

The Investment Paradox

Capital Allocation, Investment Discipline and Social Value in South African Corporate Social Investment

Craig Kensley

Executive Director, GrowZA Social Investment Agency, South Africa

ORCID: <https://orcid.org/0009-0009-0704-1060>

GrowZA Research | Social Investment & Development Finance

October 2026

Abstract

Corporate social investment (CSI) has increasingly adopted the vocabulary of investment, including strategy, portfolios, returns, risk and impact. Yet the application of investment terminology does not necessarily establish that the capital provider's own decisions are subjected to systematic scrutiny. This paper examines the distinction between the performance of social interventions and the quality of the decisions through which those interventions are financed. It argues that corporate social investors should be as accountable for the quality of their investment decisions as implementing organisations are for the outcomes they deliver.

Drawing on investment governance literature, social-performance scholarship, selected South African CSI evidence, regulatory guidance and international research on philanthropic financing, the paper develops an analytical framework comprising investment strategy, financing architecture and investment stewardship. Private equity is employed as a disciplined comparator, rather than as a normative model for social investment. The analysis differentiates expenditure from social value, statutory obligations from discretionary funding restrictions, and programme performance from investor decision quality.

South African survey findings indicate a preference for restricted financing among participating corporate respondents, while documented counterexamples demonstrate variation in practice. These observations establish grounds for examining financing architecture but do not support generalised conclusions about the prevalence or consequences of particular grant conditions.

The paper proposes a six-gate Investment Decision Note to make capital allocation, adequacy, risk ownership and adaptive stewardship more explicit within corporate investment governance. The framework is presented as a conceptual decision instrument requiring empirical validation.

The contribution is a shift in the object of accountability: from the outcomes generated by recipients alone towards a reciprocal examination of the quality of the capital commitments intended to produce those outcomes.

Keywords: corporate social investment; investment discipline; capital allocation; financing architecture; social value; investment stewardship; donor accountability; South Africa.

1. Introduction: the investment paradox

Corporate social investment is routinely described through the language of investment. Companies formulate social investment strategies, establish portfolios, select partners, manage risk, allocate capital and report returns in the form of social outcomes. This vocabulary implies a degree of intentionality and discipline associated with investment practice more generally.

The implication deserves examination.

In conventional investment settings, the commitment of capital is ordinarily preceded by an assessment of the investment thesis, expected value, alternative opportunities, capital requirements, risk, governance and the conditions under which the investment will be managed. The transaction begins a relationship in which the investor's decisions remain consequential beyond the initial allocation.

Corporate social investment operates under different objectives, institutional arrangements and accountability requirements. Financial return is generally not its defining purpose, and social value cannot always be measured or appropriated in the way that private financial returns can. Nevertheless, the underlying questions of capital adequacy, investment horizon, risk allocation and stewardship remain relevant.

GrowZA's editorial proposition is that society has borrowed the language of investment without always adopting the logic of investing. As a universal empirical statement, this would be too broad. Corporate social investment is heterogeneous, and publicly available evidence does not establish that investment discipline is absent across the sector.

A narrower and more useful question concerns the visibility and evaluation of investors' own decisions.

Corporate investors frequently require implementing organisations to account for expenditure, delivery, outputs, outcomes and compliance. Yet the adequacy of the capital committed, the duration of financing, the appropriateness of restrictions and the allocation of uncertainty are not necessarily evaluated with equivalent visibility.

This creates a potential accountability asymmetry. The organisation delivering the intervention is examined against the results achieved, while important decisions made by the organisation financing the intervention may remain outside the evaluation frame.

The central proposition of this paper is therefore:

Corporate social investors should be as accountable for the quality of their investment decisions as implementing organisations are for the outcomes they deliver.

This does not imply that recipients are relieved of accountability, that funders are responsible for every failure, or that flexible financing necessarily produces superior outcomes. It proposes that

programme performance and investor decision quality are distinct but related subjects of analysis.

The paper addresses four questions. First, which elements of investment discipline are transferable to corporate social investment? Second, how does the design of financing influence the capabilities and decisions available to implementing organisations? Third, what can available evidence establish about South African funding practice? Finally, how might corporate investors make their own investment decisions more transparent, proportionate and open to learning?

The contribution is conceptual and practical. It proposes a framework for examining the choices made by providers of social capital before approval, during implementation and at renewal or exit.

2. Research foundation and method

This paper is a critical, desk-based policy synthesis. It does not report original representative survey research, completed interviews with corporate investment committees, a systematic literature review or a causal assessment of funding instruments.

The analysis draws on four bodies of material: literature concerning investment governance and capital allocation; scholarship on social-performance measurement and appraisal; South African institutional guidance and published CSI evidence; and international policy research on philanthropic financing and locally led development.

Gompers, Kaplan and Mukharlyamov (2016) provide an empirical reference point for the investment practices of private equity firms. Their work informs the discussion of investment theses, diligence, governance and the management of investment decisions. The comparison is deliberately bounded: it does not suggest that private equity's financial objectives or ownership mechanisms should be imported directly into social investment.

Ebrahim and Rangan (2014) provide a conceptual foundation for distinguishing different levels and scales of social-performance measurement. The OECD's examination of flexible philanthropic financing (2024) contributes an analysis of how financing instruments and donor conditions interact with organisational autonomy, risk and accountability.

The UK Green Book (HM Treasury, 2026) is used as an international methodological comparator for social-value appraisal. It is not presented as a legal or regulatory framework governing South African corporate investment.

South African evidence is drawn principally from Trialogue's 2025 State of CSI in South Africa, selected publicly available corporate disclosures, and explanatory guidance published by the B-BBEE Commission.

An earlier exploratory review identified ten corporations for examination: Standard Bank, Discovery, Shoprite, Exxaro, Investec, JSE, Capitec, Sasol, Nedbank and Absa. This selection was purposive rather than representative. The review does not provide verified access to each institution's investment committee records, grant agreements, payment structures or internal decision rationales. Accordingly, no comparative company rankings or conclusions about undisclosed contractual practices are advanced.

The analysis distinguishes four evidentiary categories: reported information from identifiable sources; inferences that can reasonably be drawn from such information; normative propositions concerning desirable investment practice; and hypotheses requiring independent empirical investigation.

This distinction is important because a public annual report may demonstrate that a company has articulated a social strategy without revealing whether individual capital commitments are appropriately structured. The absence of a disclosed financing practice cannot be treated as evidence that the practice does not exist.

The method is therefore one of conceptual comparison and analytical synthesis. It seeks to clarify the appropriate objects of evaluation and formulate a framework capable of subsequent empirical testing.

3. Investment discipline beyond the transaction

3.1 Investment as a decision process

The distinction between a grant transaction and an investment relationship cannot be established solely by whether money is transferred or whether repayment is expected.

A grant can support a durable institutional capability and be stewarded over several years. Conversely, a commercial investment can be poorly researched, opportunistic or governed by short-term incentives. The distinction of analytical interest is the quality of the decisions surrounding the transfer of capital.

Investment discipline begins with the articulation of a thesis: what value is expected, why this opportunity is preferable to alternatives, and which conditions must exist for the anticipated value to be realised.

It continues through assessment of the capital required, governance arrangements, foreseeable risks and the capacity of the organisation receiving the capital. After commitment, stewardship involves monitoring assumptions, responding to changing conditions and determining whether continuation, adaptation or exit is justified.

Research on private equity indicates that investment practitioners employ formalised approaches to valuation, capital structure, governance and value creation, although practice varies among firms (Gompers, Kaplan and Mukharlyamov, 2016).

The relevant comparison with corporate social investment is not the pursuit of financial return or the exercise of ownership rights. It concerns the discipline of making the investment decision itself explicit and reviewable.

3.2 The limits of the private equity analogy

Social investment pursues objectives that cannot always be captured through financial prices or investor returns. Benefits may accrue to communities, public institutions, future generations or individuals who do not directly participate in the financing transaction.

Outcomes can depend on policy decisions, public infrastructure, household circumstances, local institutions and broader economic conditions. These dependencies complicate both attribution and control.

Moreover, implementing organisations and beneficiaries may possess considerably less bargaining power than corporate funders. The application of investment discipline without attention to institutional power could reinforce rather than correct these asymmetries.

Accordingly, transferable investment practices require adaptation. Due diligence must examine institutional legitimacy and social consequences, not merely financial viability. Governance should support responsible implementation without replacing beneficiary priorities with donor preferences. Exit planning should consider continuity of benefit rather than only termination of exposure.

Investment discipline is valuable to the extent that it improves the justification, design and stewardship of capital commitments in pursuit of social value.

3.3 Three objects of evaluation

Table 1. Distinguishing programme performance, investor decision quality and investor learning

Object	Central question	Illustrative evidence
Programme performance	Did the intervention deliver and contribute to valued outcomes?	Delivery records, outcome measures, independent evaluation
Investment decision quality	Were the amount, duration, financing terms and risk allocation appropriate given available alternatives?	Decision memoranda, cost models, financing terms, alternatives considered
Investor learning	Were assumptions reviewed and capital decisions adapted responsibly?	Review records, amendments, renewal and exit decisions

Source: Author's conceptual synthesis.

The three objects are related, but they are not interchangeable.

Strong programme outcomes do not necessarily prove that the original investment decision was optimal. Outcomes may be influenced by external conditions, the contribution of other funders or exceptional implementing capacity. Equally, a reasonable investment decision may fail to produce the intended results because circumstances change.

Decision quality must therefore be assessed both prospectively, using the information reasonably available at the time, and retrospectively, through the quality of learning and adaptation.

4. The financing architecture of social investment

Investment strategy describes the social value an investor seeks to produce. Financing architecture determines the conditions under which that ambition can be pursued.

The architecture includes the amount of capital committed, duration of support, payment intervals, eligible expenditure, reporting obligations, renewal conditions, permitted flexibility, treatment of institutional costs and allocation of risk.

These are not merely administrative details. They influence the actions an implementing organisation can take and the uncertainties it must absorb.

4.1 Capital adequacy

A funding commitment may be sufficient to purchase a defined volume of activities without being sufficient to sustain the organisational capabilities necessary to deliver those activities reliably.

Programmes depend on supervision, safeguarding, financial controls, technology, staff development, evaluation, institutional knowledge and continuity arrangements. Some of these costs are direct and easily attributable; others are shared across programmes.

Excluding such costs can produce an apparently favourable unit cost while shifting expenses to the implementing organisation or other funders.

That does not establish that all administrative expenditure is productive. Institutional costs can be inefficient, poorly governed or disproportionate. The relevant inquiry is whether a particular capability is necessary for credible delivery and whether it is financed at a reasonable cost.

Capital adequacy should therefore be assessed against the full economic requirements of the intervention rather than the visible activity budget alone.

4.2 Investment duration

The time horizon of financing can influence the ability of an organisation to recruit staff, retain expertise, build community relationships, develop systems and produce longer-term outcomes.

A three-year youth-employment programme financed through annually renewable agreements illustrates the problem. Annual review may protect a funder from committing indefinitely to an ineffective intervention. It may also create uncertainty that weakens employment contracts, disrupts programme continuity and increases the cost of institutional planning.

Neither multi-year nor annual financing is inherently superior.

The appropriate duration depends on the intervention's theory of change, implementation risks, outcome horizon, organisational capability and credible opportunities for review.

Where uncertainty is high, staged commitments and milestone-linked financing may be justified. Their design should nevertheless take account of the cost of repeated approval processes and the effects of interruption.

4.3 Financing restrictions and risk allocation

Restrictions define how resources may be used and which decisions remain with the investor.

Such restrictions can protect donor intent, establish accountability and reduce opportunities for misuse. They may also prevent timely responses to changing conditions or shift operational uncertainty to organisations with limited financial reserves.

The relevant question is not simply whether funding is restricted or unrestricted. It is whether the restriction is proportionate to an identifiable risk and compatible with the value the investment seeks to produce.

Consider inflation, delayed payments, unexpected demand or changes in beneficiary circumstances. A financing agreement may determine that the implementing organisation absorbs these shocks, even when it has little influence over their causes.

This is an allocation of risk.

A disciplined investor should identify foreseeable risks, assess the ability of each party to manage them, and document the rationale for the resulting allocation.

International evidence on flexible philanthropic financing reinforces the need to consider contractual design, organisational autonomy and accountability together rather than treating unrestricted funding as a universally preferable instrument (OECD, 2024).

4.4 Financing architecture as a decision variable

Table 2. Investment disciplines and their adaptation to social capital

Investment discipline	Social investment application
Capital adequacy	Finance the delivery and institutional capabilities necessary to achieve the intended outcome
Investment horizon	Match financing duration to credible implementation and outcome timelines
Active stewardship	Enable informed adaptation while preserving institutional and beneficiary agency
Risk management	Identify who absorbs inflation, interruptions, demand changes and delivery uncertainty
Performance review	Evaluate investor decisions alongside programme outcomes
Exit planning	Address continuity, institutional transition and the consequences of funding withdrawal

Source: Author's synthesis informed by Gompers, Kaplan and Mukharlyamov (2016) and OECD (2024).

The central proposition is that financing architecture should be an explicit part of investment appraisal rather than treated as a secondary administrative process.

5. The measurement and valuation of social value

Corporate social investment is frequently reported through expenditure, beneficiary reach and programme outputs. These measures provide useful information, but they cannot independently establish social value.

Expenditure records the resources committed or consumed. Outputs record activities and services delivered. Outcomes concern changes experienced by participants or institutions. Impact requires a credible account of change attributable or contributable to an intervention.

These distinctions should not be collapsed.

An increase in the number of learners enrolled does not establish improved literacy. An improvement in literacy does not automatically establish that the intervention caused the

improvement. Nor can an observed outcome necessarily be translated into a monetary return without substantial assumptions.

Ebrahim and Rangan (2014) argue that the scope of social-performance measurement should be related to the nature of an organisation's mission, activities and influence. This cautions against expecting all organisations to demonstrate impacts beyond their reasonable control.

5.1 Value and expenditure

A programme may spend its full budget and meet its contracted activity targets while making a limited contribution to meaningful outcomes. Conversely, an intervention may create substantial value through coordination, prevention or improved institutional capability without generating large volumes of easily counted services.

The significance of an intervention depends on what changes, for whom, relative to what would plausibly have occurred otherwise.

This requires attention to additionality, displacement, distribution and uncertainty.

Deadweight concerns outcomes likely to have occurred without the investment. Displacement concerns benefits that may have been offset by losses elsewhere. Distributional analysis examines who receives benefits and who bears costs.

Social value may include improved health, learning, security, access, agency and institutional capability. Some effects can be monetised; others may be more appropriately evaluated through cost-effectiveness analysis, qualitative evidence or mixed methods.

The UK Green Book provides an international example of appraisal that considers welfare effects, alternatives and uncertainty beyond simple financial expenditure (HM Treasury, 2026).

5.2 Institutional capability and social value

The ability of an implementing organisation to sustain quality is potentially part of the mechanism through which social value is produced.

Management systems, governance, staff retention and financial resilience may improve continuity, adaptability and service quality. However, these relationships cannot simply be assumed.

The appropriate analytical question is whether an institutional expenditure contributes to credible delivery or protects the conditions necessary for future outcomes.

This reframes the familiar distinction between programme expenditure and overheads. Rather than presuming that one category produces value while the other consumes it, appraisal should examine the functional contribution and efficiency of each cost.

5.3 The danger of false precision

Social investment reporting can be encouraged to express complex outcomes as a single ratio or return.

Such calculations can support comparisons where valuation methods, assumptions and evidence are transparent. They can also obscure uncertainty where weak assumptions are converted into apparently precise monetary estimates.

A defensible appraisal should use the least complex method capable of answering the decision question, disclose material assumptions and distinguish observed results from modelled estimates.

The objective is not to maximise the reported numerical return. It is to improve decisions about the use of scarce capital.

6. South African institutional and regulatory distinctions

Corporate social investment in South Africa operates within a complex institutional environment. Corporate governance, B-BBEE recognition, tax treatment, sectoral obligations and organisational policies can all influence the structure of funding.

These requirements should not be treated as interchangeable.

Corporate social investment is not synonymous with B-BBEE socio-economic development (SED), enterprise development, section 18A tax-deductible donations or statutory sector-specific expenditure obligations.

The B-BBEE Commission's educational guidance distinguishes SED from broader CSI and explains the recognition principles associated with contributions intended to facilitate economic access for qualifying beneficiaries (B-BBEE Commission, 2024).

This distinction has practical consequences. Eligibility, evidence and valuation requirements may apply to particular contributions. Yet the existence of a regulatory framework does not establish that every restriction imposed by a corporate funder is legally necessary.

Equally, it would be incorrect to assume that all unrestricted grants, institutional costs or reserves necessarily qualify for regulatory recognition. Applicable provisions, beneficiary requirements and verification evidence must be assessed in context.

6.1 The origin of restrictions

A useful distinction concerns four possible sources of funding conditions.

Table 3. A restriction-origin framework

Source of condition	Evidence required	Decision question
Statute or applicable code	Relevant legal provision and applicability	What is mandatory?
Tax or verification requirement	Specific recognition or documentation rule	Can assurance be achieved through a less burdensome mechanism?
Corporate governance policy	Board-approved policy and risk rationale	Is the control proportionate?
Contractual precedent or preference	Existing clause and rationale	Why should the condition be retained?

Source: Author's proposed analytical framework.

A legally required control and a discretionary corporate policy may look similar in a funding agreement, but they have different grounds for modification.

The distinction creates an opportunity for better governance. Mandatory conditions should be identified accurately, while discretionary conditions should be evaluated against their purpose, cost and consequences.

The argument is not that funders should abolish controls. It is that material conditions should be justified rather than inherited without examination.

7. What the available South African evidence reveals

Dialogue's 2025 State of CSI in South Africa provides evidence of the funding preferences and practices of participating companies and nonprofit respondents.

The publication reports that 91% of participating companies would not consider unrestricted funding, while 80% would not consider funding reserves. In a separate nonprofit respondent group, 59% reported having received unrestricted corporate funding (Dialogue, 2025).

These figures should not be interpreted as directly contradictory.

The corporate percentages concern stated funding preferences among participating companies. The nonprofit figure concerns reported receipt of funding among a different group of respondents. Different samples, definitions and reporting periods prevent direct comparison.

The figures also cannot be projected mechanically onto all South African companies.

Nevertheless, the findings raise relevant questions about the relationship between funding policy, contractual arrangements and implementation practice.

Triologue's study also reports a substantial prevalence of strategic CSI among participating companies. This complicates any suggestion that corporate investors operate without strategy.

The more precise analytical distinction is between the presence of strategy and the quality of financing design.

A company may have a sophisticated approach to selecting social priorities while applying funding instruments whose adequacy, flexibility or risk allocation have not been independently evaluated.

7.1 A documented counterexample

The Johannesburg Stock Exchange provides evidence that corporate practice is not uniform.

Its 2025 sustainability reporting describes a CSI portfolio involving 33 partners, an independent review process and consideration of flexible or unrestricted support (JSE Limited, 2026).

The disclosures demonstrate that alternative funding approaches exist within South African corporate practice. They do not independently establish that flexible financing caused better outcomes, nor that the JSE's arrangements are appropriate for every intervention.

The counterexample is nevertheless analytically important.

It shifts attention from whether alternative financing approaches are possible to why investors make different choices, what conditions shape those choices, and how their effects might be evaluated.

7.2 Limits of corporate disclosure

Public reports can communicate strategic priorities, expenditure levels, supported programmes and reported outcomes. They do not necessarily disclose internal investment committee reasoning, negotiated grant terms, payment conditions or risk allocation.

It would therefore be methodologically unsound to infer that an undisclosed financing mechanism does not exist.

The exploratory ten-company review informing this paper is not a representative sample or completed audit of contractual practice. It cannot support company rankings or claims about the prevalence of particular terms across the corporate sector.

A stronger empirical account would require access to executed funding agreements, decision memoranda, recipient experiences and, where possible, longitudinal outcome evidence.

The existing public evidence justifies the research question. It does not settle it.

8. Towards an investment decision framework for CSI

The preceding analysis suggests the need for an explicit method of evaluating investment decision quality.

Such a method should distinguish decisions within the investor's control from programme outcomes influenced by multiple actors. It should also be proportionate to the scale and complexity of the commitment.

GrowZA proposes a six-gate Investment Decision Note.

The proposed instrument is not a validated rating system. It is a structured decision aid intended to make the investor's reasoning visible before capital is committed and reviewable during implementation.

Table 4. The six-gate Investment Decision Framework

Gate	Core investor question
1. Social value	What changes, for whom, relative to a plausible alternative?
2. Capital adequacy	Have the capabilities necessary for delivery been credibly financed?
3. Institutional capability	What does the implementing organisation require to sustain quality?
4. Risk and controls	Are restrictions proportionate, and is risk allocated transparently?
5. Stewardship	What support, decision rights and adaptive authority accompany the commitment?
6. Evidence and learning	How will both programme performance and the investor's own decision be reviewed?

Source: GrowZA proposed Investment Decision Framework.

8.1 Social value

The investor should establish the social change sought, the affected population, credible alternatives and the assumptions connecting the investment to anticipated outcomes.

A broad thematic priority is not a substitute for a specific investment thesis.

8.2 Capital adequacy

The investment decision should test whether the proposed amount, disbursement schedule and duration are appropriate to the intended intervention.

This requires scrutiny of necessary programme expenditure, institutional costs, foreseeable contingencies and excluded costs.

8.3 Institutional capability

Appraisal should consider the capabilities and governance arrangements required for credible implementation.

The objective is not simply to assess whether the organisation is currently capable, but whether the financing structure supports the capabilities on which the intended outcomes depend.

8.4 Risk and controls

Material restrictions should be linked to identifiable risks, and foreseeable uncertainty should be allocated consciously.

The investor should examine the capacity of each party to absorb financial and operational shocks.

8.5 Stewardship

The investor's responsibility does not end when the agreement is signed.

Stewardship may involve dialogue, adaptive financing, informed oversight, problem-solving and responsible decisions concerning continuation or exit.

Such involvement should not displace the legitimate decision-making authority of implementing organisations or beneficiaries.

8.6 Evidence and learning

Monitoring should examine the validity of the original investment assumptions as well as implementation performance.

At renewal or exit, the committee should be able to explain whether the amount, timing, conditions and stewardship approach remained appropriate and what it learned.

8.7 The Investment Decision Note

Table 5. Prototype Investment Decision Note

Field	Minimum recorded answer
Investment thesis	Social objective, beneficiary group, alternatives and investment rationale
Capital structure	Amount, payment schedule, duration, renewal and exit logic
Full-cost assumptions	Essential personnel, systems, evaluation, contingencies and excluded costs
Conditions	Material restrictions, their origins, rationales and permitted flexibility
Risk ownership	Responsibility for inflation, interruptions, changing demand and operational shocks
Evidence plan	Outcomes, uncertainties, proportional reporting and review triggers
Investor accountability	Which financing decisions will be revisited, by whom and when?

Source: GrowZA proposed Investment Decision Note.

The note should preserve a contemporaneous record of reasoning, assumptions and alternatives. It should complement legal compliance, recipient due diligence and independent evaluation rather than replace them.

Its administrative burden must remain proportionate. A modest, low-risk contribution does not require the same level of scrutiny as a large, complex, multi-year partnership.

The purpose is to make investment decisions more disciplined, not simply to produce another compliance instrument.

9. Discussion: reciprocal accountability in social investment

The central implication of this analysis is that the quality of the investment decision should become an explicit object of accountability.

Programme performance remains important. Implementing organisations must continue to account for the responsible use of resources, the credibility of delivery and the outcomes achieved.

However, the institutional responsibilities of investors extend beyond selecting recipients and monitoring expenditure.

An investor determines the financing amount, the period over which capital is available, the conditions governing its use and the discretion available to implementing organisations. These choices can affect organisational behaviour, risk exposure and the feasibility of the intended intervention.

Reciprocal accountability therefore requires two related questions.

Did the intervention create social value?

Did the investor allocate, structure and steward capital intelligently in pursuit of that value?

The first question concerns results. The second concerns the quality of the decisions intended to produce those results.

They should be investigated together without assuming that one can be inferred from the other.

9.1 Investor accountability is not investor control

Greater accountability for investors should not justify greater domination of implementing organisations.

Indeed, the proposed framework may reveal circumstances in which better investment practice requires greater recipient discretion, longer funding horizons or more equitable sharing of risk.

The OECD's work on flexible financing and locally led development suggests the importance of institutional capacity, mutual accountability and the conditions under which organisations can make decisions responsive to their operating environments (OECD, 2024; 2026).

The appropriate degree of investor involvement depends on the intervention and the risks involved.

Stewardship should improve the ability of the financing relationship to create value rather than reduce the implementing organisation to an extension of corporate administration.

9.2 The limits of unrestricted financing

An argument for better financing architecture should not become an ideological argument for unrestricted funding in every circumstance.

Restrictions may be necessary to comply with legislation, protect designated resources, safeguard beneficiaries or manage material risks. Short-duration funding may be justified where uncertainty is substantial or where further commitment should depend on demonstrable milestones.

Unrestricted financing may itself support ineffective institutional arrangements when governance or financial management is weak.

The appropriate test is fitness for purpose.

The investor should explain why the selected structure is appropriate to the intended social outcome, the institutional capacity of the recipient and the risks borne by both parties.

9.3 From policy statements to observable decisions

The adoption of an investment framework should be judged through changes in decision-making practice rather than the production of new policy documents.

A practical pilot could apply the Investment Decision Note to a purposive selection of proposed commitments, document financing alternatives and review whether initial assumptions remained appropriate.

At portfolio level, investors could report the distribution of funding durations, the treatment of institutional costs, opportunities for flexible reallocation and the circumstances under which original financing decisions were modified.

Such disclosures would not establish programme impact. They would, however, create greater visibility around an underexamined dimension of corporate social investment governance.

10. Research limitations and propositions for further investigation

This paper advances a conceptual argument grounded in selected public evidence and international literature.

It does not determine the prevalence of particular financing arrangements across South African corporate social investment, establish that restrictive financing causes inferior social outcomes, or identify which investors produce the greatest value.

Several propositions follow for empirical investigation.

Proposition 1: The adequacy and structure of financing influence the institutional capabilities available to implementing organisations, independently of their initial operational capacity.

Proposition 2: Material funding restrictions can improve or constrain performance depending on their purpose, proportionality, the recipient's financial position and the uncertainty of the operating environment.

Proposition 3: Explicit review of investor-side decisions improves the visibility of capital-allocation reasoning and may support more effective adaptive stewardship.

Proposition 4: The relationship between financing architecture and social value is mediated by organisational capability, governance, programme characteristics and external conditions.

These propositions require testing rather than acceptance.

Future research could examine executed funding agreements, coding the treatment of institutional costs, flexibility, duration, renewal, reporting and risk-sharing.

Interviews with corporate investment professionals and implementing organisations could establish how contractual conditions are selected and negotiated, while longitudinal organisational and beneficiary data could help investigate their consequences.

Selection effects would be a substantial challenge. Funders may impose more demanding conditions on organisations or programmes they already perceive as risky. A simple correlation between restrictions and weak performance could therefore produce misleading conclusions.

Further work should also examine the administrative burden and practical value of the proposed six-gate decision framework.

The inclusion of implementing organisations and affected communities is essential. A framework that improves investor documentation without improving accountability to beneficiaries would represent a limited institutional advance.

11. Implications for policy and practice

For corporate investment committees, the immediate implication is to make the investment thesis, financing rationale and allocation of risk explicit at approval.

Investment memoranda should describe the social value sought, assess credible alternatives, examine full delivery costs and identify the assumptions on which the proposed commitment depends.

Corporate funders should distinguish statutory requirements from internal policies and contractual conventions. Material restrictions should be linked to identifiable risks and regularly reassessed.

For implementing organisations, the framework creates an opportunity to demonstrate how financing terms affect delivery capacity, continuity and institutional resilience. Evidence

concerning these effects should be presented as part of investment appraisal rather than only during negotiations over budget items.

For evaluators, the framework suggests adding investor decision quality to conventional assessment of programme performance.

Evaluation questions could include whether the investment was adequately financed, whether foreseeable risks were appropriately allocated and whether the investor adapted responsibly as evidence emerged.

For policymakers and sector institutions, the framework highlights the need for greater precision in distinguishing regulatory obligations from discretionary financing practices.

It also suggests value in sector-level research on the characteristics of funding agreements rather than relying exclusively on expenditure and outcome reporting.

Finally, for research institutions, the proposition establishes a tractable agenda for studying capital allocation within social investment. Financing architecture can be examined as an institutional variable with potential consequences for organisational behaviour and social value.

12. Conclusion

The investment paradox is not that corporate social investors lack strategy, that all grants are transactional or that private equity provides a superior model for social development.

It lies in the possibility that a sector organised around the allocation of capital may evaluate the recipients of that capital more extensively than the decisions through which the capital was allocated.

Corporate social investment can make substantial contributions to public benefit while still leaving questions about capital adequacy, investment duration, financing restrictions and risk ownership insufficiently examined.

Programme outcomes alone cannot settle those questions.

The contribution of this paper is to distinguish investment strategy, financing architecture and stewardship as related but independently assessable dimensions of investment practice.

The proposed Investment Decision Note makes this distinction operational. It asks funders to document what they sought to achieve, why a particular financing structure was appropriate, who was expected to bear foreseeable uncertainty and how those decisions would be reviewed.

The framework remains provisional. Its usefulness and relationship to social value require independent empirical investigation.

Nevertheless, its central accountability proposition does not depend on evidence that all corporate social investment is deficient.

A serious social investment practice should be prepared to evaluate the intelligence of the investment decision with the same discipline it applies to the performance of the implementing organisation.

The transaction should not be the limit of the investment relationship. It should mark the beginning of a commitment whose design, consequences and learning remain open to scrutiny.

References

B-BBEE Commission (2024) *Educational Material 9: Socio-Economic Development*. Pretoria: Broad-Based Black Economic Empowerment Commission. Available at: <https://www.bbbeeecommission.co.za/wp-content/uploads/2024/11/Educational-Material-9-Socio-Economic-Development.pdf>.

B-BBEE Commission (n.d.) *Frequently Asked Questions: Socio-Economic Development*. Available at: <https://www.bbbeeecommission.co.za/frequently-asked-questions/category/socio-economic-development/>.

Ebrahim, A. and Rangan, V.K. (2014) 'What impact? A framework for measuring the scale and scope of social performance', *California Management Review*, 56(3), pp. 118–141. doi: 10.1525/cm.2014.56.3.118.

Gompers, P., Kaplan, S.N. and Mukharlyamov, V. (2016) 'What do private equity firms say they do?', *Journal of Financial Economics*, 121(3), pp. 449–476. doi: 10.1016/j.jfineco.2016.06.003.

HM Treasury (2026) *The Green Book: Central Government Guidance on Appraisal and Evaluation*. London: HM Treasury. Available at: <https://www.gov.uk/government/publications/the-green-book--2/the-green-book-2026>.

JSE Limited (2026) *Sustainability Report 2025*. Johannesburg: JSE Limited. Available at: <https://group.jse.co.za/sustainability/reporting-suite>.

OECD (2024) *No Strings Attached? Making Sense of Flexible Financing in Philanthropy*. Paris: OECD Publishing. doi: 10.1787/0264b47f-en.

OECD (2026) *Practical Guidelines for Supporting Locally Led Development*. Paris: OECD. Available at: https://www.oecd.org/content/dam/oecd/en/publications/reports/2026/05/practical-guidelines-for-supporting-locally-led-development_2fee4540/eaecf72b-en.pdf.

OECD DAC (2019) *Better Criteria for Better Evaluation: Revised Evaluation Criteria Definitions and Principles for Use*. Paris: OECD. Available at: https://www.oecd.org/content/dam/oecd/en/publications/reports/2019/12/better-criteria-for-better-evaluation_f7a307eb/15a9c26b-en.pdf.

Triologue (2025) 'State of CSI in South Africa', *Business in Society Handbook 2025*. Available at: <https://trialogueknowledgehub.co.za/handbook-2025-state-of-csi-in-south-africa/>.

Research and publication note

Research classification: Conceptual policy research and critical desk-based synthesis.

Researcher: Craig Kensley

ORCID: 0009-0009-0704-1060

Institutional affiliation: GrowZA Social Investment Agency, South Africa

Research area: Social Investment & Development Finance

Publication date: October 2026

Research status: This is an independently authored research working paper. It has not been certified through external academic peer review. The proposed investment decision framework is conceptual and has not been empirically validated.

Methodological disclosure: The paper draws on selected scholarly publications, institutional research, regulatory guidance and corporate reporting. It is not presented as a systematic literature review or representative evaluation of the South African corporate social investment sector.

Suggested citation: Kensley, C. (2026) 'The Investment Paradox: Capital Allocation, Investment Discipline and Social Value in South African Corporate Social Investment'. GrowZA Research, Social Investment & Development Finance. Working paper.

Author identifier: <https://orcid.org/0009-0009-0704-1060>.