them access to companies’ shareholding and boards.

However, most of these first generation BEE investments collapsed[8] or produced benefits for only a small group of black, often African National Congress (ANC) connected, entrepreneurs (Freund 2007). Therefore, in 2003, a Broad-Based Black Economic Empowerment Act[9] was adopted. This law formalized a BEE scorecard, valuating companies' engagement with previously disadvantaged population groups. A high BEE score should open doors and

[6] Indeed, in the 1950s, eight of the nine IDC’s directors were Afrikaans-speaking.

[7] I.e., black, colored, and Indian population groups. In the rest of the paper, and as embedded in the “Black of BEE,” we will refer to these previously disadvantaged people as “blacks.”

[8] The first two transactions collapsed: a trust ended up bankrupted because of financial wrongdoing and the other one has been bought back by white shareholders (Freund 2007).

[9] Department of Trade and Industry, “Broad-Based Black Economic Empowerment Act (53/2003) Issue of Codes of Good Practice,” Government Gazette Staatskoerant (Republic of South Africa) 580, no. 36928 (October 11, 2013): 3–122, <https://www.thedti.gov.za/news 2013/code_gud_practice10102013.pdf>.

lead to opportunities, through access to public markets and tenders for instance. The scorecard sets up, among other aspects, compliance targets in the framework of South Africa's corporate social investment policy: 1% of after-tax net profit should be invested on socio-economic development; 1% of after-tax net profit on supplier development; 1% of after-tax net profit on enterprise development. Subsequently, corporate social investments skyrocketed: in 2014, South Africa's larger corporations spent $4.3 billion as part of BEE policies (Theobald et al. 2015). Alongside public investments from development banks, corporate BEE investments fed the II boom in South Africa, making the country the largest market for impact capital in Africa (GIIN 2016).

As described here above, "racial empowerment investments" for the integration and the promotion of different racial and ethnic groups into economic spheres existed in South Africa since the beginning of the 20th century. In the next section, we will map and analyze major actors involved in these empowerment investments highlighting once again historical continuities.

2.2 Impact Investors and Managers in South Africa

In its report, the GIIN distinguishes two groups of impact investors: development finance institutions (DFIs) and non-DFIS representing a heterogeneous group of institutional investors.

First, DFIs, both domestic and foreign, are by far the major impact investors' group: between 2006 and 2015, they disbursed $24.2 billion representing 83% of the national impact capital market (GIIN 2016). DFIs are government-backed institutions that invest in the private sector, looking for both profitability on one hand, and public interest on the other hand (Ducastel 2019). For instance in South Africa, the Industrial Development Corporation (IDC) was created in 1940 to boost long-term investment capital for domestic industries in order to alleviate the importation of manufactured goods. In October 1996, the new democratic government for the first time publicly endorsed the IDC as the "engine to drive BEE." Consequently, IDC has invested R69 billion since 1996 for black economic empowerment.[10] Today, IDC provides financing for "high-impact and labor-intensive" projects across the whole of Africa.[11]

Together with South African institutions, international (e.g., International Finance Corporation, African Development Bank) and European (the French Proparco and the Dutch FMO for example) invested nearly $10 billion in South Africa during the same period.

[10] This was done through the pursuit of development outcomes targeting youth, women and black industrialists, B-BBEE, regional equity, localisation, community empowerment, and environmentally sustainable growth. IDC Corporate strategic plan 2016-2021, presented to Parliament Portfolio Committee on Economic Development, 6 April 2016.

[11] There are also several other national (e.g., Development Bank of Southern Africa, National Empowerment Fund) and provincial (KZN Growth Fund) DFIs in South Africa.

By virtue of their mandate, DFIs articulate both financial and “social return” (Chiapello 2015) well before II takes off, gaining practical experience and developing their own investment procedure. Consequently, they are today at the forefront of the II community both quantitatively, in terms of capital disbursed, and qualitatively, promoting and standardizing II practices through national or global networks – for instance by DBSA’s participation at the National task force or the International Finance Corporation in the GIIN.

Second, non-DFIs investors collectively execute 307 deals representing $4.9 billion between 2006 and 2015. Two groups of South African institutional investors are particularly active on this financial market for empowerment: insurance companies and pension funds.

For instance, Old Mutual is a well-established and longstanding insurance company created in Cape Town in 1845. During the second part of the 20th century, the company became the most powerful financial conglomerate in the country, mainly through cross shareholdings with mining conglomerates and take-overs of industrial companies. In 1999, this conglomerate became a dual listed structure on both the London and Johannesburg stock exchanges. In spite of its globalization, the company remains anchored in South Africa through its subsidiaries, such as Nedbank, one of the country’s major commercial banks.

At the end of the apartheid era, Old Mutual faced a wave of criticisms regarding, on one hand, its support to the National Party’s policies, and, on the other hand, its disinvestments from post-apartheid South Africa. Besides others, South African academic Herman Marais denounces Old Mutual’s speculative strategy and the weakness of its productive investments (Marais 2011). In order to face these controversies, Old Mutual, through one of its subsidiaries, developed a “socially sustainable” financial product range dedicated to “alternative assets.” It defines socially responsible investments as “[investments] that provide investors with both commercial returns and tangible social and developmental impact. In South Africa, the primary focus of SRI [socially responsible Investments] is the provision of basic services and infrastructure development” (Old Mutual subsidiary 2013). It has launched five SRI funds so far: i) Infrastructure and development bond fund, to support infrastructure development; ii) Development equity fund, to take equities into SMEs supporting job creation, affordable housing, access to services, and healthcare; iii) Community property fund, to fund mall construction in former homeland and township; iv) Power debt fund, to develop renewable energy especially solar panels and wind turbines; v) South African farm fund.

Alongside insurance companies, pension funds, and more particularly public pension funds, are also very active on the II market in South Africa. The Government Employee Pension Fund (GEPF) is the largest pension fund in South Africa managing public servants’ retirements. This pension fund is managed by

a public entity, the Public Investment Corporation (PIC), supervised by the country's National Treasury and accountable to Parliament.[12] In 2016, PIC had R1.857 trillion assets under management, making it the largest African institutional investor. Its portfolio is divided between 75% of listed South African assets (bonds, currencies), 10% of non-listed SA assets (equities, real estate), 10% of offshore investments being in Africa or in Western countries, and 5% of "development investments" in South Africa (PIC 2016). A specific division into PIC, Isibaya Fund, manages "development investments" in particular offering a large range of financial products (loan, mezzanine, equities).

Institutional investors either directly manage their II portfolio or they invest through dedicated third parties. In the last decade, several specialized asset managers set up and launched II funds. These include Praxis Active, a private equity fund launched in 1997, investing in private clinics, pharmacies, and opticians based in areas previously reserved for disadvantaged populations, either suburban townships or rural former homelands. Asset managers behind these new financial products are not outsiders to the South African financial sector as they are often linked to major banks or insurance companies – e.g., Ashburton Investments that partakes in the National Task Force for Impact Investing is part of the First Rand group,[13] while Old Mutual holds 25% of Green Firm. Beyond asset management firms, a broad II supporting ecosystem exists in South Africa: a variety of incubators and accelerators (e.g. Awethu Project or Invotech), business consultants (e.g., Dalberg or Monitor Deloitte), academic research centers (e.g., the Bertha Centre for Social Innovation and Entrepreneurship at the University of Cape Town; GIIN 2016, 77).

Focusing on actors, rather than new vectors of capital distribution, II offtake in SA looks like a recycling and expansion of existing financial circuits and intermediaries. To underpin this observation, we will now analyze and historicize the sectorial allocation of impact investments.

2.3 Toward New Avenues for Accumulation?

The GIIN report details the distribution of II by sectors between 2006 and 2015. For DFIs, three sectors largely dominate: "energy," "extractives," and "manufacturing"[14]; while non-DFIs focus mainly on "financial services" followed by "manufacturing" and "energy."[15] It therefore clearly appears that IIs mostly occur in Mineral-Energy Complex's sectors reinforcing the historical accumulation regime.

[12] Government employees' pension law (1996) and PIC Act (2004).

[13] One of the big five in the SA banking sector.

[14] Together these sectors account for about $14 billion and 3730 deals (GIIN 2016, 68).

[15] The report identifies 28 deals in "financial services" ($1.6 billion), 47 deals in the two other sectors ($3 billion).

However, II also opens new accumulation avenues for investors. Firstly, through "financial services" but also through the development of social services for the poorer and previously disadvantaged racial groups such as "housing," "health," "ICT," or "education" as listed above. As written by Pons-Vignon and Segatti (2013) in the post-apartheid area characterized by a neoliberal state, successive governments have promoted a social service marketization, delegating them to a "third sector." II investors and managers step into this breach in marginal urban (township) and rural (former homelands) areas where inequalities and social issues are concentrated: poverty rate, HIV prevalence, indebtedness. As such, they worked and continue to work for a financial inclusion (Mader 2018) through "banking the unbanked" programs. By broadening the access to credit, impact investors claim to promote social mobility as they open up the consumer goods market and private ownership doors to the "bottom-of-the pyramid" (Prahalad 2006). However, as shown by Deborah James (2014), financial inclusion and often related commodification of services and assets (such as land) result in increased inequalities and potentially social conflicts as tragically illustrated by the Marikana killings in 2012.

Secondly, several impact investors aimed at developing projects in the agricultural sector: for instance, South Africa's Public Investment Corporation (PIC) invested so far 3 billion Rand[16] into agriculture and agribusiness SMEs and funds,[17] such as Green Firm. In post-apartheid South Africa, the development of rural areas is not only a major economic challenge, its socio-political importance relates to past racially-motivated homeland policies, the concentration of land property into white commercial farmers' hands, and to the still dual character of the farming sector (Cochet 2015). From 1994 onwards, the successive ANC governments implemented land reform programs and supported "black emerging farmers." But so far, the situation on the ground remains dire and unequal. Land reform only redistributed about 8% of the land, unemployment rates are between 35 and 50%, labour conditions on the farms are often poor with social movements developing as illustrated by the overall agricultural workers strike in the Western Cape province in 2013.

Thirdly, through II, South African financial institutions develop their activities abroad in other African countries. This reflects an extension of the investment scope toward "frontier markets," such as Swaziland for example. While

[16] Current exchange rate, approximately USD 1 = 13.5 South African Rands.

[17] "The fund will approach Agriculture investments through partnering with established commercial farming enterprises. The main objective would be to enable these commercial farming entities through debt and equity to facilitate the development of previously under developed farmland with the objective of increasing productive capacity and contributing to food security while generating excellent investment returns for the GEPF. Agriculture and agro-processing are therefore attractive developmental investments because of their positive attributes in relation to social impact and returns." Discours de John Oliphant, Principal Executive Officer du GEPF, au cercle de la presse du Cap, 23 April 2013.

the socio-economic context of that country has long been perceived as a risk and has discouraged investors, the II framework reversed these perceptions, making Swaziland appear as an opportunity. Green Firm for instance manages a fund, financed by the pension fund of civil servants, dedicated to agricultural development in Swaziland. Through this quick analysis of the distribution of II portfolios, we note two complementary trends: II financial circuits foster the MEC but also open new avenues for accumulation, especially through investments in social services.

2.4 II as "Reparative" Instruments

II in South Africa is largely embedded in historical institutions and local dynamics. Looking at both actors and targeted sectors, we highlight the historical continuity of financial circuits for empowerment and of institutions from *volkskapitalism* to contemporary Black Economic Empowerment. During this period, finance professionals set up their own procedures and instruments, which evolved over time. Initially, these actors (whether the DFIs or specialized asset managers, besides others) did not identify and recognize themselves as impact investors. The GIIN report's authors note this paradox:

> The term "impact investing" is less commonly used or understood in South Africa than elsewhere in the region or elsewhere in Africa. Many investors interviewed did not consider themselves to be impact investors, even when they had stated impact goals, explicitly tracked impact, and compensated their teams based on impact performance. In some instances, investors cited a lack of familiarity with the term. One investor mentioned that only after attending a conference on impact investing the previous year had she become aware of the concept. Others associated impact investing more closely with East African countries and did not consider it a trend in South Africa. Many interviewees mentioned a general discomfort in South Africa with mixing "charity and business," expressing that mandated CSI under BBBEE had exhausted corporations' and high-net-worth individuals' capacity to support impact initiatives. (GIIN 2016, 62).

In this quotation, South African investors stand out, compared to what happens in other, less developed African countries, as they distinguish II and BBBEE. On the contrary, II promoters (GIIN, Bertha institute) gather all these different investment practices under the same banner as impacts are 1) planned and 2) tracked. But rather than being a rigid device, II appears as being a flexible label. Like for Corporate Social Responsibility (CSR), the success of II "[…] lies, to a great extent, in its capacity to claim global applicability (under written by supposedly universal market value) and at the same time to frame those values in line with particular paradigms of national development" (Rajak 2011, 19).

Such a diversity creates difficulties when trying to set up a typology of II practices. Philipp Golka (2019) identified three II categories: investments into producing and service firms in Western capitalisms; investments into social and

public sectors in Western capitalisms; investments into basic services in the global South.

The South African case highlights a fourth one, categorized by “reparative” or “corrective” investments in post-colonial environments. Corporates and their (mostly white) shareholders and managers assign a small portion of their benefits to further integrate previously disadvantaged racial groups (i.e., Blacks, Colored, Indians, etc.) into the market economy and a private welfare system. Indeed, during apartheid these populations were intentionally kept away from economic growth and the redistributive system. As such, like for environment and biodiversity, “colonial redress” and “social reconciliation” (Somerville 2018) become then channels of accumulation.[18]

From a socio-historical perspective, II in South Africa differs from 1) II in western countries because of its explicit racial dimension; but also 2) II in most of the other African countries where international and western DFIs overcome the lack of welfare state. Consequently, it will be interesting to see how these local economic, social, and political contexts frame concrete financial practices, procedures, and tools.

3. Impact Investment at Work: The South African Farmland Investment Fund

Having discussed II’s roots in South Africa, the focus will now shift towards the effective II set ups and uses and their implications at ground level focusing on the Green Firm case study.

3.1 Sustainability in Practice: Between Return on Investment and Social Programs

Green Firm is a small South African asset management company specialized in agriculture and agribusinesses created in 2006 by two Dutch entrepreneurs. In 2015, Green Firm managed two different funds focusing respectively on agro investments in South Africa and Swaziland. The South African farm fund was set up in 2010, registered in Mauritius, collecting around $37 million to invest in South African farmlands and agricultural companies. The fund exclusively targets fruit farms (citrus, table grapes) and aims to acquire majority positions; in 2015, it had already acquired four farms, totaling about 5900 hectares. Two main South African institutional investors finance this fund: i) Old Mutual, and ii) the South African Public Pension Fund (PIC). In addition, several smaller

[18] Melanie Somerville (2018) analyses similar situations in Canada, looking at partnerships between asset managers and first nation’s communities.

European individual investors put money into the fund through its Luxemburg subsidiary.

A binding contract defines the investment policy of the fund, detailing both 1) its financial strategy and targets, and 2) its environmental and social objectives. First, in order to generate a value-addition for its investors, Green Firm rents the farms to a third party agricultural firm. This allows for a stable revenue stream during the fund's lifespan (10-12 years). Green Firm targets 10%, plus inflation, as the Internal Rate of Return (IRR), including both the annual lease payment and the appreciation of the land. As explained by Green Firm's managing partner:

> [The IRR] is actually very predictable. Because farmland traditionally rises with 2 to 6 % per year, according to real capital gain over time historically. You get a 8% yield on your lease which is inflation linked. So it is 8+4, you get 12%; take off the management fee and you get 10%."[19]

Second, fund managers also define the fund's environmental and social policy. Green Firm adopted from the beginning an II approach and rather than separating financial and social returns, they established a clear relation between them, as stated in the 2013 annual report:

> Social returns are an integral component of the Fund's performance. Improvements to worker healthcare, housing and sanitation, job creation and skills transfer ensure that the quality of the farmland is maintained. This contributes to the long-term sustainability of the operations and economic empowerment of the surrounding communities. These factors add significant value to the farmland asset over time and are expected to result in positive returns at the end of the Fund term. (Green Firm 2013, 13)

From this quotation, it clearly appears that Green Firm aims to contribute primarily to South African economic (job creation, skills transfer) and social (housing and sanitation) rural development. In addition, Green Firm often stresses another social objective regarding land transfer in a post-apartheid environment. Indeed, as both Old Mutual and PIC, i.e., Green Firm's major shareholders, are BEE certified with a significant proportion of black shareholders (urban public servants or BEE trusts), Green Firm claims that acquiring farms owned by white farmers is a contribution to land redistribution in South Africa benefitting the country's previously disadvantaged populations.

Based on the social objectives related to broad investment policies, such as rural development, Green firm identifies several specific related impacts. Firstly, the creation of jobs is the main targeted impact. The objective is to promote the inclusion and empowerment of black rural communities through the labor market. With a focus on employment, Green Firm is promoting an employee-

[19] Interview with Green Firm director, Cape Town, 16 March 2015. To calculate the historical appreciation of farmland by year, Green Firm endeavours to analyse the agricultural land deals in South Africa during the last 20 years.

based farming model, in opposition to an entrepreneurial, family-based farming model which was and still is the dominant farming model in South Africa (Anseeuw, Ducastel, and Boche 2015). Secondly, the firm wants to reinforce employees' access to two specific social services: health and education. This choice echoes other social responsibility programs set up by major South African conglomerates, outside of the financial industry, such as implemented by the mining company Anglo-American (Rajak 2011). Concretely, their involvement as an impact investor takes two complementary forms: 1) the definition and implementation of particular programs in order to increase social impacts on their farms; 2) the development of specific impact evaluation procedures.

First, in order to reach these social impacts, particularly job creation, Green Firm aims to increase the farm production and productivity. In addition, the firm allocates 0.5% of each investment to social and environmental expenditures on their farms. Three projects, mobilizing external consultants,[20] have been defined and implemented so far: 1) an empowerment project –

> Depending on the skills development level of the workers, an Adult Education and Training (AET) program is rolled out on all farms, covering literacy, numeracy and communication. Additional training such as personal financial planning and life skills is also offered […] with the aim of empowering workers and creating independent emerging farmers [(…]."; 2) a healthcare project – "Where possible, the Fund establishes access to primary healthcare services for permanent farm workers. This offers workers unlimited access doctors, dentists and optometrists, free provision of acute and chronic medicines, and radiology and pathology services according to a prescribed protocol […]."; and 3) a housing project – "The aim of the Fund's operators is to provide housing and facilities that are better than the norm. This not only benefits the permanent workers in terms of human dignity, but also enables the farm to attract quality seasonal workers. (Green firm 2016, 12-17)

Second, Green Firm develops its own impact assessment matrix, which is included in every quarterly or annual report addressed to the investors in order to track the evolution of the selected impacts on every single farm.

[20] While at the Green Firm, a full time dedicated employee is in charge of the impact programs and evaluations.

Table 1: The Green Firm Matrix

		Farm 1	Farm 2	Farm 3	Farm 4	Total
Permanent employees (workers with contracts longer than 1 year)	At take-on:	25	94	102	83	304
	At December 2015:	57	71	124	86	338
Seasonal workers, depending on season	Currently, up to:	450	950	520	440	2360
Projected new jobs (permanent and season-al), due to expansion	Projected new jobs:	300	465	100	212	1077
Employees with access to pre-paid primary healthcare	At take-on:	0	0	0	0	0
	At December 2015:	61	0	80	98	239
Employees with access to HIV/AIDS services	At take-on:	0	0	0	0	0
	At December 2015:	61	71	80	98	310
Employees receiving adult education	At take-on:	0	0	0	0	0
	At December 2015:	32	27	15	8	82
Employees receiving management training	At take-on:	0	0	0	0	0
	At December 2015:	4	19	3	3	29

Source: Green Firm 2015.

For every impact tracked, we note a gain between the situation "at take-on" and the last counting in December 2015. This matrix distinguishes two categories of workers: a large group of "seasonal workers" mostly hired during the harvest season, which remain totally out of these social services; and a smaller group of "permanent workers;" with contracts of one year or longer. It is worth noting that while a majority of the permanent workers gets better access to healthcare and HIV services, only few of them participate in the educational programs or management training sessions.

The asset manager has an important say in defining the paths and tools for impact. Indeed, it is part of his duties, and the fund's investors implicitly recognize his capacity to produce impacts in these particular matters (Golka 2019). Asset managers select targeted impacts according to their capacity to trigger a positive dynamic with limited resources and time, i.e., the fund lifespan. Hence, the Green firm matrix focuses on very specific elements, leaving out many – often more transformative – aspects. For instance, nothing is said about the status of employees, the gender relations, their level of remuner-

ation, and the work conditions or the impact on neighboring small-scale or family farmers.

What appears clearly through the Green firm's impact strategy review is a depoliticized approach to rural and agricultural development. Analyzing a rural development project in Lesotho, James Ferguson shows how the "development apparatus," i.e., NGOs, and state bureaucracies tend to depoliticize development issues "by uncompromisingly reducing poverty to a technical problem, and by promising technical solutions to the sufferings of powerless and oppressed people" (Ferguson 1990, 256). Following the pioneering work of Ferguson and studying AIDS control in Africa, Moritz Hunsmann defines depoliticization as as an "artificial deconflictualization" of inequalities and balance of power (Hunsmann 2016). Such a depoliticization relies on a particular cognitive framework stressing on individual responsibilities and the decision making process's containment into technocratic spheres.

Turning back to our case study, Green firm adopts a top-down approach defining and implementing its impact strategy according to its own interests and objectives without any consultation or participation of the beneficiaries. In addition, by promoting empowerment programs and individual health insurance product they clearly link poverty and individual behavior. As such they neglect public policies' influence regarding land transfer for instance making poverty a private issue. Even if the financial bureaucracy (i.e., investment manager, independent consultants) replaces the "humanitarian technocracy" (Hunsmann 2016), poverty and inequality conceptions remain the same.

3.2 II as a Distant Control Device

If II metrics are commercial tools for engaging with investors, they are also a control device for both investors and asset managers. Indeed, investors, managers, and farms are often geographically scattered, as they are located in different cities and even countries. For instance, Green Firm centralizes the management of four different farms located in four different South African provinces, while its investors are in South Africa's major cities (Cape Town and Pretoria), as well as in Europe. In order to allow exchanges and maintain confidence between those separated parties, several legal devices exist (e.g., reporting procedures, contracts, etc.). The mobilization of II is part of this specific architecture.

Indeed, the adoption of such a framework implies strict reporting procedures from the farm to the asset managers and from the asset managers to the investors. For instance, Green Firm prepares an annual "Impact Report" for its investors. Through narratives about living conditions on farms, descriptions of

the weather, and through photography and/or satellite imagery, these reports materialize the investments and show the investors their assets.[21]

II's procedures, such as the matrix above, increase the transparency and the control, all along the investment chain. Such controls are not only based on the firms' balance sheets, they are also related to environmental and social metrics. Consequently, through this normalization process every single dimension of farm work is reduced to something quantifiable (Ducastel and Anseeuw 2018).

Green Firm, like other asset management companies, generally hires external consultants, either for the social and environmental farm valuation, for the definition of their impact programs, or for the preparation of their impact report. The intervention of external and independent professionals is a way to guarantee the veracity of the information that circulates between the actors and, as such, to increase the confidence and the control from one to another. In addition, such external controls tend to frame a priori the actors' practices in a manner consistent with II framework (Power 2005).

The implementation of social and environmental impact programs can also increase the head office's control over the farm, and especially over the farm workers. Green Firm selects the potential beneficiaries for the healthcare program according to their experience on the farm, their seniority, their engagement and performance, and also according to their relationship with the management. They refuse to fund healthcare programs for workers with less than two years in the farm or who participated in the 2013 strike; in 2015, only 239 of 338 permanent workers benefited from an access to the healthcare program. Therefore, Green firm implements a management policy of individualizing remuneration on their farms.

Another example concerns the construction and the modernization of workers' accommodation. The farm workers live mainly on former "reserves,"[22] often far from the farm. Green Firm builds and furnishes houses for free to a certain number of their workers, giving them the opportunity to attract and keep good workers in the region, on one hand, and to assert higher control over workers' extra-professional activities, on the other hand. As noted by Dinah Rajak, the same consequences arise from the healthcare program: "through the new technologies of HIV management, old boundaries demarcating the company's zone of responsibility are re-inscribed, erecting a meta-physical 'cordon sanitaire' between the workplace and, what is described in official corporate discourses as, the 'world beyond our perimeter fence' " (Rajak 2011, 143). As with Corporate Social Responsibility for instance, II programs are also human resource tools, mobilized by Green Firm to discipline workers from a distance.

[21] Extract from Green Firm Impact Report, 2014.

[22] Pursuant to the Land Act, adopted in 1913, South African governments concentrated "African" native populations on "reserves," later called "Bantustans," representing 13% of the national territory.

Indeed, beyond material leverages (i.e., health insurances, houses), economic and entrepreneurial empowerment programs set up by the Green firm reinforce their grip over farm workers by disseminating market discipline's principles. By promoting personal financial training and education, they aim to make their workers auto-entrepreneurs employing themselves. The objective is to train workers to profit from their comparative advantages on markets which might allow them to take advantage from these capacities. As stated by Dinah Rajak (2011), Green firm diffuses a neoliberal conception among black communities where "market discipline" becomes "the source of social mobility."[23]

Finally, II is also a risk management instrument, implemented against potential social mobilizations and conflicts. Indeed, investors and financial workers are being targeted more and more by advocacy coalitions, unionists, or activist networks for their responsibilities in the economic crisis or the increase of social inequalities.[24] II appears as an answer by the financial community against these critics and represents a "pro-active management of social conflictuality" (Homel 2006). Thanks to this standardized framework, the financial industry claims its legitimacy to define what development strategy to implement, without any consultation with other parties. It enables Green Firm to redefine its authority over farm employees by mobilizing II engineering; therefore, these instruments reinforce the borders of the company/fund's enclaves (Ferguson 2005) through particular moral and social orders.

However, the concrete implementation on the ground of such a framework is not a linear process with Green Firm's initiatives regularly face tensions and difficulties. For instance, the literacy programs developed by Green Firm were abandoned after two years. They were not well attended by workers who perceived them as being an additional constraint and monitoring tool, rather than as being an opportunity. Also, Green Firm faced resistance from farm managers who either refused to engage in these social and environmental programs, or "instrumentalized" them for their own benefit. Green Firm's partners discovered that several farm managers selected beneficiaries for literacy and healthcare programs according to their own networks and relationships. These examples make it clear that such projects of II are defined from and by the top, according to Green Firm's investors' requirements, rather than from the ground, according to workers' and farmers' issues and strategies. A question remains: why, if II only increases managers' control over workers and assets, do investors concerned with social and environmental issues still support and

[23] Melanie Somerville (2018), in Canada, analyzes similar attempts from asset managers to "financialize natives," reproducing "racial essentialisms."

[24] For instance, development finance institutions' investments are scrutinized by European NGO coalitions. See GRAIN et RIAO-RDC, 2015. *Agro-colonialism in the Congo. European and US development finance is bankrolling a new round of colonialism*. OXFAM, *Risky business. Intermediary lending and development finance*, 2012.

promote II funds? Firstly, because investors are far from the assets. Indeed, aside from exceptional visits[25], the supervision over Green firm's farms is limited to quarterly and annual reports prepared by the asset manager. Secondly, South African investors and asset managers share the same conceptions and representations regarding agriculture and farm management inherited from the country's agrarian history. During apartheid, the control over farm workers' activities and movements in and outside the farm (through "the pass" system) gave the farmers extra power within the farm's perimeter and beyond. Today, a paternalist model remains largely in place; Green firm and their investors are not trying to dismantle it but rather to improve farm workers' trade-offs.

5. Conclusion

The first section historicizes and maps II circuits in South Africa: from volkskapitalism to Black Economic Empowerment's (BEE) corporate social investments, we highlight the country's long-term history of empowerment or reparative finance with its specific actors and financial circuits. Based on the Green firm case study, we assess a particular II circuit in practice in the South African post-apartheid context. Rather than a transformation of the South African accumulation regime and its dominant players, II legitimates and reinforces the *status quo*. On the cognitive side, II relies on and promotes a depoliticitized approach of poverty and inequality exempting South African (financial) conglomerates from their responsibilities. In this framework, they appear as a solution to rural underdevelopment while largely benefiting from expropriation public policies in the past and today. On the instrument side, II gives investors and financiers increased resources to manage the social and environmental risks, to control human resources and farm workers, and to valorise their rural and agricultural assets. During the apartheid era, white commercial farmers benefit from land and agricultural policies – e.g., the "pass system" restricting black workers free circulation, to exercise a strict control over farm labor and natural resources. Within the II framework, farms are still managed as enclaves but as asset enclaves under financiers' supervision.

The South African State plays an active role in promoting and framing such a depoliticized approach. While in the UK (Golka 2019) or the US (Barman 2016), II development can be analyzed in terms of the reduction – or colonization – of a welfare state's perimeter, in South Africa we rather analyze it as a state redeployment. Indeed, public financial institutions (DBSA, PIC, IDC) are the main II investors and promoters. In the context of the incapacity and in-

[25] In August 2013, Green Firm organized a visit on its farm in Limpopo for potential new investors and a business reporter. After visiting the orange trees and the plant, the tour finished with workers' restored houses.

creasing indebtedness of the South African State (Meyiwa et al. 2014), these public financial institutions seem to play an increasing role in (social) public policies and investments thanks to their ability to optimize public money and to set up off-balance sheet policies (Mertens and Thiemann 2019). Through their financial lens, these institutions promote the "attractiveness paradigm," i.e., development policies focus on (private) investors' attraction to fund innovations and to create jobs (Feher 2018). Consequently, they frame and support "new asset classes" particularly in social services and development sectors as a distant government technique.

References

Anseeuw, Ward, Antoine Ducastel, and Mathieu Boche. 2015. Far from grassroots agrarian reform: Towards new production models, increased concentration and the export of the South African model. In *South Africa's agrarian question*, Hubert Cochet, Ward Anseeuw, and Sandrine Fréguin-Gresh, 314-330. Cape Town: HSRC Press.

Barman Emily. 2016. *Caring Capitalism*. Cambridge University Press.

Bond, Patrick. 2000. *Elite Transition: From Apartheid to Neoliberalism in South Africa*. London: Pluto Press et Pietermaritzburg, University of KwaZulu-Natal Press.

Bourgeron, Théo. 2020. Constructing the Double Circulation of Capital and "Social Impact." An Ethnographic Study of a French Impact Investment Fund. *Historical Social Research* 45 (3): 117-39. doi: 10.12759/hsr.45.2020.3.117-139.

Boyer Robert. 2000. Is a finance-led growth regime a viable alternative to Fordism? A preliminary analysis. *Economy and society* 29 (1): 111-145.

Chiapello, Eve. 2015. Financialisation of Valuation. *Human Studies* 38 (1): 13-35.

Chiapello, Eve, and Gaetan Godefroy. 2017. The Dual Function of Judgment Devices: Why Does the Plurality of Market Classifications Matter? *Historical Social Research* 42 (1): 152-188. doi: 10.12759/hsr.42.2017.1.152-188.

Clark, Nancy L. 1994. *Manufacturing Apartheid: State Corporations in South Africa*. New Haven: Yale University Press.

Cochet, Hubert. 2015. The planned destruction of 'black' agriculture. In *South Africa's agrarian question*, eds. Hubert Cochet, Ward Anseeuw, and Sandrine Fréguin-Gresh, 12-27. Cape Town: HSRC Press.

Ducastel, Antoine, and Ward Anseeuw. 2018. Large-scale land investments and financialisation of agriculture: an analysis based on agro-financial filières. In: *Ecology, capitalism and the new agricultural economy. The second great transformation*, eds. Allaire Gilles, Daviron Benoit. Abingdon: Routledge.

Ducastel, Antoine. 2019. Une banque comme les autres? Les mutations de Proparco et de la finance administrée. *Actes de la recherche en sciences sociales* 229, 34-45.

Feher Michel. 2018. *Rated agency. Investee politics in a speculative age*. Brooklyn, NY: Zone Books.

Ferguson, James. 1990. *The anti-politics machine:"development," depoliticization, and bureaucratic power in Lesotho*. CUP Archive.
Ferguson, James. 2005. Seeing like an oil company: space, security and global capital in neoliberal Africa. *American anthropologist* 107 (3): 377-382.
Ferguson, James. 2015. *Give a man a fish. Reflections on the politics of distribution*. Durham: Duke University Press.
Fine, Ben, and Zavareh Rustomjee. 1997. *The Political Economy Of South Africa: From Minerals-Energy Complex To Industrialisation*. Boulder, CO: Westview Press.
GIIN. 2016. *The Landscape for Impact Investing in Southern Africa.*
Golka, Philipp. 2019. *Financialization as Welfare Social Impact Investing and the Resonance of Financial Market Frames in British Social Policy, 1997-2016*. Berlin: Springer VS.
Green firm. 2016. *Agri-Fund Impact report (no full reference due to anonymity in this chapter).*
Green firm. 2013. *Agri-Fund Annual report (no full reference due to anonymity in this chapter).*
Hunsmann, Moritz. 2016. Pushing 'global health' out of its comfort zone: Lessons from the depoliticization pf AIDS control in Africa. *Development and change* 47 (4): 798-817.
Jacobs, Peter, and Tim Hart. 2014. Pro-poor rural development in South Africa? In: *State of the Nation 2014: South Africa 1994-2014: a twenty-year review,* eds. Meyiwa, Thenjiwe, Nkondo, Muxe, Chitiga-Mabugu, Margaret, Sithole, Moses and Nyamnjoh, Francis, 158-170. Cape Town: HSRC Press.
James, Deborah. 2014. *Money from nothing: indebtedness and aspiration in South Africa.* Palo Alto: Stanford University Press.
Mader, Philip. 2018. Contesting financial inclusion. *Development and change* 49 (2): 461-483.
Marais, Hein. 2011. *South Africa Pushed to the Limit: The Political Economy of Change*. London, New York: Zed.
Mertens, Daniel and Matthias Thiemann. 2019. Building a hidden investment state? The European Investment Bank, national development banks and European economic governance. *Journal of European Public Policy* 26 (1): 13-43.
Meyiwa, Thenjiwe, Nkondo, Muxe, Chitiga-Mabugu, Margaret, Sithole, Moses, and Nyamnjoh, Francis, eds. *State of the Nation 2014: South Africa 1994-2014: a twenty-year review*. Cape Town: HSRC Press.
O'Meara, Dan. 1996. *Forty Lost Years: The Apartheid State and the Politics of the National Party, 1948-1994*. Ravan Press.
O'Meara, Dan. 2009. *Volkskapitalisme: Class, Capital and Ideology in the Development of Afrikaner Nationalism, 1934-1948*. Cambridge: Cambridge University Press.
Pons-Vignon, Nicolas, and Aurelia Segatti. 2013. 'The art of neoliberalism': accumulation, institutional change and social order since the end of apartheid. *Review of African Political Economy* 40 (138): 507-518.
Power, Michael. 2005. *La Société de L'audit: L'obsession Du Contrôle*. Paris: Editions La Découverte.
Prahalad, Coimbatore K. 2006. *The Fortune at the Bottom of the Pyramid*. Prentice Hall: Pearson Education.

Rajak, Dinah. 2011. *In Good Company: An Anatomy of Corporate Social Responsibility*. Stanford University Press.

Somerville, Melanie. 2018. Naturalising Finance, Financialising Natives: Indigeneity, Race, and "Responsible" Agricultural Investment in Canada. *Antipode* 0: 1-22.

Stuart, Theobald, Orin Tambo, Phibion Makuwerere and Colin Anthony. 2015. *The Value of BEE Deals.* Sandton: Intellidex. <http://www.intellidex.co.za/wp-content/uploads/2015/06/Intellidex-report-The-Value-of-BEE-Deals.pdf> (Accessed on 19 May 2019).

Historical Social Research
Historische Sozialforschung

All articles published in HSR Special Issue 45 (2020) 3:
Social Finance, Impact Investing, and the Financialization of the Public Interest.

Eve Chiapello & Lisa Knoll
Social Finance and Impact Investing. Governing Welfare in the Era of Financialization.
doi: 10.12759/hsr.45.2020.3.7-30

Emily Barman
Many a Slip: The Challenge of Impact as Boundary Object in Social Finance.
doi: 10.12759/hsr.45.2020.3.31-52

Antoine Ducastel & Ward Anseeuw
Impact Investing in South Africa: Investing in Empowerment, Empowering Investors.
doi: 10.12759/hsr.45.2020.3.53-73

Serena Natile
Digital Finance Inclusion and the Mobile Money "Social" Enterprise: A Socio-Legal Critique of M-Pesa in Kenya.
doi: 10.12759/hsr.45.2020.3.74-94

Jacob Hellman
Feeling Good and Financing Impact: Affective Judgments as a Tool for Social Investing.
doi: 10.12759/hsr.45.2020.3.95-116

Théo Bourgeron
Constructing the Double Circulation of Capital and "Social Impact." An Ethnographic Study of a French Impact Investment Fund.
doi: 10.12759/hsr.45.2020.3.117-139

Davide Caselli
Did You Say "Social Impact"? Welfare Transformations, Networks of Expertise, and the Financialization of Italian Welfare.
doi: 10.12759/hsr.45.2020.3.140-160

Leslie Huckfield
The Mythology of the Social Impact Bond. A Critical Assessment from a Concerned Observer.
doi: 10.12759/hsr.45.2020.3.161-183

Manuel Wirth
Nudging Subjects at Risk: Social Impact Bonds between Financialization and Compassion.
doi: 10.12759/hsr.45.2020.3.184-205

For further information on our journal, including tables of contents, article abstracts, and our extensive online archive, please visit https://www.gesis.org/en/hsr.