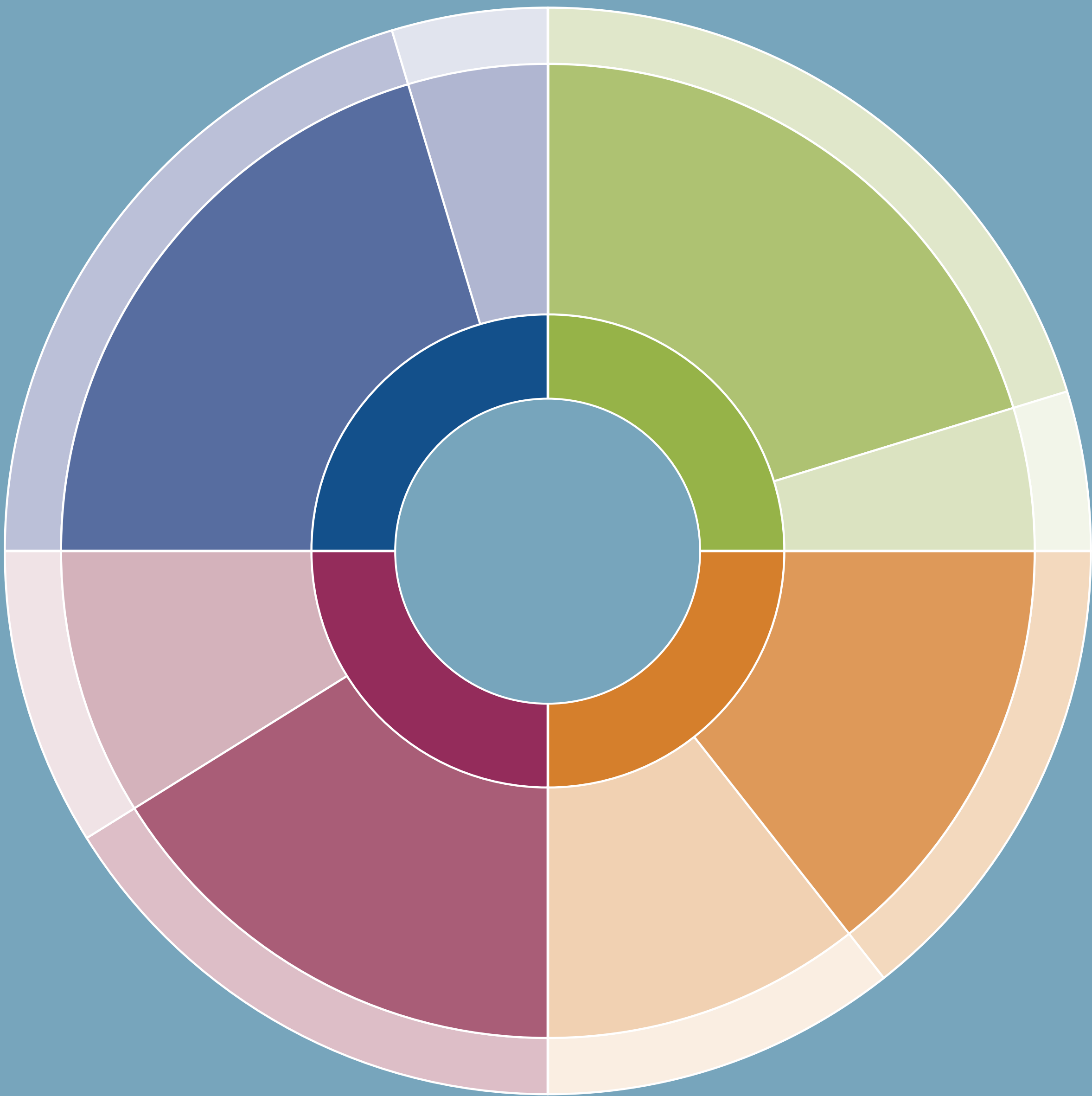
Advancing DFI Transparency



Executive summary

Publish What You Fund
The Global Campaign for Aid and Development Transparency

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This report is the culmination of two years of in-depth and collaborative research assessing the disclosure practices of the world's leading multilateral and bilateral Development Finance Institutions (DFIs). As this report explains, the research has demonstrated:

- The current lack of DFI transparency makes it difficult to see what DFIs are doing, what impact their investments are making, whether they are adhering to their accountability and environmental, social, and governance (ESG) responsibilities, and to what extent they are successfully crowding in the private sector.
- Enhanced transparency is necessary to understand whether DFIs are fulfilling their mandates including developmental impact, market building, and accountability.
- Claims of commercial confidentiality need to be challenged. While there are valid claims of sensitivity that preclude disclosure, much purportedly confidential information is found in the public domain. Investees have shown a willingness to disclose more information and we found examples where some DFIs are providing information that others claim is confidential.[1]
- DFIs are open to adopting a new harmonised approach to data disclosure to improve the availability, timeliness and comparability of investment and policy information. The DFI Transparency Tool can contribute to this approach.

In 2015, the World Bank Group announced it would help close the $2.5 trillion annual financing gap faced by developing economies by scaling up the blending public and private financing to mobilise private sector funding. The "billions to trillions" plan was seen as critical to meeting the sustainable development goals (SDGs), as the annual $135 billion in official development assistance (ODA) simply wasn't sufficient to meet global needs, especially in low-income and fragile states. This plan, whether realistic in terms of financing or framing, set up substantial expectations as to the magnitude of DFI's contributions with regard to meeting SDG goals.

This agenda has since run into serious obstacles. Despite infusions of new capital, the hoped-for mobilisation has not materialised.[2] Not only have private flows fallen, but new investments are going to less risky, middle-income countries instead of low-income ones.[3] Finally, any progress towards the SDGs has been halted or even reversed by the COVID-19 pandemic.[4] It has put a serious strain on all economies, especially those least developed economies, with significant impacts on jobs, health care systems, and vulnerable populations. Development needs have never been greater.

Measuring the real impact of DFIs is challenging, in large part due to the lack of transparency around development impact, financing terms, and results, especially at project level.

Robert Mosbacher Jr, Former President and CEO of the Overseas Private Investment Corporation (OPIC):

If we want to increase development impact, build new markets, improve accountability, and increase the ability to measure the value of DFI investments, we need systematic, project level disclosure that is timely and comparable.

1 https://www.publishwhatyoufund.org/download/dfi-private-sector-survey-results/
2 Attridge, Samantha. ODI. April 10 2019. "Blended finance in the poorest countries: the need for a better approach." https://odi.org/en/publications/blended-finance-in-the-poorest-countries-the-need-for-a-better-approach/
3 https://www.devex.com/news/new-report-casts-doubt-on-world-bank-billions-to-trillions-agenda-94678
4 https://www.unwomen.org/en/news/stories/2020/9/feature-covid-19-economic-impacts-on-women

The work of Publish What You Fund's [DFI Transparency Initiative] is intended to understand, at the most granular level, how the DFI business model works, the state of public disclosure of relevant information, and how transparency can assist in more effective and accountable investments. Using a collaborative approach, we researched five issue areas to establish levels of disclosure in over 200 types of information. We released a report for each issue area using an analysis of leading multilateral and bilateral DFIs that contain findings and recommendations for greater transparency. As detailed below and in the individual reports, the levels of transparency are low, especially at the project level:

- **Transparency of core information**. The disclosure of the basic information needed by stakeholders to know about DFI investments is relatively high, but reporting is often not systematic or disclosed in a comparable, accessible way.
- **Transparency of impact management**. The transparency of impact management by DFIs is low both in terms of transparency of process and results. Despite some sophisticated impact management systems, very little ex-ante or ex-post information is disclosed, making determinations about impact very challenging. Finally, there is little information about how impact attribution is determined, making it difficult to measure the contributions of DFIs to the SDGs.
- **Transparency of ESG and accountability to communities**. The disclosure of environmental and social (E&S) risks of investments at a global level and to project-affected communities is very mixed. DFIs, especially multilateral DFIs, often have transparent policies for disclosure and risk mitigation but the implementation practices fall far short. DFIs also have policy options for recourse, such as independent accountability mechanisms (IAMs) or grievance procedures, but there is little evidence of directly communicating those options to communities.
- **Transparency of financial information**. Disclosure of the financial structuring of an investment, including mobilisation, co-financing, and concessionality was low to almost non-existent. Even when disclosure occurred, it was neither systematic nor comprehensive. Finally, we found numerous DFIs claims of commercial confidentiality that were undermined by public disclosure elsewhere.
- **Transparency of financial intermediary investments**. DFIs increasingly invest in financial intermediaries (FIs) yet the transparency of these operations is low. Core information for FIs was generally available, although reported inconsistently. Disclosure of FI sub-investments was significantly lower than at the FI level and was limited to investments by private equity funds.

These findings underscore how difficult it is to measure the value of DFI investments. How can stakeholders – including shareholders – make informed decisions without the ability to measure development impact, mobilisation, and market building? How can responsible decisions be made about the risks to communities if that information is not accessible to project-affected communities and the organisations that advocate for them? Without more disclosure, how can we be sure that DFIs are crowding in the private sector, not crowding it out? Should public money continue to be invested in DFIs, especially if it comes at the expense of using scarce ODA? Finally, how do we ensure that only valid claims of commercial confidentiality are made, in light of the research that shows that information deemed confidential is often found in other public sources?

It is against this analysis that we have developed our [DFI Transparency Tool] to improve the systematic and timely disclosure of relevant information. The tool is designed to meet two functions:

- Provide detailed, granular guidance to DFIs on the information they should disclose
- Provide the framework for analysis by Publish What You Fund to measure DFI transparency that will result in an initial public pilot index in late 2022

As is our practice, we developed this tool based on the evidence from our research and in collaboration with the different stakeholders we have worked with throughout the duration of the project. Initial consultations with stakeholders demonstrate support, but not complete agreement, on our approach, while understanding that some of the information fields are ambitious and will require effort to meet. It is our hope that by providing the specific information fields that should be disclosed we can improve the transparency of DFIs by providing comparable, timely, and relevant information for use by a range of stakeholders.

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