

How Oppenheimer  
Generations Philanthropies  
used a grant in an innovative  
finance structure:

**uMaStandi case study**

IPASA Symposium 2023  
Presentation by Ashleigh Fynn Munda



# Impact investing terms

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*These used to scare me!*

Blended Finance

Mezzanine debt

First loss

Catalytic Capital

Special Purpose Vehicle

Senior Debt

Sub-ordinated Loan



**Backyard  
accommodation is  
an economic  
opportunity**





## The Impact



**R125m**  
Raised in fund 1

**755**  
Affordable  
Housing units  
built

**182**  
Permanent Jobs  
**632**  
Short term Jobs

**±R70m**  
Provided in  
loans

**R7.2m**  
In utilities and  
taxes

**45**  
SMMEs financed

## The Partnership



OGP is **primarily a grant-maker**. We are catalytic, impact first funder, that funds innovative projects that can be replicated or scaled

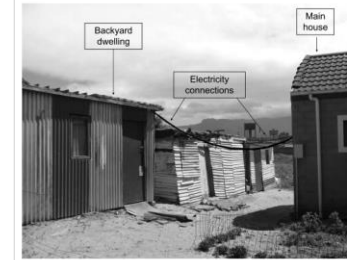
uMaStandi, approached OGP for a **grant or a subordinated loan**

The purpose of the funding was to:  
a. Seed a R100m debt fund by **catalysing private capital** into the fund  
b. Provide **capacity building** to micro developers

OGP provided grant funding and allocated **R15m to the debt fund** and **R7.5m to capacity building** over 2 years



## The Problem



Informal backyard accommodation is a **common feature** of South African Townships.

It provided a **community self-assistance mechanism** for vulnerable households who did not qualify for government programmes.

This form of housing exists largely **without any government interventions or support**.

However, historically this **sector has remained invisible** to the traditional housing market

## The Solution



uMaStandi, knew that to solve this problem they needed to create **micro developers** in the townships and provide them with **mortgage financing**.

However, the **banks weren't lending in this space** because it was considered risky.

They plotted the initiative in 2018 with R50m and committed R45.4m in 2 years. However, they **needed further capital** to meet their pipeline demand

- 2018 - 2019: 1 area in GP and 1 in WC
- 2019 - 2020: 4 areas in GP and 9 in WC

In 5 years they predicted that would need to grow their loan book to ±R200m

## The Opportunity



There is **demand for affordable rental housing** in the townships.

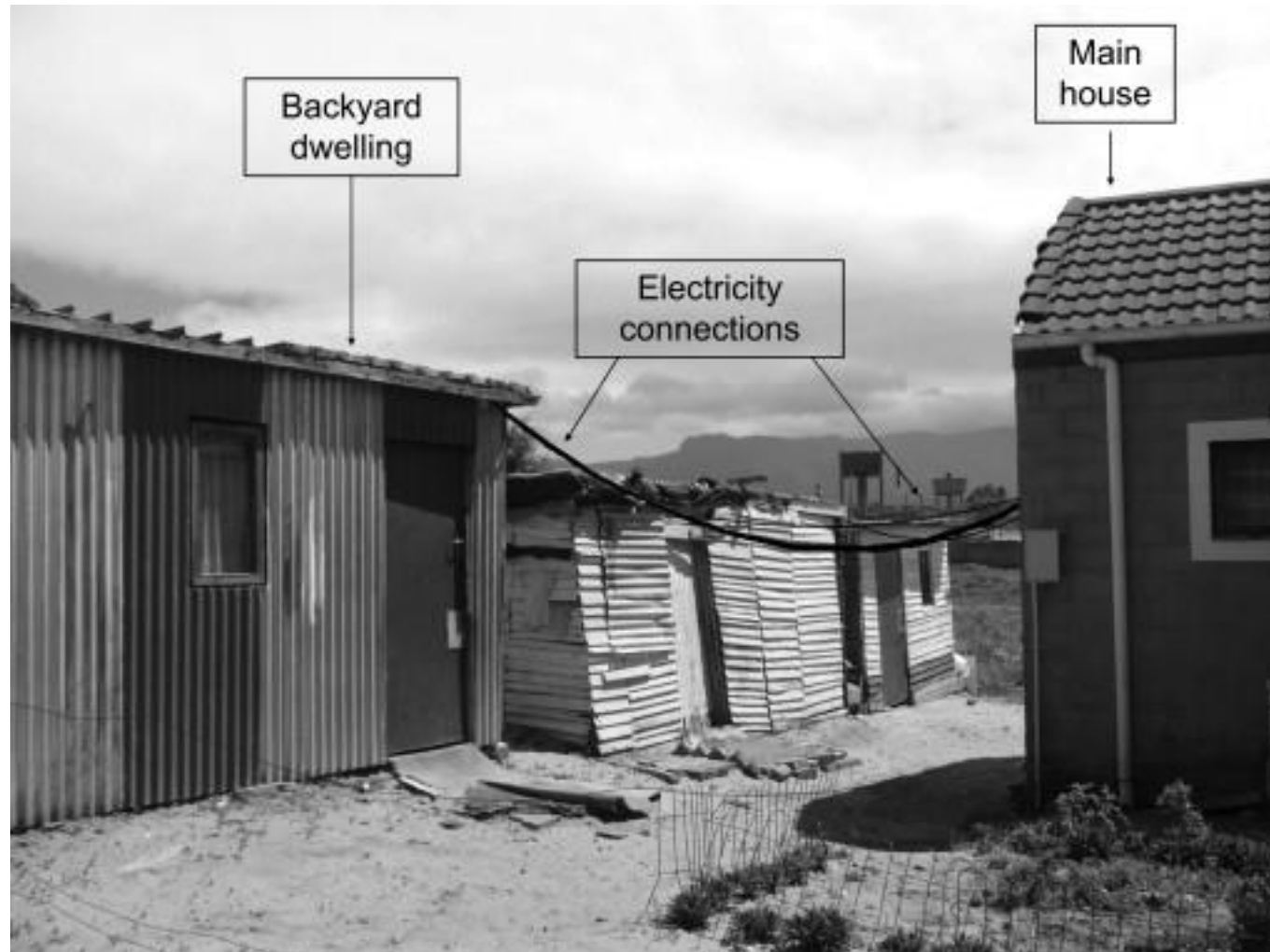
This demand can be met through **micro property developers who can supply the housing** and earn an income

The process can be formalised so that housing units meet **zone and planning permissions**. Giving tenants access to water and electricity.

For the city, this **housing market becomes visible** and therefore can charge rates and taxes generating revenue.

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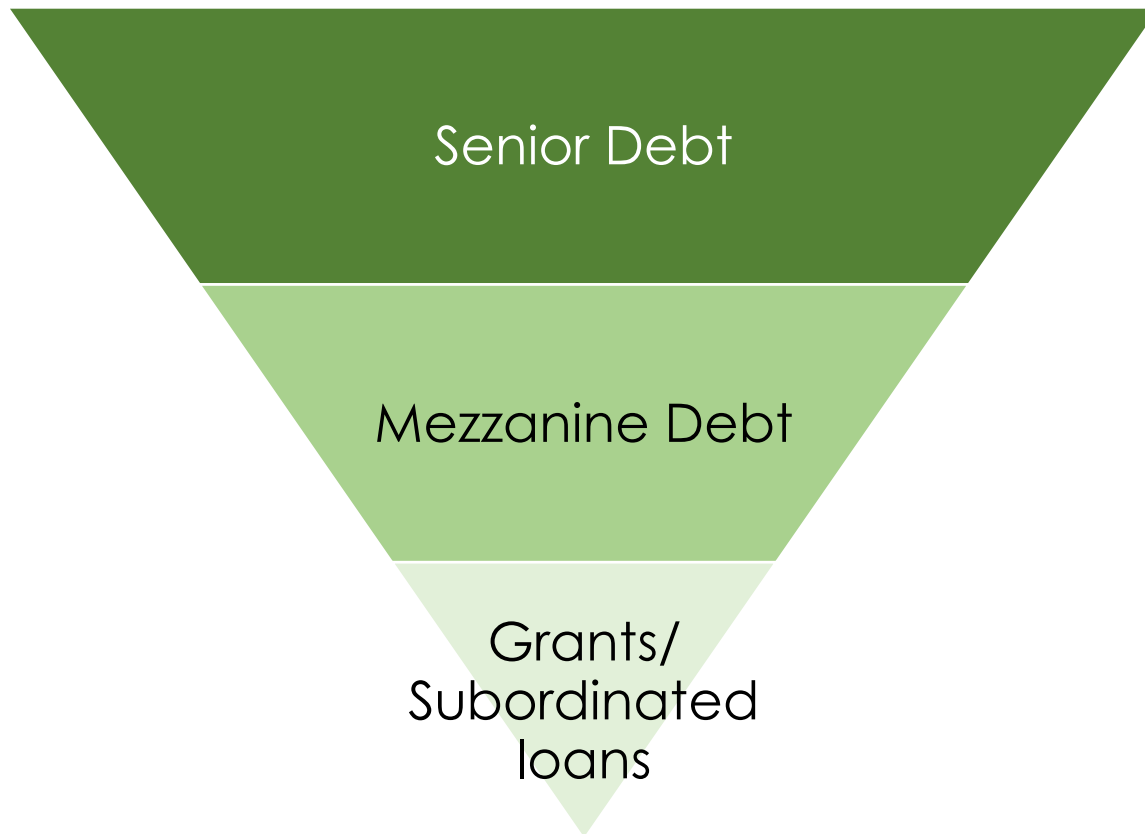
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# Blended Finance

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## The Capital Stack



- Makes up the largest portion of the the capital stack
- It is often the cheapest because it comes with the lowest risk
- Financial return
- It is more expensive than senior debt because it takes on more risk than senior funders
- Financial and social return
- The least expensive form of funding
- Higher risk profile
- Social return and sometimes just wants the capital back
- Creates a first loss layer that absorbs any defaults.



# Blended Finance

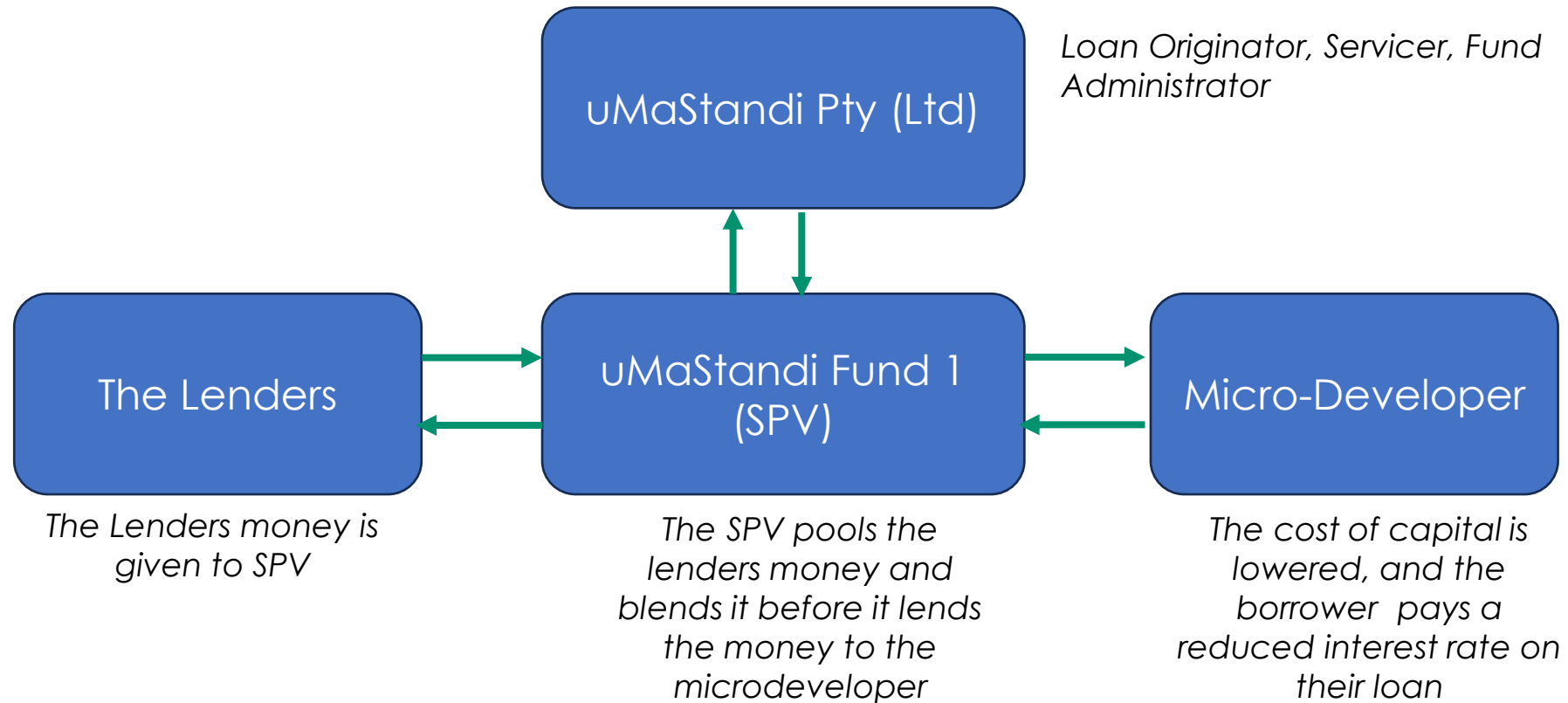
## The lenders

| #     | Rank                      | Lender                | Return expectations |  | Total invested |
|-------|---------------------------|-----------------------|---------------------|--|----------------|
| 1.    | Senior                    | Commercial banks      | 12%                 | Low risk appetite<br>Financial return      | R70m           |
| 2.    | Mezzanine                 | Impact Funders        | 15%                 | Medium risk<br>Financial and social return | R40m           |
| 3.    | Sub-ordinated loan/ Grant | Philanthropic Capital | N/a                 | High risk<br>Social return (impact)        | R15m           |
| Total |                           |                       |                     |  | R125m          |

# Blended Finance

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## The structure:





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Special Purpose Vehicle

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**THANK YOU**

**Questions?**