Findings of Private Sector Survey

Prepared by Thomas Venon and Dave Portmann for Publish What You Fund

1. Introduction

An oft invoked explanation of the low levels of publicly available information pertaining to DFI investments is the commercial confidentiality necessary to protect investee businesses and intermediaries.

Publicly disclosing data ranging from impact metrics to the terms attached to financing provided would, the narrative goes, endanger the competitive position, regulatory compliance, or the ability of investee companies to operate.

DFIs and MDBs are at least in theory providing the businesses and intermediaries they support with funding not available from the private sector. It stands to reason that this constitutes a competitive advantage vis à vis those businesses not in receipt of public funding. Setting aside the regulatory aspects of the matter, additional transparency would need to cause a very significant threat to investee businesses to represent an unreasonable condition to the disbursement of scarce public resources.

An analysis focused on a discrete sample of DFI transactions was undertaken to assess the level of this threat. The sample covered transactions entered and disclosed by a leading European DFI in 2019, and accounting for over 80% of the total commitments made and disclosed for that year.

Publicly available data pertaining to these companies was analysed against fields defined in the context of Publish What You Fund's DFI Transparency Initiative.

Direct conversations were in addition held with a sub-sample of those recipients of DFI commitments where little or no information corresponding to these fields was available. These included representatives from financial institutions, infrastructure projects sponsors, and private equity general partners.

Our purpose was not to establish what DFIs, intermediaries or investees would prefer to do, or what they are currently set up to do. Our purpose was to establish what is possible.

Where investment information is already being disclosed through other channels, but not by DFIs, such commercial sensitivity concerns are moot and DFIs should provide such information.

The study was guided by the following assumptions:

- If material information is already systematically disclosed by investees or through other established channels, then DFIs should disclose it themselves.
- If one DFI can disclose information, then all DFIs can.
- If one investee within a category can disclose information, then all investees can.
- If one fund manager can disclose information, then all fund managers can.

Disclosure might well mean changes to current processes, additional costs, and changes to long establish contracting practices. These are constraints that can be readily addressed through technical assistance funding, investment in capacity, and collaboration with specialist legal, advisory, and research institutions.

DFIs, investees and intermediaries alike may of course still refuse to adopt a higher level of public disclosure, but this will then be a statement of principle, devoid of any conveniently technical justification.

2. Methodology

The private sector survey analysed 21 investments made by a leading European DFI in 2019. The investments represent over 80% of the total value of investments that the DFI made in the year. Investments are grouped into four typologies: banks and financial institutions, infrastructure investments, private equity funds, and private businesses. The table below gives further detail on the investments. Names of investments have been anonymised and investment sizes are given in ranges to protect the identity of interviewees.

Name	Type	Investment Size Range ($m)
Investee 1	Financial Institution	$150,000,000 - $200,000,000
Investee 2	Financial Institution	$150,000,000 - $200,000,000
Investee 3	Financial Institution	$50,000,000 - $100,000,000
Investee 4	Financial Institution	$25,000,000 - $50,000,000
Investee 5	Financial Institution	$25,000,000 - $50,000,000
Investee 6	Infrastructure Project	$50,000,000 - $100,000,000

Investee 7	Infrastructure Project	$25,000,000 - $50,000,000
Investee 8	Infrastructure Project	$25,000,000 - $50,000,000
Investee 9	Infrastructure Project	$25,000,000 - $50,000,000
Investee 10	Infrastructure Project	$25,000,000 - $50,000,000
Investee 11	Infrastructure Project	$25,000,000 - $50,000,000
Investee 12	Infrastructure Project	$25,000,000 - $50,000,000
Investee 13	Private Equity Fund	$50,000,000 - $100,000,000
Investee 14	Private Equity Fund	$25,000,000 - $50,000,000
Investee 15	Private Equity Fund	$25,000,000 - $50,000,000
Investee 16	Private Equity Fund	$25,000,000 - $50,000,000
Investee 17	Business	$25,000,000 - $50,000,000
Investee 18	Business	$25,000,000 - $50,000,000
Investee 19	Business	$25,000,000 - $50,000,000
Investee 20	Business	$25,000,000 - $50,000,000
Investee 21	Business	$25,000,000 - $50,000,000

The survey utilised desk research and interviews with management/owners of the investee companies and analysed the above investments in three ways:

1. Did the DFI disclose the relevant information about the investment?
2. Was the relevant information about the investment available in the public domain?
3. What were the perspectives of investees regarding the disclosure of relevant information?

3. Banks & Financial Institutions

Five out of the sample of 21 commitments selected for the purpose of this analysis were made to publicly listed financial institutions, and account for 43% of the total amount of these commitments.

A desktop survey of the information published by these entities enabled the research team to confirm that where investee companies were indeed publicly listed financial institutions, much of the information DFIs typically retain in the name of commercial confidentiality was in fact published by the investee.

Large financial services firms operate in some of the most aggressive competitive environments. The extensive information they make available, whether it be as a result of their regulatory obligations, public listing disclosure requirements, at the behest of their shareholders, or of their own volition clearly indicates that this information is in no way threatening their commercial viability.

DFI professionals often explain that a public listing prevents investee companies from disclosing additional, price sensitive information to DFIs, lest they become 'insiders'. This is indeed correct, but the reality is that public listing rules pertaining to information disclosure are designed to ensure that all market participants have access to the same information. Public disclosure of data can therefore by definition in no way constitute an infringement. By making any additional information they receive public, DFIs would as a result ensure that they cannot fall foul of these rules. This information might be released through channels prescribed by local market authorities, but that is a mere technicality.

3.1 Publicly Available Data

3.1.1 Shareholders and Beneficial Ownership

Public companies typically disclose at least their largest of their shareholders. The banks the DFI in this study invest in are no exceptions. This information is therefore already publicly available.

3.1.2 Impact and ESG

Three out of four of the financial institutions the DFI made commitments to in 2019 publish extensive impact and ESG reports. They do not report using the same framework, reflecting the lack of alignment on this front in the development finance sector. It can also be argued that they do not report all the appropriate data but given the amount of work and transparency already

afforded, it stands to reason that DFIs could use their influence to align the content of the reporting to their requirements, thereby effectively making such impact data public.

3.1.3 Financing

The largest investment made by DFI in 2019 was an equity investment into a Casablanca listed bank **(Investee 1)**. The terms of a public equity stake are self-explanatory, there is no concessionality, and the corresponding percentage stake is a matter of public record. Every other institutional shareholder is publicly identified by Investee 1 in its annual report.

The loan the DFI extended to **Investee 5** is part of a $162.5 million syndicated loan agreement arranged by another European DFI. Terms pertaining to all interest rate borrowings, including this facility, and including tenor, interest rate and repayment schedule are published in Investee 5's annual report. There is therefore no reason for the DFI not to make these public as long as the timing of such a publication is aligned with the publication of Investee5's annual report.

The Masala bonds issued by **Investee 3** are clearly identifiable, if not tagged as the DFI's in Investee 3's annual report, complete with tenor and interest rate.

Although identified on **Investee 4's** balance sheet, no information on the tenor or interest rate is publicly available. It is however worth noting that the Asian Development Bank has published the terms of its own loans to Investee 4, suggesting disclosure does not constitute an issue for the investee.

The lending package to **Investee 2** was broken down into a one-year trade loan and a risk participation agreement, both of which were extended and increased in response to the COVID crisis. Whilst the pricing of these instruments is not available, Investee 2 publishes extensive terms-related information on its borrowed funds program and there is no reason to expect they would be staunchly opposed to an additional line item pertaining to contextually small transactions.

Funding is a particularly sensitive component of any financial institution's business model and ability to compete, far more so than in any industry. The fact that financial institutions by and large can publish extensive details about the funding they receive from DFIs and still thrive makes a mockery of the idea that other types of businesses cannot.

3.1.4 Project Portfolios

Banks do not traditionally provide detailed information about who they lend to, no more than any ordinary business, listed or not, publishes the list of their clients. They are generally however under regulatory obligation to provide a detailed analysis of the risks they are exposed to. Whilst this typically does not incorporate the reputation risk DFIs and their owners are particularly sensitive to, such an analysis could conceivably be added to the existing reporting framework.

3.2 Interviews

Interviews conducted with senior executives at banks the DFI lends to yielded some important findings. There is generally, and as can be expected, a difference in the sensitivity of information pertaining to the relationship between the bank and the DFI and that of data linked to the relationship between the bank and its own clients.

Little time was spent discussing disclosure of the banks' own shareholders or of the terms of DFI funding since, as discussed above, this is often publicly available information.

It was however interesting to establish that where impact and ESG data linked to the bank's aggregate activity is concerned, there are no associated regulatory filing requirements from either the stock exchange or the central bank. This in turn means that such information is deemed as neither price sensitive by the stock exchange nor a particular concern for the institution in charge of maintaining a level playing field in banking. In addition, the conversations clearly indicated that ESG and impact data was not perceived as commercially sensitive by interviewees.

Interviewees confirmed that there was no objection to DFIs publishing information included in their own publications. In specific circumstances sensitivity can be linked to timing, but this concern was linked to 'insider' information which is addressed if the disclosure is public rather than to one specific entity.

DFI disclosure requirements were however clearly identified as a sometime unwanted burden. One interviewee pointed out that their bank's ability to exploit competitive behaviour between DFIs enables it to turn down funding from one or more DFIs should their disclosure be overly onerous.

This serves to highlight a failure in governance across DFIs and MDBs. The fact that public institutions of strategically aligned countries weaken their negotiating positions as a result of short-sighted competitive behaviour should be

investigated and resolved. Where a bilateral institution competes with a multilateral counterpart, it does in fact result in one government competing against itself.

There are however clear indications that banks are not particularly concerned about the disclosure of information linked to their transactions with DFIs.

The situation is more complex when information pertaining to individual loans extended by the bank to its clients using DFI funding is brought into the equation.

On that front, one of the interviewees volunteered that the bank would be prepared to provide the names of clients linked to DFI funding as well as high level loan-specific impact data.

Disclosure of loan specific financial and ESG data is however more problematic. The banks' clients are typically reluctant to consent to any information sharing, and disclosure agreements are identified as the toughest part of any negotiation.

Perhaps more systemically concerning are the consequences of banking consumer protection rules enforced by the regulator, typically the central bank of the relevant country. A frequent lack of alignment between these and DFI desiderata means banks are often made to choose between complying with local rules and fulfilling their obligations to DFIs.

It stands to reason that DFIs should take more time to incorporate local regulatory requirements regarding disclosure into their own reporting frameworks. Ignorance of these obligations will typically result in either unreasonable demands being made of financial institutions investees or these same investees being in a position to claim they cannot comply with disclosure requirements on the basis of a restrictive interpretation of local rules they enjoy asymmetry of information over.

This aspect of the question should form the subject of additional research, not least to investigate the potential existence of alignment in the growing disclosure requirements between local regulators and the development finance system of institutions, if not in fact at least in spirit.

4. Infrastructure Projects Sponsors

The DFI's seven surveyed commitments to infrastructure projects in 2019 account for 26% of total commitments made that year.

Information pertaining to commercial terms, ownership, co-financiers, and impact and ESG assessment and performance is available from a variety of sources for each of these investments. Such public sources include national energy regulators, subscription-based data providers, and other DFIs.

The presence in the public domain of this information once again shines a light on the non-systematic disclosure of publicly available material transaction information on the part of DFIs.

4.1 Publicly Available Data

4.1.1 Shareholders and Beneficial Ownership

Little to no detail on the owners of energy project investees is provided by the DFI, or by most bilateral DFIs. This information appears in most instances to be available through desktop research, not least because it is required to be disclosed through different countries' power purchase agreements processes.

Investee 8 constitutes a special and fully transparent situation, and is a fully owned subsidiary of the DFI.

As a clear precedent that should be followed by all DFIs, the IFC specifically discloses the project
sponsor and major shareholders of the project company for all of their investments.

4.1.2 Impact and ESG

Full environmental and social impact assessment (ESIA) reports are available for three projects.

EIA and environmental management reports are available for the **Investee 7** project on the website of the AfDB, who are a lender to the project alongside the DFI. The IFC also discloses extensive impact and ESG information pertaining to this project on its website.

Similarly, DFC (formerly OPIC), a co-investor in the **Investee 6** project discloses the project's ESIA on its website. This document along with updated versions as well as environment and social management system (ESMS) reports are in fact also readily available on the project's own website.

For the **Investee 9** project, the DFI majority owned sponsor of the project discloses detailed sustainability reports for the project. In addition, a full EIA for

the project is available on the website of the Kenyan National Environmental Management Authority.

The reports described above contain detailed and material information and are already in the public domain, often via multiple channels. That such reports are not systematically disclosed by the DFI and other DFIs would therefore appear not to be for reasons of commercial sensitivity.

Where such reports do not exist in the public domain, such as in the case of the three wind projects in Pakistan which notably do not have DFI co-investors, a strong case could be made on the basis of international precedent that the project ESIAs and other related reports should be disclosed on DFI websites.

4.1.3 Financing

Information on the financing of projects provides another interesting example of the various channels through which purportedly sensitive data finds its way into the public domain.

In the example of the **Investee 10**, **Investee 11**, and **Investee 12** projects in Pakistan, specific details regarding the terms of the DFI's debt financing (Libor + 4.25% over 13 years for all three) are published as a matter regulatory requirement by the National Electric Power Regulatory Authority (NEPRA). The same information is also contained in a credit rating report for Investee 10 that is available online.

Coverage of the Investee 7 project on the part of IJ Global and other project finance journals is typical of what one finds behind the paywalls of data aggregators. Here the terms of the Investee 7 debt are revealed as between Libor + 3.30% and +3.90% over 18 years. This information is systematically disclosed in this and similar journals for most major DFI-funded projects.

The DFI, in a joint press release, reveals that the tenor of its debt in the Investee 9 transaction is 16 years. This information however is not disclosed on the DFI's website's description of the deal.

The extent to which financing information on energy projects is already available to those with the wherewithal to find it and/or pay for it draws a sharp focus on why DFIs tend not to provide such data in an easily accessible manner, if at all.

4.2 Interviews

Interviews conducted with representatives from project sponsors Investee 8 and Investee 9 confirmed that there is little or no basis for the lack of transparency

where project finance is concerned. Both interviewees were adamant that impact and ESG reporting is not commercially sensitive in nature.

One interviewee pointed out that PIDG already publishes all ESG and impact reporting data pertaining to the projects its multiple entities help finance. In the context of our methodology, and given that PIDG entities do, particularly on the African continent, participate in a significant proportion of infrastructure projects, this puts paid to the idea that it is not possible for other DFIs to do so.

Conversations also confirmed that the publication of ESIAs should be common practice amongst DFIs. The specificity of the infrastructure sector is a close entanglement with the public sphere, and public access to information is the norm in many jurisdictions where public-private partnerships (PPPs) are concerned. There is therefore little in the way of a ‘cost of transparency’ given most relevant documents are publicly available already.

Two important caveats were however highlighted. Given the long investment horizons associated with infrastructure project finance, the accuracy of ex-ante impact data is inherently limited. It can be equally challenging to provide meaningful intermediary impact reporting. And on a related theme a concern was expressed relating to the potential for “impact washing” where too many metrics are disclosed in an effort to meet the ever-increasing reporting requirements of DFIs. A greater focus on the materiality of impact metrics would both relieve the burden on operators and improve the efficacy of the reporting.

Generally speaking, a consensus emerged regarding the essential need for an accepted and universally implemented standardised approach to impact and ESG reporting in the sector. Frustration was expressed at the enduring lack of inter-DFI coordination.

The relative lack of transparency surrounding financial terms is more difficult to explain but was linked to the potential political embarrassment that might ensue. Instances of failure to adhere to the principle of transparent bidding processes when exiting investment, or the transfer of value to the private sector built into specific blended finance models were cited as some of the controversial issues that some may wish to remain hidden from the public gaze.

The issuance of technical assistance (TA) funding alongside investment was highlighted as a complicating factor. It was explained that EAIF blends the provision of TA into its terms which allows it to charge high enough rates on its loans to satisfy it private capital funders.

Individuals interviewed did however make strong statements of commitment to the principle of full transparency on the use of public funds, and it appears that institutional rigidity is to blame the enduring gaps in its enforcement.

5. Private Equity Funds

The private equity industry is renowned for its nigh-complete absence of transparency. Its awkward encounter with public funding through the activities of DFIs is an area where demands for transparency emerge.

Although it is probably fair to say that information sharing practices are better within the DFI sphere than elsewhere in the private equity realm, it is also necessary to point out that transparency concessions made by general partners (GPs) are minimal. A study recently published by the Wharton Social Impact Initiative and Eighteen East Capital highlights that contractual practices between DFIs and private equity funds not only perpetuate the opacity of limited partnership (LP) funds, but that the 'culture clash' between the two spheres has resulted in inflated costs that are primarily borne by the taxpayer.

It is however obvious to all concerned that the balance of negotiating power leans firmly toward the DFIs, and that should they one day decide to make use of their advantage, GPs will comply with their transparency requirements.

5.1 Publicly Available Data

5.1.1 Shareholders and Beneficial Ownership

There is little in the way of explicit information on the ownership of general partners made available to the public by either the GPs or the DFIs. The GP/LP model does however mitigate this to an extent as individuals listed as partners generally collectively have a direct claim on the fees levied by the GP.

The private equity's addiction to multi-layered structures and tax havens does however often severely curtail the ability to accurately establish beneficiary ownership of the entities in receipt of significant fees from the public purse. Thankfully regulators do introduce a much-needed source of light into the darkness.

The FCA register lists those individuals listed as partners of **Investee 13**, the GP for a fund the DFI invested in.

Investee 16, one of the funds the DFI invests through, publishes on its website a number of governance documents linked to its Brazilian entity because "[Investee 16] Brasil is subject to local regulation by the Brazilian Securities Commission ("CVM"). CVM regulations require that [Investee 16] Brasil publish in Portuguese its Fund Management Policies and its Reference Form on its website." The reference form in particular identifies the partners, one of which is Investee 16 LLC of the United States. Investee 16 LLC is SEC regulated, and its

Form ADV filing allows us to identify its owners, including six individuals owning between 10 and 25%.

Investee 14 does clearly indicate that one individual is its largest shareholder alongside two founders. Their respective percentages are however not disclosed.

Although its partners are based in Barcelona, **Investee 15** is registered in Malta and regulated by the MFSA. If at some stage the MFSA's financial register is brought back online, it should contain publicly available information about its ownership.

While not disclosed by the DFI, ownership information can generally be sourced, if not without effort, and it can therefore not be retained on a technical basis since it is already public.

5.1.2 Impact and ESG

The publicly available impact reporting of the sample of private equity funds relevant to this study paints a diverse picture.

Investee 15 has been publishing an annual sustainability report since 2017, providing impact KPIs and SDG alignment information for individual portfolio companies across its two active funds. There is no pretence that this is anything but an effort to showcase positive impact across the board, but it does at least enable the reader to understand the rationale for DFI support. Some KPIs common to a subset of portfolio companies include the number of years they have been in operation, which seems hard to link to either Investee 15's necessarily more recent involvement or DFI support, or the number of branches. Neither is an obvious impact indicator.

Investee 14 published its ESMS manual as well as its UNPRI assessment, its remuneration policy, and an adverse impact statement. It is worth noting that only their more recent fund II which closed in 2019 is significantly funded by DFIs, and that their fund I cannot be held to the same level of transparency given its purely private sources of capital.

DPI's website says a lot about their approach to impact and ESG but contains no reports.

5.1.3 Financing

Information about the majority of the LP base of DFI-backed private equity funds is widely available if only because DFIs make up the bulk of that base. Reverse-

engineering the approximate stake of individual DFIs in each individual fund is equally straight forward.

5.1.4 Portfolio Companies

All four private equity funds reviewed for the purpose of this study provide a list of their portfolio companies on their website. These are not always up to date or split by fund, but it clearly demonstrates that the information is not commercially sensitive. The DFI in turn provides this information through its portal but is not typically emulated in this regard by fellow DFIs.

However, no information is readily available on the amounts the funds invest in these businesses, and that information is therefore not available at the DFI level.

5.2 Interviews

Private equity general partners take transparency very seriously. Interviews were therefore exercises in caution. Investee 16 initially agreed to a conversation but quickly started mentioning the need to consult with their compliance department before withdrawing from the process. Investee 13 never responded to requests for comment.

Investee 14 directly agreed to engage and ensured that its founder and managing partner attend the conversation. Investee 15 was also forthcoming, and both conversations were of an open and constructive nature.

Interestingly one of the interviewees volunteered that they had no specific reporting requirements from the DFI in question. Even given the fact that a large majority of their assets come from DFIs, this is somewhat surprising.

The same group confirmed that none of their impact, sustainability or ESG reporting was commercially sensitive, and there therefore was no obstacle to public disclosure.

A clear, and in many ways obvious point concluded this conversation. Private equity fund managers understand that the DFIs are their clients, not the other way around. Where they source the lion share of their assets under management from DFIs, they confirmed that they would eventually accede to any reporting or disclosure demands DFIs might make of them. It might take time and resources, but as one respondent plainly stated it, “We will adapt”.

One team of interviewees offered a more strategic vision of transparency. If, they said, the strategic objective of development finance is to mobilise private capital at scale, then any disclosure policy must be informed by both public sector

requirements and what the private capital being mobilised requires and can accommodate.

They explained that it was not necessarily the case that private investors have lower transparency thresholds than their public sector DFI counterparts, and that in many extra-financial areas, they are in fact ahead of the standards used by development finance actors.

In addition to once again insisting on the need for the harmonisation of reporting requirements, the point was made that frameworks could therefore be sourced from the private sector.

It was clearly stated that fund level aggregated impact and ESG data was readily available to DFIs and could be shared with the public. This could incorporate an anonymised synthesis of the initial, independent ESG and impact audits, action plans and associated ex-post reporting made available to the DFIs for each investment.

Equally, the full investor list at the fund level should be disclosed, and in particular the percentage of private sector investors should be clearly stated. A senior member of the team noted that if a fourth round fund still has a high component of DFI capital, there is clearly a problem. They also agreed that any concessionality should be disclosed.

Arguments were however deployed to explain why underlying portfolio company level information should remain private.

If for example a GP has identified an ESG weakness at a portfolio company, it will put in place an enforceable remedial plan. Making a weakness that will be addressed public would risk exposing the portfolio company to the actions of bad actors, which would be counter-productive to the DFI and the fund's impact rationale for investing in the company. The benefit of disclosure for the wider public would be according to them outweighed by the lower level of impact delivered to the taxpayer as a result of this adverse effect of transparency.

When discussions were held around disclosing the value of their investments in individual companies, there was in contrast strong reluctance on the part of GPs. Their valuation of individual assets is seen as commercially sensitive, and they clearly would prefer not to allow competitors to reverse engineer their methodology and key inputs. It is in particular contrary to the private equity process to allow the eventual buyers of the businesses the funds wish to exit transparent access to the price the fund paid for them in the first place.

This once again confirms that there is no doubt that DFIs and MDBs can both gain access to data and obtain authorisation to disclose data pertaining to the intermediated private equity (and debt) investments they make. There might be

reasons why they decide not to do so, but the lack of transparency cannot be blamed on general partners who already provide a wealth information and whose instinctive reluctance to share would in many cases quickly succumb to commercial imperatives.

6. Direct Investments

Direct investments into private businesses generally produce only limited public information. This is due to an absence of significant disclosure requirements on the part of regulators and a consequential culture of privacy generally embraced by all stakeholders. In assessing the direct investments made by the DFI in 2019 it is clear that (a) they generally invested pari passu with prominent commercial investors, and (b) their presence in a transaction has not noticeably increased the availability of information relating to the deals.

It may be that, unlike their presence in development-focussed private equity funds, the DFI is not in a position of significant leverage over their investees. This poses the question of whether their investments in these businesses are indeed a sound use of public funds. On the ESG and impact reporting front, it also points to the fact that these are sizeable and well-funded businesses who should have the resources to undertake appropriate reporting.

6.1 Publicly Available Data

6.1.1 Shareholders and Beneficial Ownership

Most of the direct investments were made into private businesses and formally required disclosures of ownership are therefore few and far between. However, a review of available information, including public statements by the companies does provide a reasonable level of insight into ownership structures.

Investee 17 is 100% owned by the TPG Rise fund, which has a famously wide limited partners base and is managed by TPG. The SEC discloses information on the ownership of the TPG Rise fund.

Investee 18 and **Investee 19** are both private businesses in India. It is possible to identify the majority owner of the former, and two leading shareholders of the latter.

The DFI's investment in **Investee 20** was made into the privately owned holding company which appears to be majority owned by the founding family with alongside minority shareholders. Its operating subsidiary trades on the BSE.

Desktop research revealed nothing concrete regarding the ownership of **Investee 21**, which is a UAE domiciled holding company for private businesses in Bangladesh.

6.1.2 Impact and ESG

None of the direct investees have published or otherwise disclosed any material ESG or impact information. Given the size of these businesses – most of which appear to have received external funding in excess of USD 100 million – there is no resource constraint argument as to why they cannot produce ESG and impact information. It should be expected that the DFI would require such reporting. Moreover, and as previously articulated, given that such disclosures would not be commercially sensitive the DFI should be in a position to disclose such reporting publicly.

6.1.3 Financing

In all six instances the DFI discloses the size and instrument of its investments but not the terms or pricing.

Where the DFI invested debt there appears to be no information available on the terms, as is typical of loans to private businesses. In each of the three instances that the DFI invested equity it is possible to piece together their shareholding and therefore valuation from public information. For example, their investment into Investee 19 bought the DFI an additional 2.78% of the shareholding taking their total up to 9.81%, and their investment into Investee 18 was for a 3.54% stake.

6.2 Interviews

No interviews could to date be conducted with the recipient of direct equity investments. A conversation was held with the founder and CEO of Investee 19, who declined to participate in this study, citing no reason. Direct equity remains a small area of activity for DFIs, and there seems to exist no culture of transparency on the part of the beneficiary businesses.

7. Conclusion

The combination of the analysis of the publicly available data pertaining to commitments made by the DFI over the sample period and of the interviews conducted with a panel of investees does confirm that a clear case can be made for DFIs adopting a higher standard of public disclosure across a range of data points without creating negative commercial outcomes for the businesses and intermediaries they support.

Much of this ‘transparency delta’ is systemically accounted for by existing regulatory reporting requirements, particularly where banks and infrastructure finance are concerned. More yet is associated with material differences in the level of disclosure at different DFIs, the availability of data on one investment from one DFI exposing the less than genuine grounds for opacity put forward by another on the very same investment.

Increasingly, dynamics at play across the global economy mean that businesses in general and DFI investees in particular are incentivised to report on their impact and on their adherence to ESG standards.

There is therefore a real irony to the observation that in many respects, DFI reporting risks falling behind private sector standards, whether they be voluntary or motivated by regulatory frameworks.

It is however important to approach further public disclosure requirements with the ultimate objective of development finance in mind, and to carefully weigh the public benefits of transparency against the very real negative developmental outcomes that may result from exposing businesses to unvetted scrutiny in a world where new media outlets have rendered verification impractical.

The fact that most information is either already available or could be made available by DFIs should not distract us from the fact that what is important is the quality, relevance, and usability of the information.

In this regard it is therefore crucial to incorporate feedback from DFI investees into our thinking. To enhance the value of DFI public disclosure while concurrently reducing their cost to investees and therefore to development, reporting requirements should be harmonised both across DFIs but also against existing local regulatory frameworks and market standards.

Any indicator, our interviewees said, should be associated with a prescribed calculation methodology lest the resulting data be meaningless.

The need for granularity largely stems from the poor quality and low consistency of the aggregated data provided by DFIs as a whole. Standardisation and quality control are capable of delivering both higher real transparency levels for civil

society and potential investors and of reducing the current burden of reporting for DFI investees.