

Levers and Limits to Shaping Investment Practices in Land: A DFI Perspective

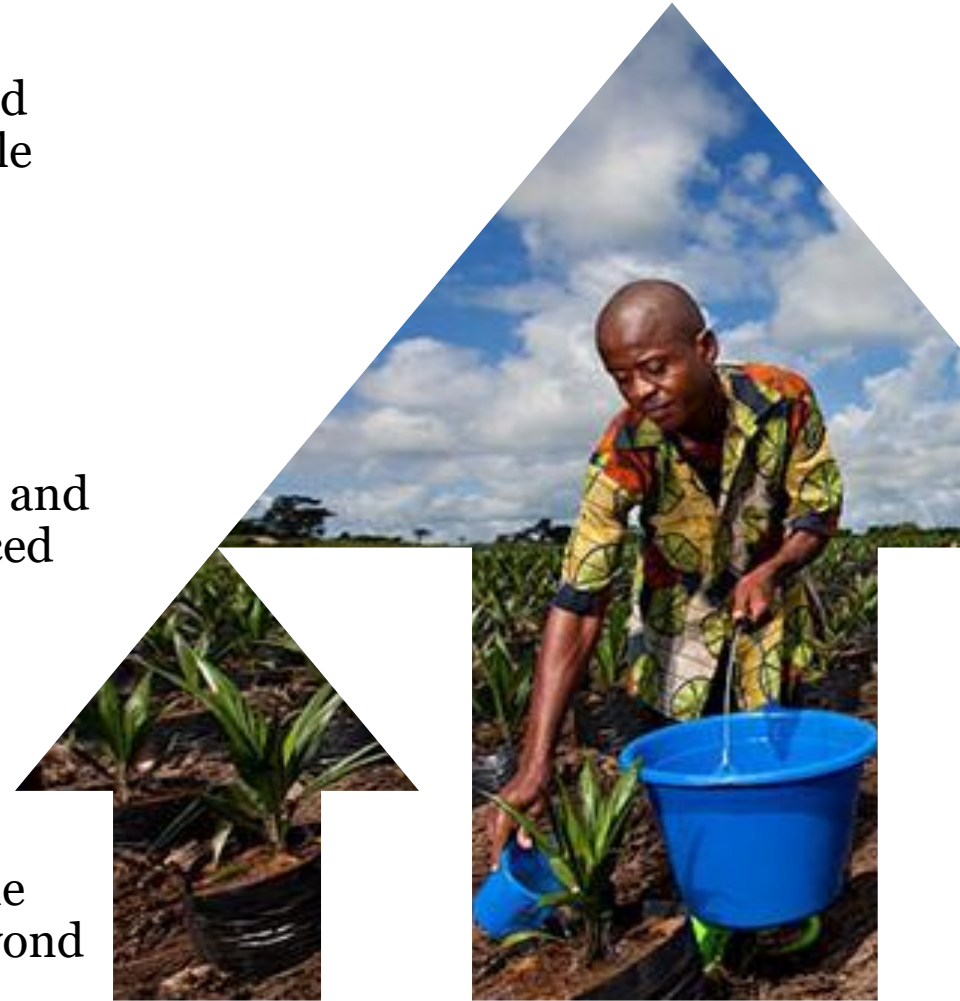
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22nd March 2018



DFIs – An Opportunity to Positively Impact Land Tenure

- + **Development mandate:** As a development finance institution focused on impact, a commitment to responsible practices is core to our mandate and enshrined in our investment policies.
- + **Invest in developing countries where:** Commercial investors are generally unwilling to invest and social and legal protections are poor or not enforced and abuses are common.
- + **Invest in companies of all sizes, serving local and international markets:** Opportunity to influence beyond the “usual suspects” but also the challenge of persuading them to go beyond peers and local norms.



Invest in the hardest places, where risks are highest, apply the highest standards AND be financially sustainable!

CDC policies and requirements

1. CDC Code of Responsible Investing

CDCs E&S requirements are defined in its Code of Responsible Investing which applies to all business lines and aims to ensure:

- + CDC investments work towards compliance with applicable national E&S laws, ILO Core Conventions, the **IFC Performance Standards** and the **UN Guiding Principles** where applicable as a condition of receiving CDC capital. We also promote the **VGGTs** and other voluntary standards.
- + Investees/borrowers address gaps within a reasonable period → E&S Action Plans to be implemented.
- + Investees/borrowers develop and implement management systems to address E&S risks and realise E&S opportunities.
- + Investees/borrowers are not involved in activities included in the Exclusion List.

2. Policy on coal-fired power generation

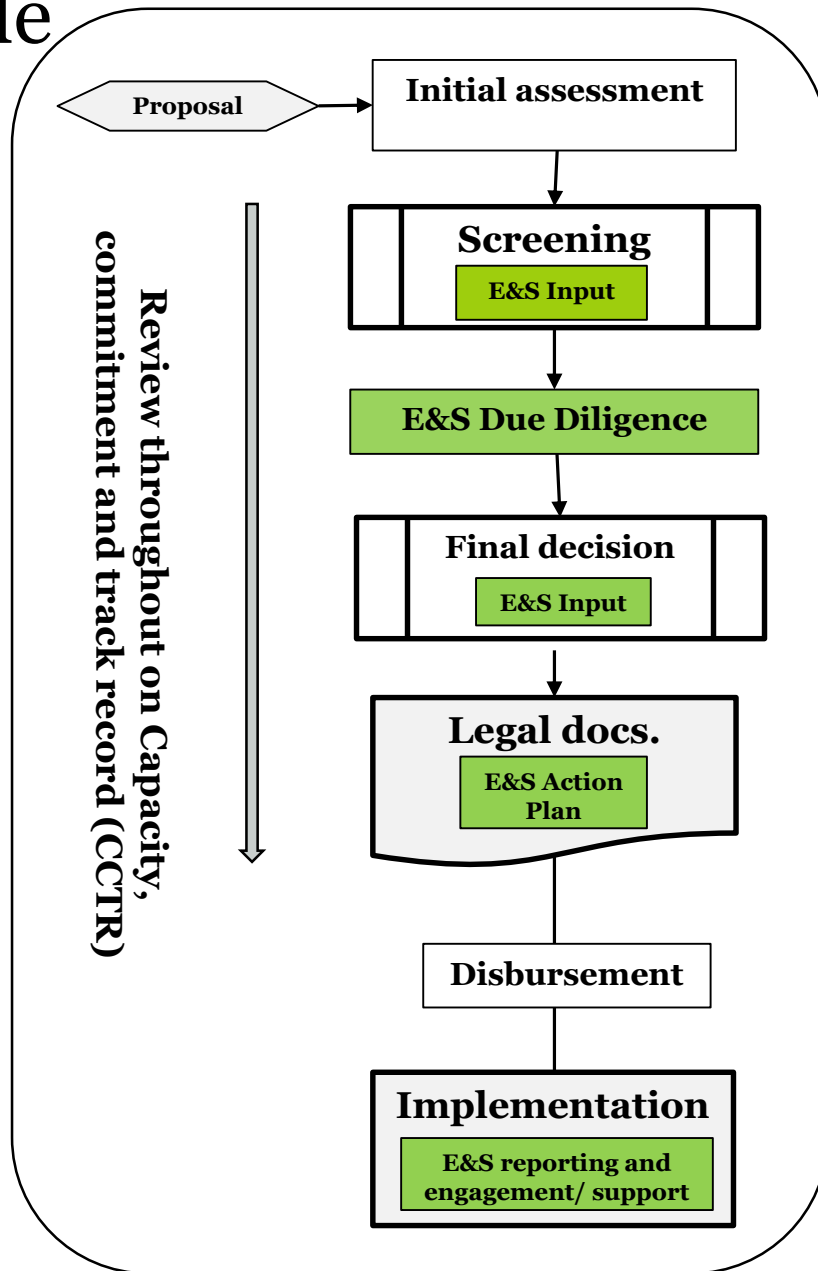
Significantly restricts investments involving coal-fired power plants.

3. Climate Change Policy

Requires CDC to consider energy efficiency, water conservation and resilience.

CDC requirements are aligned with other DFIs, banks (Equator Principles) and increasingly investors (Principles for Responsible Investment - UNPRI).

Assess and document through the investment cycle



Initial appraisal focussing on inherent E&S risk, **red flags** and exclusion list

Investment Committee (IC) discussion and detailing approach for E&S due diligence (ESDD)

Detailed due diligence performed including land disputes, planned or past land acquisition and community relations, in person & consultants

Discussion of action plan to address identified issues and opportunities

Contract will include legal protections and an environmental and social action plan (ESAP) specifying additional improvement measures

Implementation phase for ESAP and E&S management system. Regular monitoring and reporting.

BUT...

- + You're not there day in day out
- + Reports can be sugar coated
- + Legal agreements are exceptionally difficult to enforce and doing so may have severe consequences for the company and associated communities / employees

So how can I try to ensure that she has a good job and a home, somewhere to grow food for her family and to pass on to her children?



Ultimately it's about people...

Go in person, see for **yourself**

Meet people

Build **relationships**

Judge **Commitment, Capacity
and Track Record** of
Management

BUT

Takes time and effort so have to
prioritise

Ultimate aim is to “**teach a man to
fish**” so the company identifies and
manages the risks and opportunities
for itself, and continues to do so
long **after you've divested**

Build capacity and eventually,
trust



Financial leverage

Private Equity

- + Significant influence? 5%, 20%, 50% ownership?
- + Board position

Debt

- + Money released in tranches

Funds

- + Better for reaching the companies “below the radar” but
- + More intermediated: our influence on fund & fund influence on company
- + Apply same standards as when we invest directly but often with less capacity

BUT primary agriculture investments in our markets are notoriously difficult...

Supply Chain

- + Risk analysis of suppliers: biodiversity, child labour, forced labour, acute H&S
- + Is the business a significant customer?
- + Are there alternative sources of input?
- + Formal contracts?

Practical challenges

- + Government concerns about precedent setting
- + Competing government priorities for the land
- + Investment stage – post land acquisition
- + Lack of appropriate skills in company or among advisors
- + Standards may prevent restitution
- + Tight margins, need partners and donors
- + Historical lack of trust to overcome
- + Overlapping land claims
- + Lack of knowledge about who was on the land originally & inward migration
- + Who represents the community
- +



How to reach beyond the usual suspects?

My ask of NGOs

Continue to

- + Hold investors and companies to an ever higher bar
- + Support communities to campaign for their land rights

These things give the “business case” with which to convince companies to act

Please also

- + Recognise when it is time to switch from shouting from the outside, to discussing a way forward and building understanding, companies need support in building trust with communities and in understanding the complexities of land tenure issues

How to reach beyond the usual suspects?

My ask of Donors

- + Fund research and training for commercial advisors to companies such as agronomists and investment advisors on the real business risks from land tenure and why this should be on the Board / Investment Committee agenda
- + Don't underestimate the importance of helping companies with mundane, practical barriers to good community engagement such as:
 - Improving company access to expertise and support on community engagement and land rights
 - Help companies to persuade governments of the value of going above the law, for example by creating protected areas or providing appropriate compensation to people without documented land tenure
 - Build government capacity to tackle corruption, competing or contradictory priorities in different areas of government, overlapping land titles etc
- + Continue to support challenge fund projects that enable companies to build mutually beneficial, benefit sharing relationships with communities

Thank you
Questions?

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