

Public

Environmental and Social Data Sheet

Overview

Project Name:	OKAVANGO CAPITAL
Project Number:	2018-0670
Country:	Regional – East Africa
Project Description:	Participation in a private equity fund aiming to invest in natural capital related SMEs to strengthen eco-systems and biodiversity in east Africa. The Fund will be managed by Okavango Capital, a first time fund manager based in Kenya.

EIA required: no

Project included in Carbon Footprint Exercise¹: no

Environmental and Social Assessment

The decline and loss of biodiversity is reducing nature's contribution to people in Africa, affecting daily lives and hampering the sustainable social and economic development targeted by African countries. Biodiversity and natural ecosystems have come under increased threats from a range of human induced-drivers such as climate change, habitat conversion, over-harvesting, poaching and illegal wildlife trade, pollution and invasive alien species, as well as natural drivers such as natural disasters. These drivers enhance climate-related risks, land degradation, loss of habitat for species, and loss of soil fertility, productivity and economic opportunities, further threatening food, water, energy and health security with serious negative impacts on livelihoods.

Africa has a range of possible options facilitating the development of interventions that can achieve multiple positive outcomes and meet not only critical Sustainable Development Goals (SDGs) for human well-being and economic development but also the Aichi biodiversity targets and the objectives of the 2015 Paris Agreement.

Okavango Capital Partners, Ltd. (or "Fund Manager") is an institutional fund manager that is forming Okavango Fund LP ("Okavango Fund" or "Fund") as a first-time fund. The Fund seeks commercial returns but also sees environmental conservation and long-term rural development impact as leading objectives. In recent years, impact funds have demonstrated their capacity to generate commercial returns.

¹ Only projects that meet the scope of the Pilot Exercise, as defined in the EIB draft Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: above 100 000 tons CO₂e/year absolute (gross) or 20,000 tons CO₂e/year relative (net) – both increases and savings.

Luxembourg, 16 July 2019

The Fund's strategy focuses on combining biodiversity/ecosystem conservation and rural livelihood improvement with commercial returns through the investment in SMEs operating in three sectors namely food security, climate technologies and domestic nature tourism as well as supporting financial inclusion and innovative digital technologies. The Fund considers companies active in financial inclusion and innovative technologies as supporting sector actors. With its strategy, the Fund plans to address capital scarcity in the targeted sectors that it expects due to the projected high growth.

The Fund's management team has long-standing experience in private equity as well as nature conservation hence the Fund managers want to leverage their competencies to build a portfolio of promising investments with social and biodiversity impact. Considering widespread ecological degradation and evidence for an accelerating pace of species becoming extinct, increased investment in biodiversity and ecosystems conservation is required. These efforts can directly contribute to SDG 1 Life below water and SDG 14 Life on land, and indirectly contribute to SDG 3 Good health and well-being, SDG 5 Achieve gender equality and empower all women and girls, SDG 6 Clean water and sanitation and SDG 13 Climate Action. It can also contribute to SDG 8 Decent work and economic growth as biodiversity conservation protects the long-term feasibility of important economic sectors such as food production or tourism.

Since 2016, the team has received the strategic support of the African Wildlife Foundation ("AWF"), an Africa-led conservation organization with nearly 60 years of experience in Africa. Through this partnership, the Fund will benefit from significant expertise and visibility to further enhance its environmental and social impact performance.

The Fund will have a set of Environmental and Social (E&S) principles and standards, as well as an Environmental and Social Management System (ESMS). The ESMS is part of the policy framework and will be integrated into all aspects of its investment process. The E&S standards to be guiding the risk assessment and mitigation across the Fund's pipeline will comply with (i) the EIB List of Excluded Activities and (ii) the EIB Environmental and Social Standards, 2013 with the explicit application of Free Prior and Informed Consent (FPIC) where the project impact (positively or negatively) on Indigenous and forest communities as well as Sub-Saharan African historically underserved traditional local communities. In addition, and reflecting the specific nature of the Fund, the Fund will commit to the application of the principles and practices outlined in the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries, and Forests (VGGT) as related to land tenure and land use.

The ESMS will have a rigorous environmental and social screening process and an assessment, monitoring and evaluation process for every prospective investment to be undertaken, including the application of a positive impact metrics tool.

The Fund will ensure that the projects do not compromise the tenure rights of land users (i.e. small-scale farmer and traditional local communities) to derive economic benefit and support livelihoods from their activities on the land and should not diminish the provisioning capacity and cultural value of such land.

Rolling out and effectively implementing the Fund's ESMS will require the appropriate capacity and expertise. To complement its expertise the Fund has received strategic support from the African Wildlife Foundations (AWF), and Africa-led conservation organisation with nearly 60 years of experience in Africa. Through this partnership, the Fund will benefit from significant expertise and visibility to further enhance its biodiversity and social impact performance.

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Conclusions and Recommendations

Prior to signature

The Fund manager will review, update and enhance its existing ESMS to be in line with international good practice and EIB' Environmental and Social Standards, 2013 and include a Fund-level grievance mechanism to the satisfaction of the EIB.

The Fund will strengthen the management team staff to ensure that capacity gaps in environmental and social issues are fully filled.

The Fund will nominate an Environmental and Social Manager, who shall be an experienced senior officer having management responsibility, among other things, for ensuring proper operation and maintenance of the ESMS.

Undertakings

EIB will receive quarterly updates on the projects in the development, implementation and operation phase as well as more detailed annual E&S reports.

The Fund manager will undertake to carry out a third-party biodiversity and climate impact evaluation prior to exiting respective investments.

With the above-mentioned condition in place, the Fund is acceptable for financing in environmental and social terms.

Conclusions and Recommendations

If located in Europe, the project would not trigger the European Environmental Impact Assessment Directive because the activities do not fall under Annexes I or II of the EU Directive 2011/92/EC as amended, and would therefore not be subject to mandatory Environmental Impact Assessments.

The ventures in the Fund's pipeline are directly addressing conservation and rural livelihood, issues such as waste management or green energy production.

The Bank will ensure through its finance contract that the projects financed from the Fund are in eligible areas/sectors for the Bank, do not lead to competitive distortions, and that Bank's requirements on procurement, environment and social matters will be respected. More specifically, the validation of the Promoter's Environmental, Social and Governance Policy by the Bank's Environment, Climate and Social Office is a condition for the finance contract signature.

Therefore, the project has been classified as acceptable in environmental terms for the Bank's financing.