

Side Events

Session Title: Can impact investments drive and fund the implementation of the 2030 Agenda and help realize the Sustainable Development Goals?

Thursday, 1 December 2016, 12:00 – 1:00 pm

Objective:

Africa is undergoing rapid development, thanks in part to an unprecedented tide of entrepreneurial activity on the continent. The African Union's Agenda 2063 outlines an ambitious path for development on the continent with the aim of achieving financial independence and freedom from external influences. With an eye to keeping the wind in the sails of Africa's growth, the African Development Bank has outlined an ambitious five-point plan: light up & power Africa; feed Africa; industrialize Africa; integrate Africa; and improve the quality of life for the people of Africa. Meanwhile, a new segment of investors is emerging. These impact investors seek financial returns but also place a value on making an impact—usually social or environmental—through their investments. Impact investments are investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return. The growing impact investment market provides capital to address the world's most pressing challenges in sectors such as sustainable agriculture, poverty alleviation, protection of ecosystem services, clean technology, microfinance, and affordable and accessible basic services including housing, healthcare, and education.

There is need to mobilize private capital to achieve the Sustainable Development Goals. The impact investing market offers diverse and viable opportunities for investors to advance social and environmental solutions through investments that also produce financial returns. The central question is: How can impact investments drive and fund the implementation of the 2030 Agenda and help realize the SDGs? The SDGs have the power to influence the financial sector to look through a different lens and examine the true value of investing and stimulating investors to think differently. One example is AWF's African Wildlife Capital, Africa's first investment vehicle for conservation enterprise which harnesses the potential of the private sector to deliver conservation change and community development

Participants:

Moderator:

- Kennedy Wekesa, Senior Media Relations Manager – African Wildlife Foundation (AWF)

Panellists:

- Giles Davies, Chief Investment Officer - African Wildlife Capital (AWC).
- Sandrine Henton, Chief Executive and Investment Director - Educate Global Fund (EGF).
- Jeroen Harderwijk, Managing Director - Asilia Africa.
- Patrick Simkin, Project Manager - Africa Forest Lodges.

Key issues discussed:

The stage was set by Giles Davies introducing the AWF and its approach to impact investments as a means to further its mission and geographical reach in terms of biodiversity and wildlife conservation. AWF is the oldest and largest international conservation organization focusing solely

on Africa. Established in 1961 and headquartered in Nairobi, Kenya, AWF works with the people of Africa to ensure that Africa's wildlife and wild lands will endure forever. Recognizing that Africa's wildlife resources and ecosystems are critical to the future prosperity of Africa and its people, AWF believes in "wildlife advancing Africa"; meaning that Africa's wildlife and natural resources should be conserved not only for their own sake, but also as one of the principal resources to catalyse economic growth and improve human wellbeing. In 2011, AWF launched African Wildlife Capital (AWC) as Africa's first investment vehicle for conservation enterprise. AWC harnesses the potential of the private sector to deliver conservation change and community development. It advances AWF's mission to ensure the wildlife and wild lands of Africa endure forever, by providing innovatively structured development financing to small and midsize conservation enterprises in Africa. AWC investments must be grounded in a conservation logic and demonstrate a direct linkage to priority conservation landscapes or to specific wildlife populations. AWC focuses on SMEs and average investments are the average investment range around US\$500,000 - \$750,000. This works well for community enterprise in rural areas where other forms of capital are difficult to mobilize. To date AWC has invested seven million USD with loans between US\$250,000-2,500,000. Investments were made in east and southern Africa and in nine tourism and agriculture developments. The results have been impressive. In Namibia, for example, AWC provided a unique tourism development loan to a community-based conservancy in September 2012 to allow the conservancy to make structural improvements to its lodge. Less than a year later, Grootberg Lodge was remodelled and is now on track to generate nearly US\$1 million in revenues for the fiscal year—its highest-grossing year ever.

This was followed up by Sandrine Henton from EGF introducing how impact investments can also further education related SGDs. EGF is an investment advisor and asset manager dedicated to Education and its ancillary sectors. EGF seeks to improve educational outcomes and life chances for children in low-income communities with an initial focus on East Africa. EGF is committed to building an eco-system of collaboration dedicated to education, and is working with companies and investment partners around approaches to education investment that create sustainable, long-term growth for investors as well as local communities.

Finally two concrete examples of beneficiaries of impact investments gave their view of the importance of such investments and the positive social, economic and environmental impacts on the ground these have had for the local people and the environment.

Jeroen Harderwijk spoke about Asilia Africa's work in Kenya and Tanzania facilitated by AWC. Asilia operates multiple lodges in East Africa, creating conservation impact in numerous locations and employs more than 600 people and 90% of lodge jobs are filled by local staff. Naboisho in Maasai Mara, Kenya, is characteristic of the sites where Asilia works: ecologically rich but economically fragile. The tourism industry is one of very few that is able to monetize the value of wildlife and nature so, properly managed, it can be of great importance both for conservation as well as Africa's wider economic development. With the assistance of a few operators, including Asilia, the Maasai landowners in Naboisho formed a conservancy in 2010— eventually transforming a degraded landscape into a prime tourism destination. The company's focus on sensitive areas is why AWF, through its African Wildlife Capital impact investment subsidiary, provided Asilia with a US\$2 million loan in 2013 to expand operations. Funding from AWC enabled us to invest in areas where the financial return is not immediate. These locales have the same intrinsic ecological qualities as established areas but were not being managed in a sustainable manner before. AWC is an innovative and exciting financing instrument that incentivizes Asilia to deliver on its vision of developing tourism in pioneering destinations where wildlife is often under significant pressure from poaching, overgrazing, uncontrolled human development, and other threats.

Patrick Simkin of Africa Forest Lodges (AFL) provided an example of a brand new investment in Kenya which would not have been possible without an impact investor such as AWC. Investment in Kenya (particularly in tourism) 2 years ago, was extremely hard to raise funds for when lots of bad press about terrorism and insecurity. AWC provided 60% of the required funds through a loan, which gave confidence and reduced the risks for other investors. AFL is the 1st example (that we know of)

where the community have put cash on the table to invest (11 million KES = 11% of the total shares). The Forest (the destination name) is aiming at attracting Kenyans to enjoy the Kenyan environment. It is not another exclusive lodge in a remote, expensive park or tourism just for export, but also for domestic consumption. This brings conservation to life, through fun activities, yet also informing people of the needs to keep this unique forest (e.g. 3 out of 4 people in Nairobi depend on water from this forest and one large tree provides oxygen for 4 people per day) and will help to influence future generations on the need of conservation. AWC and AWF involvement in the project is pushing AFL to go further in conservation and education principles that perhaps we would normally have done as a purely commercial enterprise. AFL provides 100 jobs to the local community and purchases local supplies. Combined with the investment, the local community now have a serious stake in The Forest and are active protectors of the same.

Main conclusions and next steps:

The SDGs provide context for impact investors to see how their strategies and objectives fit into broader sustainable development efforts and offer a simple and attractive entry point for investors to begin to build an impact investing portfolio, hopefully driving more private capital toward achieving the SDGs. The SDGs are a useful framework to contextualize, communicate, and align impact objectives amongst a broad group of stakeholders, and investors can use the SDGs to ground the impact outcomes that might be more difficult to conceptualize. Impact outcomes driven by financial inclusion such as access to capital for women, job creation, sustainable livelihoods, renewable energy, access to basic services, such as clean water and health, food security, conservation efforts of natural resources, improved gender equality, increased resilience of ecosystem services or improved transparency in the financial sector are directly captured by the SDGs. However, there is a risk that it could dilute both the message and impact of impact investing if investors interpret the SDGs loosely or oversimplify their impact measurement practice resulting in 'SDG-washing'. But for investments in SDGs to have a significant effect impact investing must move from a niche to mainstream. Impact investing can be the "front runner" catalysing change in the world, and move beyond just engaging the financial industry to also bring a shared focus to the practices of public and private sector actors. And then the SDGs can help make impact investing more mainstream and facilitate a shift of the whole financial sector to start thinking about the impact their investments can drive.