

A JOURNEY FOR CHANGE IN INCLUSIVE FINANCE AND SOCIAL BUSINESS

Episode 5: From McKinsey to the Congo – Jérôme Gabriel's Vision for Conservation, Peace, and Prosperity

Philippe Guichandut: Hello, everyone. I'm Philippe Guichandut. I'm the General Secretary at the Foundation Grameen Credit Agricole. And today I'm so happy to have you, Jérôme, because you've come from far away. You're coming from DRC, I mean, and working for the Virunga Foundation. And you work in a very specific context because it's the north of DRC, and there where we know there's a lot of issues, a lot of trouble. So, my first question will be what brought you in, I mean, in this sector, in this region, part of the world?

Jérôme Gabriel: Yes. Thank you, Philippe, for your question. Actually, in all honesty, I saw the documentary on Netflix. So, there's a documentary about Virunga and the work that Emmanuel is doing there. And I was so inspired that I quit McKinsey to join them. I harassed them almost to join. Why? It's because I think Virunga pioneer was the first one to really focus on conservation, but also economic development. Traditionally, Virunga Foundation manages Virunga National Park. So that's the oldest park in Africa, in eastern DRC, so in North Kivu, where, as you mentioned, there's high insecurity. And what the director quickly realizes is that you would need the people to value the forest and the ecosystems of Virunga as much as they would benefit from destroying it, essentially. And so, he pioneered that approach of integrated conservation and economic development, which I felt was a very ambitious and very innovative model back in the days. And I still think it does, it is. And yeah, there is also this aspect of having an approach of private sector, which I like a lot. I think it brings fresh winds into the aid or NGO sectors.

Philippe Guichandut: And so, what could be a little bit more specific about what are the main challenges facing this part of, as you mentioned, northeast of DRC in the Kivu region, in terms of climate, environmental challenges? I mean, is there something quite specific, aside maybe from all what we hear, unfortunately, with insecurity, but from this particular point of view?

Jérôme Gabriel: There are multiple things happening in North Kivu. Climate is one. We're in a mountainous region with volcanoes. So, it's not linked to climate change. But you do have volcanic eruptions. We lived one in 2021.

Philippe Guichandut: Oh, you were there?

Jérôme Gabriel: Yes, I was there. I was there. I saw it live. But from a nature perspective, it's a beautiful thing. But that destroyed a lot of infrastructure and people's lives. So, it's both things at the same time. Not related to climate change. But I think you have the usual suspects of deforestation. People who don't have any other choice but to cut down the forest to either do agriculture or warm themselves up or cook with what they call "Makala", which is the Swahili word for charcoal. And this brings actually with climate change that, let's say, brings more problems that you would have in a normal situation. We lived with another very, very concrete example of climate change linked to that problem of deforestation and the fact that people live in poverty and have no choice, which is a major flood happened. But the impact of the flood increased due to climate change. It was like one of 10-year events if we ask the population. But it was very destructive because they had cut down all the forest, all the trees in the mountains just surrounding it. So, at

A JOURNEY FOR CHANGE IN INCLUSIVE FINANCE AND SOCIAL BUSINESS

some point, it was just a flash flood of collecting all the rainwater that was quite heavy and then it destroyed the village and multiple people died because of it.

Philippe Guichandut: Okay. And so, how do you combine both this financial inclusion, because I know you're working on this, and the sustainability livelihood of the people, the communities in which the Virunga Foundation is working with?

Jérôme Gabriel: Yes. So good question. And it's actually at the core of what we do, because what we've realized very quickly is that the survival of the park and everything related was dependent on people having a decent livelihood. When people don't have access to jobs, don't have access to capital and have zero prospects, the only choice they have left is essentially in that region, join armed groups. And what you see is...

Philippe Guichandut: And it's pretty young people.

Jérôme Gabriel: Young people, indeed. Yes. And I think it's a very understandable behavior you need to survive. And what we've seen is that when we invested in our infrastructure, in energy, in renewable energy, that helped create a lot of SMEs. 93% of the SMEs were created after we brought electricity to the region. But if on top of that, you would provide people with the means to invest, start your own companies, etc., you actually had a major impact, positive impact on armed groups in the region. Obviously, the situation is extremely complicated. It's a geopolitical conflict, so, beyond the traditional armed groups. But what do we see if we look at the different armed groups in North Kivu, when we invested in a business, it will create on average, seven jobs. And on average, 10% of those jobs were held by former armed group members. So, there was a direct tie between peace building, conservation, and decent jobs for people. And what you see is essentially, if you provide people with the opportunity to leave the armed groups, they do it.

Philippe Guichandut: Okay. And so, you mentioned, could you go a little deeper into the fact that what you're doing with microcredit and electricity consumption? I mean, how does it work, very concretely, to succeed to reach the results you were mentioning in terms of the impact it has at the level of the communities?

Jérôme Gabriel: So, Virunga is conservation but started with economic development very quickly. We started with electricity. We built hydro plants. So, it's 100% base, 100% renewable electricity. And we've built a network; we have approximately half a million people covered by our electricity grid. And from the beginning, we developed that as a digital first company.

Philippe Guichandut: So, it's a private company?

Jérôme Gabriel: It's a private company held 100% by Virunga Foundation. So, all the profits are either reinvested in extending the network or financing conservation. There's no single private individual.

Philippe Guichandut: So, it's a kind of social business.

Jérôme Gabriel: It's a social business.

A JOURNEY FOR CHANGE IN INCLUSIVE FINANCE AND SOCIAL BUSINESS

Philippe Guichandut: It's on the way of the definition of the Professor Muhammad Yunus.

Jérôme Gabriel: Exactly. So, there's no single individual benefiting from it. It's 100% owned by Virunga Foundation. And so, what we developed the grid with smart meters, and what we realized is that actually those meters could serve as financial serve, we could provide financial services through the electricity. And the way it currently works is very simple, it is you come as an individual, knowing that we're in the context of, I hate to use that word, but a "war zone", where you don't have any formal banking relationship, the banks aren't just not present, it's not worth it. And so, you could just come to us, and we actually have the history of your purchases of electricity, electricity, which is directly tied to making something work, a machine, etc. So, it's indirectly tied to income generation, someone would come, and we could analyze their behavior and say, "hey, look, we can provide you with an investment loan". So, it's always a loan to invest in a productive machine.

Philippe Guichandut: Okay, it's not a consumer loan.

Jérôme Gabriel: It's never consumer loans. No. So at least at the moment, it's only for productive investments tied to electricity.

Philippe Guichandut: And how do you check it? I mean, you go there to the field, talk to the clients, or is it through the digital tools that you do it?

Jérôme Gabriel: So, we do. Yeah, we do a ground visit, on the field visit, we have a couple of agents, but much less than in a traditional, I think, microfinance. So, the person would come to the office, we could analyze his patterns of behavior that informed us on whether he would be a good fit for a credit, we would extend him a credit for, let's say, a maze mill. And the maze mill based on electricity, he would invest in that. And then we configure on his smart meter, what we call the tranche that he needs to repay every single time he purchases electricity. So, he would come to our resellers of electricity, pay \$10. And the system automatically checks whether he has 50% of that needs to go to the loan repayment or 20%. And we were flexible in terms of configuring that. And so essentially, if he wants his maze mill to work, he needs to purchase electricity. And so, we're sure that he reimburses his loan.

Philippe Guichandut: Okay. So, it's pretty innovative. And especially in this region, I mean, this part of the world. And so how was it built? I mean, in terms of partnership, I mean, with, I guess, I don't know, governments, NGOs, you mentioned the private sectors. So, what do you think are the most critical to help you to scale your impact at that level?

Jérôme Gabriel: I think there are really two phases to Virunga. It's the phase that I described, which was a proof of concept of economic development and conservation that can work at a scale and make it work. We've recently had the opportunity, thanks to the presidency of DRC, to create a new protected area. So essentially, the President wanted to extend that model to a wider area of the Congo Basin. So now the real question is, how can we extend that impact to the entire Congo Basin? And that's where I think every single stakeholder will be required, will be needed. The government to support those initiatives, but it's also the private sector. We're aiming to attract a billion-dollar investment into those sustainable businesses, so that other actors would just help us scale it quite quickly, especially the Green Corridor. So that new protected area is the size of France. So, it's a

A JOURNEY FOR CHANGE IN INCLUSIVE FINANCE AND SOCIAL BUSINESS

very remote area. So, it's very difficult to be present everywhere. So essentially, we're looking for private sector to also do their part here.

Philippe Guichandut: Do you think that the private sectors, I mean, I think in terms of risk perception, I mean, the risk perception in the Kivu region is so high. I mean, what will be the arguments that you will develop to attract them?

Jérôme Gabriel: So luckily, not all Congo has the same insecurities as North Kivu. But in North Kivu, we've successfully partnered with private investors. And essentially, they see us as the anchor of the investment anchor, the local partner who knows how to work. We've unfortunately had 30 years of experience working in such a difficult environment, which requires agility, flexibility, and being able to just come up with innovative solutions like the electricity credit. So, for the specific North Kivu part, I think we do act as a trust partner. And we've done that with major companies and we're still...

Philippe Guichandut: International one or local one?

Jérôme Gabriel: International ones and local ones. So that's a way to scale the business. And then in the rest of DRC, I think then the pitch is a bit simpler, because you don't have the security component. But we do mean to act as a partner who understands how to navigate the local environment and support them in their journey in Congo.

Philippe Guichandut: Thanks a lot. Jérôme, maybe a last question, because I think that the context in which you work is quite particular. And we do know that it happens unfortunately in other places. But how can you believe in inclusive finance can contribute to peace building and resilience, especially in fragile regions?

Jérôme Gabriel: I would think of two things. One is when we talked about peace building, I said there was actually a link between us investing and then people creating enterprises, job generating, and then that is tied indirectly to people leaving armed groups to hold a formal job in the formal economy. And I won't go and repeat that. I think it's a major component of what we're trying to do in North Kivu. The second one, more tied to resilience, and actually financial inclusion, and we're working on that right now, is trying to develop a system where we would be able to grant loans to people to do agroforestry and reforest in the areas that have been deforested, knowing that we also have invested in value chains that would be tied to those agroforestry. So typically, palm oil and cocoa are two value chains in which we've invested heavily. And so, we would be able to extend a loan, they would have the financial means to reforest in a way that is productive for them. So that gives them an incentive to not deforest. And if they manage to do it successfully, we would be able to cancel that loan with the payment for environmental services. So essentially, the idea is we take the risk, we give you money, you reforest, you get productive income from that. And we are a major anchor buyer from this production. And if you do it successfully, we cancel the loan, you don't owe us anything. Obviously, that part needs to work sustainably. But the idea is that we have partners that can pay for the environmental services provided there.

Philippe Guichandut: Okay, thank you for thinking a little bit out of the box and being innovative in what you do at the Virunga Foundation. It has been a real pleasure talking to you, I mean, Jérôme, and I hope it's going to be the case for our listeners. And I want to thank you and say goodbye.

A JOURNEY FOR CHANGE IN INCLUSIVE FINANCE AND SOCIAL BUSINESS

Jérôme Gabriel: With pleasure. Thank you, Philippe.

Philippe Guichandut: Bye-bye. Thank you.