BRIDGES Fund Management

Unlocking investment in the ‘Global South’

Both the challenge and the opportunity are clear in developing countries – but there is much to do if we want to close the gap between impact rhetoric and reality

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N.B. This essay is an edited version of the transcript of Dolika's 20/30 Visions interview, which you can watch at www.bridgesfundmanagement/2030Visions.

I like to call myself a global person. I was born in Zambia, but I lived in Washington, DC for over 16 years working with the IFC[1], the DFI[2] part of the World Bank Group, and since then have spent time in the UK working with BII[3], the DFI that was CDC Group. Before that I was very much on the financial side, at the likes of Barclays and Citibank. So I'm very much a finance person, very much an investment person, very much a DFI person.

But at the same time, I come at this issue as an African, and as an African woman. So I do not sleep at the idea that 50% of the women, and roughly 66% of the youth of my country are disadvantaged – in terms of woefully lacking access to social and economic channels for quality employment, empowerment, and therefore, upliftment from poverty.

The reality is that every fifth to sixth member of my extended family is always looking to someone else to support their day to day needs – be it food security, medical support, educational opportunities, career opportunities, or even just access to capital.

So my extensive work over many, many years in investment and Development Finance forces me to ask: are we doing enough? Are we doing it right? And are we doing it fast enough to significantly shift the needle towards a more globally equitable playing field for all?

Reports suggest today that we need in the range of 3 trillion US dollars per annum to meet the SDGs by 2030. How do I reconcile a world where assets under management globally are well over 200 (some say 300) trillion US dollars – and yet according to the World Bank, in 2022 half of the global population was living below 7 US dollars per day?

What excites me today though – about Africa in particular, but also parts of East Asia, parts of Latin America – is that there seems to be a renewed sense of: we've got to do this on our own. We've just got to be accorded the tools.

We are not a hopeless population. We are a population that is actually very talented, very innovative, very creative, very engaged, and very concerned about solving the problems that we are living through. Because we realise now that nobody else can understand and therefore provide a solution to the everyday problems that we experience.

The CEO of a DFI I work with stated recently that finance and investment are not the panacea for solving the world's problems; but they certainly have to be part of the solution.

What I see now is a confluence: a willingness to engage in socially enabling and changing business models, and a capacity to receive that capital. That confluence of demand and supply happens very rarely in economic cycles.

A GLOBAL PROBLEM

We always think of these things as a problem of the South, not the North. But if we don't make the South liveable, all these people are going to migrate northwards. That's going to put pressure on the infrastructure, on the social structure of the Global North – and it is not designed to cope. This is a global problem, in a way that it's never been before.

So what are some of the things that we need to address?

First of all, we've got to accept that the demographics are what they are. And this demographic has to have a loud voice in the impact narrative. It has to

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Local entrepreneurs and food traders ply their wares at Makkala nguzu Market in Choma, capital of the Southern Province of Zambia, Dolika's home country

(Photo by Seiko Yamada on Unsplash)

[1] International Finance Corporation
[2] Development Finance Institution
[3] British International Investment

be part of the targets. It has got to be part of the measurement. As investors, we ignore them at our peril.

The second thing we've got to keep in mind is the impact of climate, and the action we are going to take as investors. How do we balance the immediate need with a longer-term solution?

Mitigation is needed, for the global good. But when we have a flood, when we have a tropical cycle, when we have a drought, what really changes the game, what really saves lives, is focusing equally (in terms of capital deployed) on adaptation and, particularly, resilience. We need a balance across the three.

INEXPLICABLE INEQUALITIES

The third component is what I like to call the inexplicable inequalities.

If I look at the website of some of our most successful global corporates, it is inexplicable to me that these institutions can be listed on the London or Toronto or Paris Stock Exchange, with market valuations in the billions of dollars today – and yet for the garment industry in Bangladesh, or the extractive industries in Zambia – if you look at the societies and the communities from which that value is extracted, there is a horrible discrepancy.

As investors, as global corporate boardrooms, as stock exchanges, we need to question: why this disparity?

I am sitting in the shoes of the least emitting constituencies globally. For example, mitigation requires that we completely stop coal. But what is traditionally termed the 'just transition' is actually not just.

Because what it says is: "I'm sitting here in London or Washington DC or New York, in a very industrialised country that manufactures whatever it wants. I will continue to emit; but I'm asking you, Zambia, not to do any more coal. And by the way, because you are such a low emitter, sell me your carbon credits – and allow me to continue to do what I'm doing on the back of your inability to develop your economy (because fossil fuels are probably the easiest and the cheapest way for you to develop your industry, which you need now because you've got a group of people just coming into economic empowerment)." So there is a dichotomy there.

There is a perception today that if you're in emerging markets, it's got to be double digits returns, 15-20% IRRs.

One drive I am very strongly supporting (and it's happening in one of the DFIs I work with) – is to really unbundle this concept that impact investing is more risky, or lower return. I don't believe that. But there is work for us to do in terms of redefining and unlearning our attitudes towards risk, through a combination of qualitative as well as quantitative data, empirical evidence and analysis.

The donor community spends a lot of money on non-returnable grants. They have an opportunity to take the lead in supporting the research, the analysis, and the gathering of metadata.

One issue is that the perceived risk is higher than the actual risk. But we do also have to find mechanisms and tools for demonstrating that the risk is not actually that high, by putting in de-risking tools: credit enhancements that give comfort to investors, that over time, you do not lose your money. And when you hit one that goes out of the ballpark, you do well.

THE CHANGE WE NEED

There is a lot of work that we need to do. This is not about the 'blame game' or 'naming and shaming'. It's about sharing where different priorities are for different members of our society.

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First, the corporate world has accepted the concept of inclusive and impact investing, and is willing to be held accountable for it. I think that our governments and political machinery have got to own this concept fully. And it has to be ingrained and embedded in all national strategic plans and bilateral negotiations.

The second (which is related to the first) is that our governments have got to work in partnership with impact investors. They've got to make it easy, encouraging, incentivising impact investors to come into our various countries. We give incentives to normal corporates, to mining companies, to investors, on taxes, and other things. We should do the same for impact investing. This is the lever that is going to move our economies into growth economies, supporting SMEs, helping women-owned businesses, youth-owned businesses, to become economic contributors and drivers of change in our countries.

The next point is about the funders and investors. Every website I go to of a major investor, in most of the countries on the African continent, has this beautiful narrative on inclusion, on gender, on social upliftment, on education, on climate. And yet when I see the commitment – X has committed a billion dollars to this particular country, this particular sector – and then look at the disbursement of those funds, there is a vast difference. A vast difference. If someone has committed $100m they have maybe disbursed £10m, if anything at all, because the disbursement process is so encumbered. So that's my plea to funders and investors: walk the talk.

Then in the corporate world, board-driven ownership is absolutely critical. It is the board that drives accountability. It is the board that drives incentives and delivery. So I think the role of the boardroom is extremely important. (This is something very personal to me: I'm involved now with a company that is looking at how we ensure that Boards own the whole concept of impact and inclusive investment.)

And then lastly: stock markets globally and locally are critical for accountability, measurement and transparency. I know the London Stock Exchange has done a lot work on transparency, inclusivity, gender and all this. I would love to see more of that.

CAUSE FOR HOPE

I am the ultimate optimist. When it comes to people, to issues that matter to the globe, I would rather say: "How can we do it?" Not: "Do we do it?"

This is an imperative. So you cannot shy away and say "I can't solve it, it's too big a problem." And if you're not part of the solution, then you're certainly part of the problem.

When I see a woman in Zambia who tells me she has started a climate friendly clothes manufacturing company... When I run into my nephew, and he says he's gone into waste management, collecting waste from high-density areas and converting it into energy... These things give me hope. And optimism. And also the drive to say: we can't stop now. We can't stop now.

"Our governments have got to work in partnership with impact investors... encouraging, incentivising impact investors to come into our countries"

Dolika is a Zambian national with extensive and deep global experience in banking, emerging markets development finance and climate resilience insurance. She currently serves on the boards of UK's British International Investment (BII), CARE USA and Harith General Partners, and is an Ambassador at the Global Steering Group for Impact Investment (GSG-II) and a Board member of the International Foundation for Valuing Impacts (IFVI). She is also a Founding Partner of Mondiale Impact, established in 2022, which brings together experienced leaders with a shared mission to accelerate the governance response needed to meet the urgency and scale of sustainability issues and opportunities confronting leaders, their organisations and society.

VISIONS 20/30

20/30 Visions is a series of interviews with global thought-leaders, exploring how we build a more sustainable and inclusive world in the next decade

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