

### Record of the WS-1: Roundtable 2

<p><b>THK Blended Finance Platform</b></p>	<p>Established in 2018 on the side-lines of the World Bank Annual Meeting in Bali, the THK Blended Finance community responds to the need for a united multilateral framework for advancing blended finance. The THK Roadmap on Blended Finance, launched in 2018, produced a set of common values to underpin blended finance operations, and later the THK response to the Covid-19 crisis. In 2021, the THK began a new chapter with the establishment of the THK Blended Finance Platform.</p> <p>THK is a unique platform for international dialogue on blended finance that convenes a variety of stakeholders from all over the world. The vision of the Platform is to become a policy interface between global actors in blended finance ensuring the development of innovative blended finance solutions produced by actors in the global blended finance ecosystem. The THK Platform aims to integrate the existing blended finance work of its members into three work streams and actively engage with international fora such as G20 and G7.</p> <p>→ For more information on the THK, visit <a href="#">The THK Website</a>.</p>
<p><b>THK Blended Finance Platform – Workstreams</b></p>	<p>The THK Blended Finance Platform is conducting its work along three work streams:</p> <ul style="list-style-type: none"> <li>- Work stream 1, ‘Transparency and Impact’;</li> <li>- Work stream 2, ‘Blended Finance Strategies in Developing Countries’;</li> <li>- Work stream 3, ‘GSSS Bonds and Biodiversity’.</li> </ul>
<p><b>About this Brief</b></p>	<p>The second Transparency and Impact Roundtable took place on Tuesday 28<sup>th</sup> September 2021. The Roundtable sought to identify the key ways in which development partners can adopt more transparent, stakeholder-centric investment strategies. Within this, the discussion aimed to explore how to reinforce a culture of evidence gathering and impact learning via continuous stakeholder engagement. The discussion also looked at technology in the context of ensuring those classed as ‘vulnerable’ (i.e. women, youth, racial and ethnic minorities), participate and are engaged in the process.</p> <p>This brief elaborates on the key issues and takeaways raised with reference to select case studies. The key outcomes of the session feed into a set of recommendations primary for donors and DFIs acting in this space (however, the recommendations apply broadly to all actors engaged in development finance).</p>

<p><b>Key Issues Raised</b></p>	<p><b><u>The Problem</u></b></p> <p>The central promise of the 2030 Agenda is to “Leave No One Behind”, indicating that any investments seeking to target the Sustainable Development Goals (SDGs), should understand, and be grounded in, stakeholder needs. However, recent analysis from third-party impact verification provider BlueMark’s most recent aggregated report indicated that only 11% of their client sample (equivalent to 30 investors) currently solicit input from local stakeholders (and beneficiaries). Elsewhere, the 2021 edition of the ODI EDFI essay series underlined the greater need for more sustained local stakeholder engagement throughout the investment process, underscoring the importance of this in building effective impact management and measurement systems.</p> <p>Without doubt, failure to include local stakeholders throughout the investment process risks a misalignment between project objectives, anchored in high-level international agreements, and the realities of needs on the ground in project-affected communities.</p> <p><b><u>The Obstacles</u></b></p> <p>While ensuring local stakeholder participation and engagement (including voicing opposition and raising concerns) is a fundamental aspect of upholding human rights, this is “increasingly challenging in the context of shrinking civic space, crackdowns on peaceful protestors, barriers to freedom of association, and heightened fragility and conflict”</p>
<p><b>Key Takeaways</b></p>	<ol style="list-style-type: none"> <li>1. Identify and differentiate between types of local stakeholders before engaging</li> <li>2. Technology can ease resource-constraints and reach those most vulnerable</li> <li>3. Engage with broader Civil Society in the local context</li> <li>4. Create the necessary enabling conditions to facilitate stakeholder engagement</li> <li>5. Assurance of Community Disclosure is a must</li> </ol>

**Case studies showcasing good practices in stakeholder engagement**

**CDC Group**

CDC Group recognise that instigating strong worker voice systems within their investment beneficiary organisations can help mitigate business risks and promote more business opportunities. Aside from the practical cost-effective benefits – particularly in high-risk contexts or unstable global realities like the current pandemic – CDC assert that technology can enable greater engagement with a larger number of workers on a more regular basis. They also assert that technology can not only protect anonymity, but also encourage the participation of those unable or unwilling to make use of grievance mechanisms because of trust or language barriers (CDC plc, 2021).

The British development finance institution used telephone surveys to verify its development impact (in terms of jobs and vocational training) in the case of Coscharis Farms in South-Eastern Nigeria, managed by Sahel's Capital Fund for Agricultural Finance in Nigeria (FAFIN). Following the telephone survey, CDC and FAFIN worked with Coscharis Farms to implement new policies such as setting up a committee and engaging an ESG manager and community liaison officer to help manage grievances in the community (CDC plc, 2021). Practical attempts to improve communication between management and staff supported this policy, such as regular 'town hall' meetings and departmental meetings as an opportunity for staff to share their views, via tools like suggestion boxes (CDC plc, 2021).

*CDC Group is changing its name to British International Investment plc on 4 April 2022.*

### **Summit Africa**

Summit Africa is a specialist alternative investment manager, based in South Africa and focused on health and wellbeing, quality education and decent work and economic growth. The organisation never takes 100% effective ownership, meaning alignment with business owners and effective stakeholder engagement is pivotal to their business strategy. Their process hinges on (i) understanding the aspirations and objectives of the business owners, (ii) ensuring the business owners fully understand what Summit Africa want to achieve through the investment in terms of ESG and Impact and (iii) examining how the final beneficiaries stand to benefit.

The following case study represents a typical engagement process. Through research, Summit Africa discovered a remotely located hospital in South Africa started by a team of five doctors in the 1980s. At present,, the hospital has 32 beds and one theatre, limiting the number and types of surgeries the hospital was able to perform, and resulting in the local community having to travel between two and four hours for several elective surgeries.

The investment manager engaged in discussions with final beneficiaries and members of the local community (local councillors and the local department of health) on how they could stand to benefit from investment. This engagement resulted in a joint business plan based on increasing the beds from 32 to 98 and the theatres from one to three. This, in turn, has resulted in an increased number of doctors with a greater skill set electing to join the hospital once the extension has been completed, and who will perform a greater variety of surgeries. , Maternity was identified as a key area (14 out of the planned 98 beds would be assigned to maternity needs).

As of January 2022, the hospital has started its expansion. The hospital is private, but affordable in that it will cater to a broad section of the community.

## **Recommendations for donors and DFIs:**

### **DFIs should:**

- 1 Identify and differentiate between local stakeholders from the outset of an investment, such as workers and end-users or beneficiaries. Draw on links with civil society to establish these links if necessary.

- 2 Provide publicly-available evidence that assurance of Community Disclosure has taken place
- 3 Build on technology and local partnerships to overcome potential resource constraints and ensure effective stakeholder engagement is achieved and investments are benefiting those “left behind”.

**Donors should:**

1. Where possible, support DFIs to engage with local Civil Society through local offices and embassies
2. Act as active owners of the DFIs, and push for more transparency on stakeholder engagement, including areas such as Assurance of Community Disclosure.

## KEY RESOURCES FOR FURTHER READING ON COMMERCIAL CONFIDENTIALITY, IMPACT AND TRANSPARENCY

- CDC Group’s report on Enhancing Working Engagement with Technology can be found [here](#)
- Publish What You Fund’s DFI Transparency Initiative can be found [here](#)
- Publish What You Fund’s DFI Transparency Tool can be found [here](#)
- The interview with GIF’s Ginny Reyes Llamzon, including examples of the KIPs they collect and publish from investees, can be found [here](#)
- The International Aid Transparency Initiative (IATI) can be found [here](#)
- An Overview of THK Roadmap Working Group Outputs can be found [here](#)
- The work of THK Transparency Working Group can be found [here](#)
- Recording of the presentation of THK Transparency WG outputs can be found [here](#)
- OECD-UNDP Impact Standards for Financing Sustainable Development can be found [here](#)
- International Trade Union Confederation work on aligning private sector investment with the SDGs can be found [here](#)
- International Trade Union Confederation work on blended finance and development effectiveness can be found [here](#)
- International Trade Union Confederation work on DFIs can be found [here](#)