

DGGF works with private equity fund in DR Congo to champion ESG on the ground

2 February 2018 - It's the Dutch Good Growth Fund's (DGGF) ambition to generate impact where it is most needed and to play a role in strengthening the socio-economic fabric in fragile and high-risk countries. It is first and foremost a quest for balance.



Simply put, one must address the question of whether investment funds and financial institutions in these countries can deliver economic growth, while avoiding the pitfalls of operating in contexts with low environmental, social and governance (ESG) standards.

PricewaterhouseCooper's ESG team strives to find the right balance in every transaction by performing a thorough ESG due diligence on all funds and financial institutions that aspire to enter DGGF's portfolio. The team also offers technical assistance for DGGF investees – for example, on-site ESG trainings, or coaching and advisory services to improve ESG policies and processes. The aim is to support fund managers and key functions (e.g. ESG officers) in detecting what ESG risks are material in their portfolios and what should be done to mitigate them. The overall approach relies on flexibility, tailor-made assistance and close collaboration with management.

African Rivers Fund

PwC's ESG team has recently trained the Partners and investment teams at African Rivers Fund (ARF), a private equity fund active in DR Congo and investing in various sectors, including education, logistics, retail & consumer and energy.

An experienced team based out of Kinshasa manages the DRC investments, and is confronted with all the questions and challenges that come with investing in the Congolese SME landscape. During our two-day training, we didn't need to dive into the "why" of ESG: that ESG risks exist and must be addressed is evident to a management team like ARF's. What we needed to address is the "how". How do you make sure you translate international ESG standards-on-paper to something you can work with on the ground? For example: what does good look like when it comes to wages in a country like the DR Congo, where the minimum wage is nothing close to an actual living wage? What does good look like when corruption is endemic, including at governmental level, but fund managers need to take a zero-tolerance approach towards it? What measures should be taken when key environmental legislation is not always enforced?

Understanding

Good ESG management starts with understanding the content, the boundaries and the implications of single issues, rather than getting lost in what seems to be an overwhelming cloud of ESG alarm bells. And then it goes on with thinking of effective, hands-on solutions that can keep the risks at bay without undermining the essential trust that is the foundation of the relationship between investees and fund managers.

Focusing on the key issues, being able to read them in context and being transparent about ESG dilemmas are the most important lessons learned from our Kinshasa days, and the ones we want to share with fund managers in frontier markets and development finance stakeholders more broadly.