DFI Transparency Initiative

Driving transparency for better development results

FINANCIAL INTERMEDIARIES

Workstream 5 Working Paper

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Publish What You Fund

The Global Campaign for Aid Transparency

#DFITransparency

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Publish What You Fund is the global campaign for aid and development transparency. Launched in 2008, we envisage a world where aid and development information is transparent, available and used for effective decision-making, public accountability and lasting change for all citizens.

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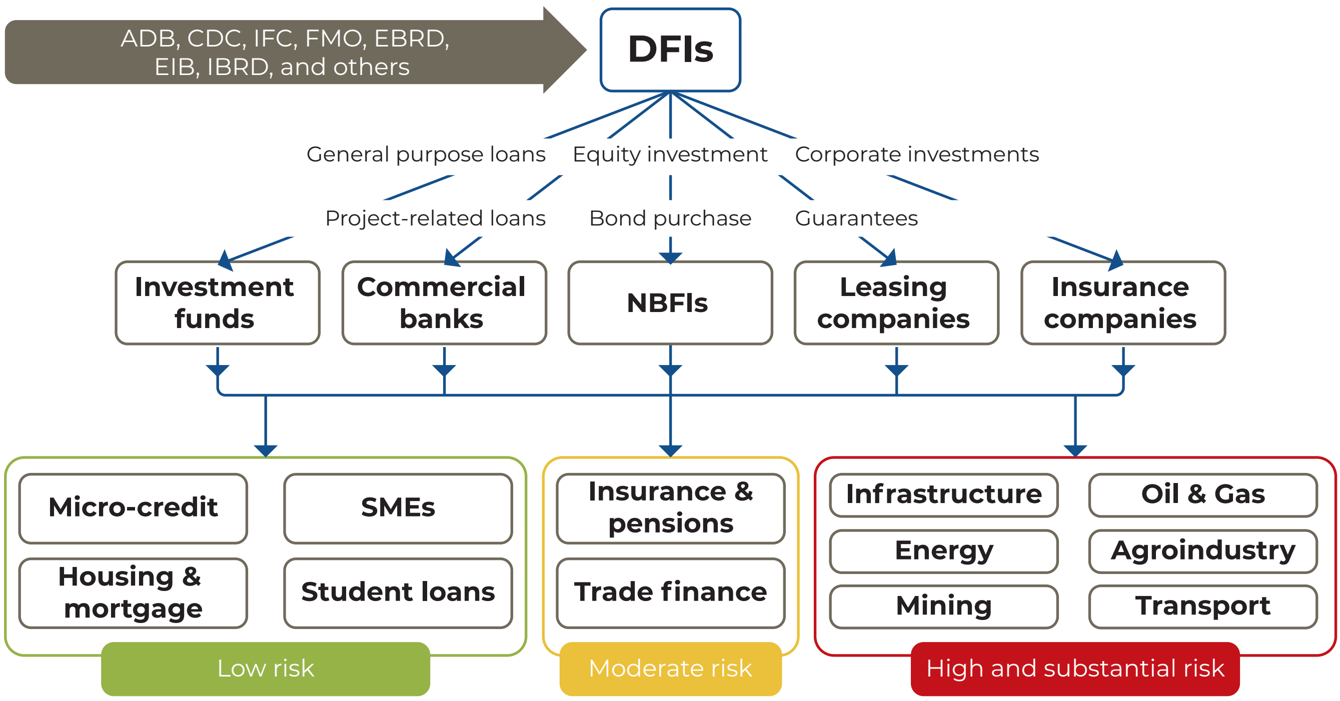
Introduction

Lending to, or investing in, financial intermediaries (FIs)[1] has become an increasingly important aspect of development finance institution (DFI) activity in recent years. However, a lack of transparency means that it is unclear where a great deal of this development finance ends up, the development impacts that it has, and the environment and social risks that it holds for project affected communities.
This report assesses the current state of transparency in DFI FI investments, argues that there are opportunities to improve transparency, and highlights instances where data disclosure indicate a path towards improvement.[2]

OVERVIEW OF DFI FI LENDING

DFIs invest in FIs in a wide range of ways which have expanded and become more complex over time. Early FI investments were typically in the form of loans provided for project financing and targeted sector loans. However, the sector has witnessed an increase in novel financing forms including bond participations and underwriting, corporate loans, and guarantees or insurance.



Source: Oxfam. The risk levels shown in the graphic above relate to environmental, social and governance (ESG) risk of different types of FI investments. This does not include other forms of risk such as financial risks.[3]

1 For the purposes of this report, we have included all types of institutions in which DFIs invest that offer onward financial services as financial intermediaries. These include, but are not limited to: banks, private equity funds, insurance companies and microfinance institutions.
2 Our previous four workstreams have studied the transparency of direct investments made by DFIs.
3 https://oxfamilibrary.openrepository.com/bitstream/handle/10546/620559/bp-financial-institutions-disclosure-161018-en.pdf

Investments in FIs by DFIs have increased dramatically in recent years. Research conducted by Oxfam in 2018 indicated that FI investments represented 55.4% of the International Finance Corporation's (IFC) total investment portfolio and 52% of CDC's portfolio, while also representing significant portions of portfolios of the European Investment Bank (EIB) (45%) and FMO (30%).[4] For this report we conducted an analysis of DFC's 2020 activity and found even greater levels of exposure. In 2020 DFC approved 84 projects with a total value of approximately $4.8bn. Of these projects, 45 can be classified as FIs totalling approximately $3.1bn.[5] As such, FI operations represented approximately 53.5% of total projects and 64.9% of total approved financing for DFC. The size of approved FI investments ranges from approximately $3m to $400m, with an average deal size of $68.9m.[6]

DFIs invest in FIs for a number of reasons. First, FIs have several characteristics – such as in-country knowledge and staff – which enable them to make smaller investments than those that are feasible as direct investments by DFIs. This is to be welcomed: a lack of available, affordable finance is a persistent problem in developing economies. The IFC estimate that there are 56.2m financially constrained microenterprises and 19m financially constrained small and medium enterprises (SMEs) in developing economies.[7] This is particularly problematic given the central role that micro, small and medium enterprises (MSMEs) play in developing economies, where they represent up to 40% of GDP and create seven in 10 new jobs.[8] Similarly, many developing countries are affected by an "equity financing gap" in which there are a lack of investors to make equity investments which form an important part of the growth strategies of many companies.[9] In this context, the emergence of private equity funds focused on developing economies, and the central role that DFIs have in financing them, is an important development.

Despite the important role that DFI FI investments play, they can be controversial. There are many examples of FI investments that have had harmful consequences. Such instances are well documented by the work of other civil society organisations (CSOs) and accountability organisations.[10] A small sample of these problems are profiled in Box 1, below. Of particular importance to this report is the role that transparency, or the lack thereof, plays in mitigation or amplification of the risks associated in DFI FI lending. Central to this is the need for project affected communities to know that DFIs have financed projects that impact them. If communities are unaware of the role of DFIs it is impossible for them to hold the DFI to account and to seek redress in instances of harm.

Furthermore, DFI FI financing occurs in a context of constrained development finance resources. A lack of transparency means that it is virtually impossible to understand the development impacts of these investments. If we can't understand the impacts of FI investments, it becomes difficult to understand their benefits relative to the opportunity cost of direct financing or other forms of development finance. Especially when DFI financing is based on public money, and in some instances overseas development assistance (ODA), this situation is unacceptable.

4 https://oxfamilibrary.openrepository.com/bitstream/handle/10546/620559/bp-financial-institutions-disclosure-161018-en.pdf
5 Communication with DFC indicated that as an institution DFC do not consider all of their financial institutions to be financial intermediaries. However, for the purpose of this analysis and report we have treated the two terms as synonymous.
6 These figures are derived from an analysis of DFC's project disclosure via their Active Projects Database https://www.dfc.gov/our-impact/all-active-projects
7 https://www.ifc.org/wps/wcm/connect/03522e90-a13d-4a02-87cd-9ee9a297b311/121264-WP-PUBLIC-MSMEReportFINAL.pdf?MOD=AJPERES&CVID=m5SwAQA
8 https://www.worldbank.org/en/topic/smefinance
9 https://openknowledge.worldbank.org/bitstream/handle/10986/17714/WPS6827.pdf?sequence=5&isAllowed=y
10 See for example, https://www.inclusivedevelopment.net/cases/philippines-climate-change-and-ifc-lending/ and https://www.inclusivedevelopment.net/wp-content/uploads/2020/01/outsourcing-developmnet-introduction.pdf

BOX 1: The Risks Associated with DFI FI Investments

As detailed in our Work Stream Three report, DFIs have developed, and continue to develop, safeguards that seek to minimise the harm caused by their direct investments. These include environmental and social (E&S) standards alongside complete bans on certain types of investments such as those in the fossil fuel sectors. However, despite welcome initiatives such as IFC's Green Equity Approach, DFI FI investments have continued to be problematic.

As one of the pioneers and largest FI investors, IFC has received arguably the majority of attention when it comes to harmful effects of their FI investments. For example, Inclusive Development International have drawn attention to IFC's $49 million equity investment in Rizal Commercial Banking Corporation who have since financed 19 new coal fired power plants in the Philippines.[11] It should be noted that IFC has recently launched a Green Equity Approach that aims to support FI clients in phasing out exposure to coal projects by 2030.[12] However, the initiative has had a rocky start as one of its first clients, Hana Indonesia, has invested in a new coal power station.[13]

The EIB have faced criticism for their private equity fund investments in Africa. In addition to a lack of transparency regarding the sub-investments of EIB's FI investments, Counter Balance have raised concerns about the financial due diligence processes and development impacts of the investments. Concerns raised include the predominance of tax havens as domiciles for private equity funds, questions of corruption in client Intercontinental Bank, Nigeria, and lending to FIs with connections to politically exposed persons (PEPs).[14]

Multilateral DFIs are not the only institutions who have faced criticism for their FI activity. CDC Group's FI investments have been identified as having links to fossil fuels. Analysis by Cafod suggests CDC have invested $146 million in fossil fuels via managed funds and $825 million to banks that invest in fossil fuels.[15] Meanwhile, although FMO have recently introduced a policy that excludes new investments in coal and oil projects, FIs were not included in the policy leaving an effective loophole that permits continued fossil fuel investment.[16]

KEY FINDINGS

This report includes the following key findings:

- Disclosure of DFI FI investments is low both at the level of the FI itself and at the level of the FI's sub-investments. Moreover, differences between the two levels are stark: while transparency is limited at the level of the FI, it is exceedingly uncommon and limited at the level of sub-investments. Given these disparities, the findings are divided according to the level of investment, followed by a number of general research findings.

FI level:

- While FI level basic project information is relatively well disclosed, it remains inconsistent both within and between DFIs. However, we found instances of disclosure of almost every data field we assessed which indicates the potential for improvement.

11 https://www.inclusivedevelopment.net/wp-content/uploads/2017/03/Outsourcing-Development-Part-3-1.pdf
12 https://www.ifc.org/wps/wcm/connect/05541643-0001-467d-883c-5d7a127ffd57/IFC+Greening+Report+Sept+2020.pdf?MOD=AJPERES&CVID=nisvaOC&ContentCache=NONE&CACHE=NONE
13 https://www.climatechangenews.com/2020/10/22/world-bank-branch-indirectly-backs-coal-megaproject-despite-green-pledge/
14 https://counter-balance.org/uploads/files/Reports/Flagship-Reports-Files/2010-Hit-and-run-development.pdf
15 https://cafod.org.uk/content/download/53340/746955/version/1/file/CDC%20energy%20investments%20briefing%20final%20130920.pdf
16 https://www.bothends.org/en/Whats-new/News/Welcoming-step-of-FMO-to-phase-out-fossil-fuels-from-their-direct-investments/

- Impact data is almost completely absent. We found minimal evidence of the disclosure of development indicators, limited ex-ante disclosure, and no ex-post disclosure.
- Disclosure of environmental and social (E&S) risks and accountability mechanisms is also poor. While some data fields such as risk categorisation were disclosed at a similar rate to direct investment, further information was typically limited to short descriptions of E&S safeguard procedures. Supporting documentation was almost always absent.
- Beyond general activity data fields, financing details were poorly disclosed, with limited information regarding co-financing, mobilisation and concessionality. Investment instrument specific disclosure was also limited.

Sub-investment level:

- The disclosure of FI sub-investments was limited to disclosure of the investments made by private equity funds. We found no examples of bank sub-investment disclosure.
- Of these sub-investments, all but one was from three DFIs: CDC, Norfund and IFC. In each of these cases, data was extremely limited.
- The other example, from Asian Development Bank (AsDB), included more substantial information, and potentially marks new best practice in the industry.

General research findings:

- We identified numerous examples of the disclosure of data that we were seeking via sources other than the DFI. These included disclosure behind paywalls, disclosure by other institutions such as the Green Climate Fund, and direct disclosure by FIs including private equity funds and banks.
- The Equator Principles offer an example of financial sector disclosure that can inform efforts to improve DFI FI disclosure.[17] While imperfect, it demonstrates that both project identification and stakeholder engagement can be performed within the sector.
- National banking privacy regulations undeniably form a barrier to improving transparency. However, these can be partly addressed by financial institutions seeking consent to disclose from their clients.

STRUCTURE OF REPORT

The rest of the report is structured as follows: section 2 offers a brief methodology of our research, outlining the use of a landscape analysis of existing transparency levels complemented with interviews and secondary research; section 3 presents the findings of our landscape analysis, demonstrating the current inadequacies in disclosure of DFI FI investments; and section 4 discusses the findings in the context of our further research.

17 https://equator-principles.com/

Methodology

This section of the paper explains how we constructed our framework of analysis and conducted our research.

LANDSCAPE ANALYSIS

The landscape analysis of the transparency of DFI FI financing was informed by a systematic review of published FI investment data by bilateral and multilateral DFIs. As shown in Table 1, we selected a sample of 17 bilateral and multilateral DFIs. Our analysis focuses exclusively on the non-sovereign operations of DFIs. Therefore, DFIs with exclusively sovereign portfolios are excluded. Similarly, for multilateral DFIs with both sovereign and non-sovereign operations, only the non-sovereign operations are in scope. Of the eight bilateral DFIs included, all but one support non-sovereign lending only.[18] No bilateral DFIs with exclusively sovereign portfolios were included.

TABLE 1: DFIs selected for landscape analysis

Bilateral DFIs (non-sovereign)	Bilateral DFIs (non-sovereign and sovereign)	Multilateral DFIs (non-sovereign)	Multilateral DFIs (sovereign and non-sovereign)
CDC Group (UK)	DBSA (South Africa)	International Finance Corporation (IFC)	African Development Bank (AfDB)
DEG (Germany)		IDB Invest	Asian Development Bank (AsDB)
DFC (USA)		Islamic Cooperation for the Development of the Private Sector (ICD)	Asian Infrastructure Investment Bank (AIIB)
FMO (Netherlands)			Development Bank of Latin America (CAF)
Norfund (Norway)			European Bank for Reconstruction and Development (EBRD)
Proparco (France)			European Investment Bank (EIB)
Swedfund (Sweden)			

18 Of the bilaterals, all but DBSA finance private sector operations exclusively, although they do not separate out their operations on their website. The multilateral development banks are more evenly divided.

We conducted the landscape analysis by surveying available materials on the selected DFI websites. The range and depth of materials varied according to the disclosure practices of the individual DFIs. Materials surveyed included:

Organisational level

- Access to information and disclosure policies;
- Annual reports;
- E&S safeguard documents.

Project specific

- Project databases – when available we examined the project databases to survey individual investment data;
- Project data sheets of individual investments;
- Project-specific documents including E&S reports and project appraisals.

We used a purposive sampling technique to identify FI investments for analysis. To enable us to capture the disclosure of sub-investments we targeted FI investments that were approved in 2017. In cases where there were not sufficient investments in 2017, we expanded the sample to cover 2016 to 2018. We then selected at random five private equity fund investments and five bank investments from the available investments. However, for some DFIs it was not possible to include the full 10 investments. Our final sample therefore included 137 FI investments.

Disclosure was assessed according to a “traffic light” system where aspects of transparency are marked green, orange and red. Where transparency has been marked as green it represents that disclosure was found for all of the investments within the sample for a given DFI. Orange represents that disclosure was found in some, but not all, cases. Red represents no disclosure found across the sample.

METHODOLOGICAL CONSIDERATIONS

The primary purpose of the landscape analysis is to understand how DFIs approach and disclose details of their FI investments. The landscape analysis was not designed to cover every transaction, but rather a sufficient number to provide a detailed snapshot of current disclosure patterns and support recommendations on the transparency of FI financing.

Measures that we are taking to ensure that the reported findings are accurate include:

- Providing segmented sections of the landscape analysis to the relevant DFIs for fact checking. This is an ongoing process and feedback will be integrated into the analysis on an ongoing basis.

- Cross-checking data sources where multiple sources of information exist.

A key consideration in completing the landscape analysis alongside interviews was what the threshold should be in assessing levels of transparency and determining a ranking (red, orange or green) for each category in the relevant tables. In some instances, we learned further details about the disclosure of investment details via interviews or private communication with technical staff. We used this information to inform the broader research, but it was excluded from the landscape analysis unless we could confirm it on one or more of the publicly available data sources outlined above. This approach reflects our view that information should be readily available to the public.

Results

This section of the paper presents the results of our landscape analysis of DFI FI disclosure. As discussed in our methodology, we assessed the disclosure practices of DFIs for private equity funds and banks at the level of the financial intermediary and the sub-investment.

GENERAL FINDINGS

Our landscape analysis highlights several general trends in the disclosure of FI financing by DFIs. First, disclosure at the level of the FI itself is generally slightly lower than equivalent disclosure for DFI direct financing. Second, and more pronounced, transparency concerning the sub-investments made by FIs is extremely limited. In the case of private equity fund sub-investments disclosure was largely limited to sub-investment identification by a limited number of DFIs in our sample. For these DFIs, sub-investment disclosure was found to be broadly systematic, although limited in its scope. Our sample did not contain a single example of sub-investment disclosure for banks, reflecting a complete lack of transparency concerning the specific use of funds.

BASIC PROJECT INFORMATION DISCLOSURE

Basic project information may be defined as the first tier of information disclosed by DFIs.[19] This type of information is typically disclosed via DFI website databases while more detailed information may be disclosed in supporting documentation. To assess the disclosure of basic project information we surveyed the presence of 36 data fields across nine categories of data.

FINANCIAL INTERMEDIARY LEVEL

The disclosure of basic project information at the level of the FI itself was found to be the most commonly disclosed form of data in our landscape analysis. As the table below demonstrates, with the exception of one data field (sub-national location), there were examples of disclosure for all of the data fields that we surveyed. However, disclosure results were mixed and no DFI systematically disclosed all of the information that we looked for.

19 https://www.publishwhatyoufund.org/download/dfi-transparency-initiative-ws1-working-paper-on-basic-project-information/

TABLE 2: FI disclosure of basic project information

	Project Identification				Project Narrative			Location Data				Project Type		Financing Details						Partner Details			Contact Details			ESG				Progress						
Institution	Project Title	Project ID No.	IATI Identifier	Status	Project Description	Project Rationale	Expected Outcome	Region	Country	Sub-National Location	Domicile	Sector	Sub-Sector	Instrument	Total Cost	DFI Contribution	Funding Source	Cofinancers (Yes/No)	Cofinancing Details	Client Name	Client Description	Client Shareholders	DFI Contact	Client Contact	Project Website	E&S Category	E&S Rationale	Green Components	Gender Components	Year	Disclosed Date	Concept Review	Signing/Approval Date	Start Date	End Date	Last Update Date
Bilaterals																																				
DFI-1 – Funds																																				
DFI-1 – Banks																																				
DFI-2 – Funds																																				
DFI-2 – Banks																																				
DFI-3 – Funds																																				
DFI-3 – Banks																																				
DFI-4 – Funds																																				
DFI-4 – Banks																																				
DFI-5 – Funds																																				
DFI-5 – Banks																																				
DFI-6 – Funds																																				
DFI-6 – Banks																																				
DFI-7 – Funds																																				
DFI-7 – Banks																																				
DFI-8 – Funds																																				
DFI-8 – Banks																																				

TABLE 2: FI disclosure of basic project information *(continued)*

	Project Identification				Project Narrative			Location Data				Project Type		Financing Details						Partner Details			Contact Details			ESG				Progress						
Institution	Project Title	Project ID No.	IATI Identifier	Status	Project Description	Project Rationale	Expected Outcome	Region	Country	Sub-National Location	Domicile	Sector	Sub-Sector	Instrument	Total Cost	DFI Contribution	Funding Source	Cofinancers (Yes/No)	Cofinancing Details	Client Name	Client Description	Client Shareholders	DFI Contact	Client Contact	Project Website	E&S Category	E&S Rationale	Green Components	Gender Components	Year	Disclosed Date	Concept Review	Signing/Approval Date	Start Date	End Date	Last Update Date
Multilaterals (private)																																				
DFI-18 – Funds																																				
DFI-18 – Banks																																				
DFI-10 – Funds																																				
DFI-10 – Banks																																				
DFI-11 – Funds																																				
DFI-11 – Banks																																				
DFI-12 – Funds																																				
DFI-12 – Banks																																				
DFI-19 – Funds																																				
DFI-19 – Banks																																				
DFI-14 – Funds																																				
DFI-14 – Banks																																				
DFI-15 – Funds																																				
DFI-15 – Banks																																				
DFI-20 – Funds																																				
DFI-20 – Banks																																				
DFI-17 – Funds																																				
DFI-17 – Banks																																				

Amongst the project identification category, project title was the only field that was universally disclosed. Project ID numbers were also commonly disclosed by multilateral DFIs but were not disclosed by bilateral DFIs. IATI identifiers were only disclosed by a minority of DFIs, reflecting the fact that many of the DFIs in our sample do not publish to the IATI Standard. There was significant difference between multilateral and bilateral DFIs in their disclosure of project status. While all multilateral DFIs disclosed the status of their projects, only three bilateral DFIs (DFI-1, DFI-4 and DFI-5) did so. This likely reflects the fact that the databases of many bilateral DFIs only display active projects, so their status is implicitly disclosed.

Project description and project rationale was disclosed for FI investments by all but one DFI (DFI-20). For the majority of DFIs this disclosure was universal across our sample of projects, although instances of non-disclosure of project rationale was found for three DFIs (DFI-5, DFI-18 and DFI-11). Expected outcome was less commonly disclosed for both bilateral and multilateral DFIs.

In the location data category, region and country was disclosed for almost all investments. Instances of non-disclosure of country was likely a result of the multi-country nature of some private equity funds. Sub-national location was never disclosed. The disclosure of country of domicile for investments was found more commonly amongst bilateral DFIs than multilateral DFIs.

Almost all DFIs disclosed the sector of their FI investments. Exceptions to this were found with respect to DFI-14 for private equity funds and DFI-20 for banks. While some multilateral DFIs disclosed sub-sector data, no bilateral DFIs did so.

In the partner details category, the disclosure of client name was universal. Client description was also commonly disclosed although less systematically. However, disclosure of client shareholders was less common, DFI-18 being the only DFI that did so systematically for banks.

Disclosure in the contact details category was mixed. No bilateral DFIs provide a DFI team contact or a client contact although some disclose a link to the client website. There was more common disclosure among all three data fields by multilateral DFIs although no DFI disclosed all three data fields in all instances.

Disclosure in the ESG category was slightly higher by multilateral DFIs than by bilateral DFIs. E&S risk category was disclosed by a small majority of the DFIs in our sample, and E&S rationale was typically disclosed by the same group of DFIs. The disclosure of green components and gender components of FI investments was higher amongst multilateral DFIs. Only DFI-11 (private equity funds and banks) and DFI-14 (banks) disclosed data across all four data fields although neither did for all of their investments.

There exist significant differences in the disclosure of the project progress category by the multilateral and bilateral DFIs in our landscape analysis. While all DFIs disclose the year of their investments, further disclosure by bilateral DFIs was limited to four DFIs disclosing approval date, one DFI disclosing start date, and one DFI disclosing last update date. All multilateral DFIs disclosed approval date for their investments while a majority also disclosed the disclosure date. Start date and last update date were also more commonly disclosed by multilateral DFIs than by bilateral DFIs.

TABLE 3: **Sub-investment disclosure of basic project information**

	Project Identification				Project Narrative			Location Data				Project Type		Financing Details						Partner Details			Contact Details			ESG				Progress						
Institution	Project Title	Project ID No.	IATI Identifier	Status	Project Description	Project Rationale	Expected Outcome	Region	Country	Sub-National Location	Domicile	Sector	Sub-Sector	Instrument	Total Cost	DFI Contribution	Funding Source	Cofinancers (Yes/No)	Cofinancing Details	Client Name	Client Description	Client Shareholders	DFI Contact	Client Contact	Project Website	E&S Category	E&S Rationale	Green Components	Gender Components	Year	Disclosed Date	Concept Review	Signing/Approval Date	Start Date	End Date	Last Update Date
Bilaterals																																				
DFI-1 – Funds SP																																				
DFI-1 – Banks SP																																				
DFI-2 – Funds SP																																				
DFI-2 – Banks SP																																				
DFI-3 – Funds SP																																				
DFI-3 – Banks SP																																				
DFI-4 – Funds SP																																				
DFI-4 – Banks SP																																				
DFI-5 – Funds SP																																				
DFI-5 – Banks SP																																				
DFI-6 – Funds SP																																				
DFI-6 – Banks SP																																				
DFI-7 – Funds SP																																				
DFI-7 – Banks SP																																				
DFI-8 – Funds SP																																				
DFI-8 – Banks SP																																				

TABLE 3: Sub-investment disclosure of basic project information *(continued)*

	Project Identification				Project Narrative			Location Data				Project Type		Financing Details						Partner Details			Contact Details			ESG				Progress						
Institution	Project Title	Project ID No.	IATI Identifier	Status	Project Description	Project Rationale	Expected Outcome	Region	Country	Sub-National Location	Domicile	Sector	Sub-Sector	Instrument	Total Cost	DFI Contribution	Funding Source	Cofinancers (Yes/No)	Cofinancing Details	Client Name	Client Description	Client Shareholders	DFI Contact	Client Contact	Project Website	E&S Category	E&S Rationale	Green Components	Gender Components	Year	Disclosed Date	Concept Review	Signing/Approval Date	Start Date	End Date	Last Update Date
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DFI-10 – Funds SP																																				
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DFI-11 – Banks SP																																				
DFI-12 – Funds SP																																				
DFI-12 – Banks SP																																				
DFI-19 – Funds SP																																				
DFI-19 – Banks SP																																				
DFI-14 – Funds SP																																				
DFI-14 – Banks SP																																				
DFI-15 – Funds SP																																				
DFI-15 – Banks SP																																				
DFI-20 – Funds SP																																				
DFI-20 – Banks SP																																				
DFI-17 – Funds SP																																				
DFI-17 – Banks SP																																				

SUB-INVESTMENT LEVEL

As the table above shows, the disclosure of basic project information for FI sub-investments is extremely limited. Across all of the FIs in our sample, disclosure of sub-investments was limited to the private equity fund sub-investments of four DFIs. Three of these DFIs (DFI-1, DFI-5 and DFI-18) disclosed limited sub-investment systematically across the private equity funds in which they invested. DFI-11 disclosed marginally more information, although this was found for only one of its private equity fund amongst the sample.

Disclosure of private equity fund sub-investments by DFI-1 is done via two linked sources. Firstly, each private equity fund disclosure page has a list of sub-investments made by the fund. Secondly, each sub-investment has its own disclosure page that includes the following information: project title, region, country, domicile, sector, client name, year, and start date.

DFI-5 and DFI-18 disclose private equity fund sub investments through a list on the page of the private equity fund. Both DFIs disclose three pieces of information: investee, country and sector. As the disclosure is included on the main page of the FI it is possible to count five data fields as disclosed for both DFIs: project title, region, country, sector and client name.

The single instance of private equity fund sub-investment disclosure from DFI-11 (private equity fund) included the most data points. In addition to those disclosed by the other DFIs, project description/ client description, E&S category and end date were disclosed.

There is further discussion of this fund's disclosure in Box 2, below. We could not identify a single sub-investment made by a bank in our sample.

DEVELOPMENT IMPACT DISCLOSURE

We assessed disclosure of development impact according to two categories: process and data. The process category measures the transparency, at the project level, of the ways in which DFIs predict and measure the development impact of their investments. The data category surveys the presence of ex-post development impact data.

TABLE 4: FI disclosure of impact measurement

	Process (activity level)							Data (activity level)			
Institution	Theory of change?	Project rationale?	Additionality statement?	Explanation of process: baseline, midline, endline?	Project indicators?	Do indicators have metrics / definitions / methodology?	Does DFI share evaluations?	Baseline data	Midline data	Endline data	Cost-benefit / economic analysis / VfM assessment available?
Bilaterals											
DFI-1 – Funds											
DFI-1 – Banks											
DFI-2 – Funds											
DFI-2 – Banks											
DFI-3 – Funds											
DFI-3 – Banks											
DFI-4 – Funds											
DFI-4 – Banks											
DFI-5 – Funds											
DFI-5 – Banks											
DFI-6 – Funds											
DFI-6 – Banks											
DFI-7 – Funds											
DFI-7 – Banks											
DFI-8 – Funds											
DFI-8 – Banks											

TABLE 4: FI disclosure of impact measurement *(continued)*

	Process (activity level)							**Data (activity level)**			
Institution	Theory of change?	Project rationale?	Additionality statement?	Explanation of process: baseline, midline, endline?	Project indicators?	Do indicators have metrics / definitions / methodology?	Does DFI share evaluations?	Baseline data	Midline data	Endline data	Cost-benefit / economic analysis / VfM assessment available?
Multilaterals (Private)											
DFI-18 – Funds											
DFI-18 – Banks											
DFI-10 – Funds											
DFI-10 – Banks											
DFI-11 – Funds											
DFI-11 – Banks											
DFI-12 – Funds											
DFI-12 – Banks											
DFI-19 – Funds											
DFI-19 – Banks											
DFI-14 – Funds											
DFI-14 – Banks											
DFI-15 – Funds											
DFI-15 – Banks											
DFI-20 – Funds											
DFI-20 – Banks											
DFI-17 – Funds											
DFI-17 – Banks											

FINANCIAL INTERMEDIARY LEVEL

The disclosure of the development impacts of DFI FI investments that we sampled was extremely limited. Across the eleven data fields we looked for as part of our landscape analysis, bilateral DFIs only disclosed a project rationale. This data field was disclosed near-universally although instances of non-disclosure were found with two DFIs (DFI-5 and DFI-6). We found no project level information regarding measurement of impact, ex-post impact data or evaluations.

Disclosure of process impact data was marginally better by some multilateral DFIs, although it remained far from comprehensive. As with bilateral DFIs, project rationale was commonly disclosed with the only exception being DFI-20 (banks). Three DFIs (DFI-18 (private equity funds and banks), DFI-19 (banks), and DFI-17 (banks)) provided additionality statements although this was only done systematically in the case of DFI-18 banks. Three DFIs (DFI-10, DFI-11 and DFI-18) provided project indicators for some bank investments although not systematically. However, in each case there were no results reported against the given indicators. A project evaluation was found for one DFI-10 project. One instance of disclosed baseline data was found in a single DFI-11 bank investment.[20] No ex-post impact data was found for any investments.

SUB-INVESTMENT LEVEL

Our landscape analysis did not find impact related information for any sub-investments for the FIs in our sample.

20 https://www.adb.org/sites/default/files/project-documents/51218/51218-001-rrp-en.pdf

TABLE 5: **Sub-investment disclosure of impact measurement**

	Process (activity level)							Data (activity level)			
Institution	Theory of change?	Project rationale?	Additionality statement?	Explanation of process: baseline, midline, endline?	Project indicators?	Do indicators have metrics / definitions / methodology?	Does DFI share evaluations?	Baseline data	Midline data	Endline data	Cost-benefit / economic analysis / VfM assessment available?
Bilaterals											
DFI-1 – Funds SP											
DFI-1 – Banks SP											
DFI-2 – Funds SP											
DFI-2 – Banks SP											
DFI-3 – Funds SP											
DFI-3 – Banks SP											
DFI-4 – Funds SP											
DFI-4 – Banks SP											
DFI-5 – Funds SP											
DFI-5 – Banks SP											
DFI-6 – Funds SP											
DFI-6 – Banks SP											
DFI-7 – Funds SP											
DFI-7 – Banks SP											
DFI-8 – Funds SP											
DFI-8 – Banks SP											

TABLE 5: Sub-investment disclosure of impact measurement *(continued)*

	Process (activity level)							Data (activity level)			
Institution	Theory of change?	Project rationale?	Additionality statement?	Explanation of process: baseline, midline, endline?	Project indicators?	Do indicators have metrics / definitions / methodology?	Does DFI share evaluations?	Baseline data	Midline data	Endline data	Cost-benefit / economic analysis / VfM assessment available?
Multilaterals (Private)											
DFI-18 – Funds SP											
DFI-18 – Banks SP											
DFI-10 – Funds SP											
DFI-10 – Banks SP											
DFI-11 – Funds SP											
DFI-11 – Banks SP											
DFI-12 – Funds SP											
DFI-12 – Banks SP											
DFI-19 – Funds SP											
DFI-19 – Banks SP											
DFI-14 – Funds SP											
DFI-14 – Banks SP											
DFI-15 – Funds SP											
DFI-15 – Banks SP											
DFI-20 – Funds SP											
DFI-20 – Banks SP											
DFI-17 – Funds SP											
DFI-17 – Banks SP											

E&S DISCLOSURE

E&S disclosure was assessed in the landscape analysis at two levels: global disclosure and assurance of community disclosure. Global disclosure is defined as disclosure of relevant E&S risks and management via the DFI's website. Recognising the importance of disclosure of E&S risks and management to project affected communities, assurance of community disclosure assessed whether or not DFIs stated the date, place, method and type of documentation that was disclosed to project affected communities. Further, it assessed whether community disclosure was conducted in relevant languages.[21]

21 Further discussion of this approach can be found in our working paper from our third workstream: https://www.publishwhatyoufund.org/download/dfi-transparency-initiative-ws3-working-paper-on-esg-and-accountability-to-communities/

TABLE 6: FI disclosure of ESG

	E&S Global Disclosure – Implementation (Project)									E&S Community Disclosure – Implementation (Project)				
Institution	Does the DFI disclose the E&S risk categorisation of FI projects (on website)?	Does the DFI disclose an explanation of the E&S categorisation of FI projects (on website)?	Does the DFI disclose a summary of E&S risks?	Does the DFI disclose which E&S policies are relevant?	Does the DFI disclose E&S assessments / plans?	Does the DFI disclose stakeholder engagement plans?	Does the DFI provide a team lead contact?	Does the DFI provide a client contact?	Are all documents disclosed in relevant languages?	Does the DFI state the date of community E&S disclosure?	Does the DFI state the place of community E&S disclosure?	Does the DFI state the method of community disclosure?	Does the DFI provide documentation of what was disclosed?	Were documents disclosed in a relevant language?
Bilaterals														
DFI-1 – Funds														
DFI-1 – Banks														
DFI-2 – Funds														
DFI-2 – Banks														
DFI-3 – Funds														
DFI-3 – Banks														
DFI-4 – Funds														
DFI-4 – Banks														
DFI-5 – Funds														
DFI-5 – Banks														
DFI-6 – Funds														
DFI-6 – Banks														
DFI-7 – Funds														
DFI-7 – Banks														
DFI-8 – Funds														
DFI-8 – Banks														

TABLE 6: **FI disclosure of ESG** *(continued)*

Institution	E&S Global Disclosure – Implementation (Project)									E&S Community Disclosure – Implementation (Project)				
	Does the DFI disclose the E&S risk categorisation of FI projects (on website)?	Does the DFI disclose an explanation of the E&S categorisation of FI projects (on website)?	Does the DFI disclose a summary of E&S risks?	Does the DFI disclose which E&S policies are relevant?	Does the DFI disclose E&S assessments / plans?	Does the DFI disclose stakeholder engagement plans?	Does the DFI provide a team lead contact?	Does the DFI provide a client contact?	Are all documents disclosed in relevant languages?	Does the DFI state the date of community E&S disclosure?	Does the DFI state the place of community E&S disclosure?	Does the DFI state the method of community disclosure?	Does the DFI provide documentation of what was disclosed?	Were documents disclosed in a relevant language?
Multilaterals (Private)														
DFI-18 – Funds	Green	Red	Red	Green	Red	Red	Green	Green	Red	Red	Red	Red	Red	Red
DFI-18 – Banks	Green	Green	Red	Green	Red	Red	Green	Green	Red	Red	Red	Red	Red	Red
DFI-10 – Funds	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey
DFI-10 – Banks	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red
DFI-11 – Funds	Green	Green	Green	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red
DFI-11 – Banks	Amber	Amber	Amber	Amber	Red	Red	Red	Red	Amber	Red	Red	Red	Red	Red
DFI-12 – Funds	Green	Green	Amber	Green	Red	Red	Red	Green	Red	Red	Red	Red	Red	Red
DFI-12 – Banks	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey
DFI-19 – Funds	Green	Green	Amber	Green	Red	Red	Green	Green	Red	Red	Red	Red	Red	Red
DFI-19 – Banks	Green	Green	Amber	Green	Red	Red	Green	Red	Red	Red	Red	Red	Red	Red
DFI-14 – Funds	Green	Amber	Red	Green	Red	Red	Green	Red	Red	Red	Red	Red	Red	Red
DFI-14 – Banks	Green	Amber	Red	Green	Red	Red	Green	Red	Red	Red	Red	Red	Red	Red
DFI-15 – Funds	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey
DFI-15 – Banks	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey
DFI-20 – Funds	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey
DFI-20 – Banks	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red
DFI-17 – Funds	Red	Red	Red	Green	Amber	Red	Red	Red	Red	Red	Red	Red	Red	Red
DFI-17 – Banks	Red	Red	Red	Green	Amber	Red	Red	Red	Red	Red	Red	Red	Red	Red

FINANCIAL INTERMEDIARY LEVEL

Global disclosure of E&S risks and management was found to be unevenly disclosed across our sample of DFIs. Multilateral DFIs were found to disclose marginally more information than bilateral DFIs although this was still far from universal or systematic.

The most commonly disclosed E&S data points concerned the disclosure of E&S risk categorisation and which E&S standards or policies were applicable to investments. In both cases these were more commonly disclosed by multilateral DFIs than bilateral DFIs. Explanations of the risk categorisation of projects was disclosed by the majority of multilateral DFIs but for a minority of bilateral DFIs. Summaries of E&S risks were disclosed in a minority of cases: only two bilateral DFIs (DFI-2 and DFI-7) were found to disclose this information, while four multilateral DFIs (DFI-11, DFI-12, DFI-18, and DFI-19) did so.

Global disclosure of E&S documents was extremely limited, marking a difference with the higher levels identified for direct investments in our report from our third work stream. The only DFI found to disclose E&S assessments or plans was DFI-17. No DFI was found to disclose stakeholder engagement plans. Disclosure of DFI and client contacts mirrors the findings of the basic project information, as discussed in section 3.2, above. The only DFI found to disclose any documents in a language other than the official language of the DFI was DFI-11.

We were unable to identify any assurance of community disclosure across the FIs in our landscape analysis.

TABLE 7: Sub-investment disclosure of ESG

	E&S Global Disclosure – Implementation (Project)									E&S Community Disclosure – Implementation (Project)				
Institution	Does the DFI disclose the E&S risk categorisation of FI projects (on website)?	Does the DFI disclose an explanation of the E&S categorisation of FI projects (on website)?	Does the DFI disclose a summary of E&S risks?	Does the DFI disclose which E&S policies are relevant?	Does the DFI disclose E&S assessments / plans?	Does the DFI disclose stakeholder engagement plans?	Does the DFI provide a team lead contact?	Does the DFI provide a client contact?	Are all documents disclosed in relevant languages?	Does the DFI state the date of community E&S disclosure?	Does the DFI state the place of community E&S disclosure?	Does the DFI state the method of community disclosure?	Does the DFI provide documentation of what was disclosed?	Were documents disclosed in a relevant language?
Bilaterals														
DFI-1 – Funds SP														
DFI-1 – Banks SP														
DFI-2 – Funds SP														
DFI-2 – Banks SP														
DFI-3 – Funds SP														
DFI-3 – Banks SP														
DFI-4 – Funds SP														
DFI-4 – Banks SP														
DFI-5 – Funds SP														
DFI-5 – Banks SP														
DFI-6 – Funds SP														
DFI-6 – Banks SP														
DFI-7 – Funds SP														
DFI-7 – Banks SP														
DFI-8 – Funds SP														
DFI-8 – Banks SP														

TABLE 7: Sub-investment disclosure of ESG *(continued)*

	E&S Global Disclosure – Implementation (Project)									E&S Community Disclosure – Implementation (Project)				
Institution	Does the DFI disclose the E&S risk categorisation of FI projects (on website)?	Does the DFI disclose an explanation of the E&S categorisation of FI projects (on website)?	Does the DFI disclose a summary of E&S risks?	Does the DFI disclose which E&S policies are relevant?	Does the DFI disclose E&S assessments / plans?	Does the DFI disclose stakeholder engagement plans?	Does the DFI provide a team lead contact?	Does the DFI provide a client contact?	Are all documents disclosed in relevant languages?	Does the DFI state the date of community E&S disclosure?	Does the DFI state the place of community E&S disclosure?	Does the DFI state the method of community disclosure?	Does the DFI provide documentation of what was disclosed?	Were documents disclosed in a relevant language?
Multilaterals (Private)														
DFI-18 – Funds SP														
DFI-18 – Banks SP														
DFI-10 – Funds SP														
DFI-10 – Banks SP														
DFI-11 – Funds SP														
DFI-11 – Banks SP														
DFI-12 – Funds SP														
DFI-12 – Banks SP														
DFI-19 – Funds SP														
DFI-19 – Banks SP														
DFI-14 – Funds SP														
DFI-14 – Banks SP														
DFI-15 – Funds SP														
DFI-15 – Banks SP														
DFI-20 – Funds SP														
DFI-20 – Banks SP														
DFI-17 – Funds SP														
DFI-17 – Banks SP														

SUB-INVESTMENT LEVEL

As can be seen in the table above, disclosure of E&S risks and management of sub-investments is close to non-existent. A notable exception is the AsDB investment in the private equity fund Creador IV, profiled below.

BOX 2: AsDB and Creador IV: current best practice in private equity fund disclosure

During our landscape analysis we identified an investment by AsDB in Creador IV, a private equity fund managed by Creador which focuses on South and Southeast Asia. This investment stands out amongst the AsDB private equity funds in our sample as the only one that disclosed its sub-investments. It is particularly notable as it represents the most extensive disclosure of sub-investments of any FI in our landscape analysis.

As can be seen in the picture below, in addition to "Investment name", "Country of investment", and "Sector" (all of which are systematically disclosed by CDC, IFC and Norfund), AsDB disclosed a narrative description of the sub-investments ("Background"), safeguard categorisation, start dates and exit dates for each sub-investment.

Investment name	Country of investment	Sector	Background	Environment Safeguards Category	Involuntary resettlement Safeguards Category	Indigenous Peoples Safeguards Category	Start Date	Exit Date
iValue InfoSolutions	India	Business Services	iValue InfoSolutions is a Valued Added Distributor founded in 2008 (VAD), with a consultative approach to understand and address customer evolving needs around Data, Networking and Application protection and management offerings. iValue has a direct partnership with over 35 Global OEMs and over 700 System Integrators/Partners to provide solutions for its over 6,000 Customers. It has direct market development presence across 13+ locations with customer and channel focused teams addressing sales, pre-sales & post sales requirements across multiple industry verticals.	C	C	C	April 2019	-
GHL Systems Berhad	ASEAN (primarily Malaysia, Philippines and Thailand)	Business Services	GHL is a leading payment solutions provider in Southeast Asia, providing integrated end-to-end payment solutions encompassing physical and virtual payments. With a full suite of payment solutions, GHL Systems successfully established a customer base beyond Malaysia, with key operations in the Philippines and Thailand. In February 2014, GHL acquired e-pay Asia Limited (e-pay), another electronic payment service provider servicing mobile prepaid, online games and e-wallet top-ups, as well as bill and content payment. GHL is well positioned to benefit from the secular shift from cash and cheque to electronic payments.	C	C	C	February 2020	-

Communication with AsDB indicates that this form of disclosure is part of a new practice which will be expanded across their private equity fund portfolio. While it should be cautioned that this is not currently systematic practice for AsDB, if applied to the rest of their private equity fund portfolio it has the potential to make the DFI the industry benchmark in terms of sub-investment disclosure.

ACCOUNTABILITY MECHANISMS DISCLOSURE

We assessed both the global disclosure of independent accountability mechanisms (IAMs) and the assurance of community disclosure of IAMs. Global disclosure and assurance of community disclosure were defined in the same manner as for E&S, above.

TABLE 8: FI disclosure of accountability to communities

Institution	Disclosure	Assurance of disclosure			
	Does the FI project page disclose the presence of the IAM?	Does the DFI provide assurance that the availability of an IAM has been disclosed at community level?			
		Date	Place	Method	Relevant language
Bilaterals					
DFI-1 – Funds					
DFI-1 – Banks					
DFI-2 – Funds					
DFI-2 – Banks					
DFI-3 – Funds					
DFI-3 – Banks					
DFI-4 – Funds					
DFI-4 – Banks					
DFI-5 – Funds					
DFI-5 – Banks					
DFI-6 – Funds					
DFI-6 – Banks					
DFI-7 – Funds					
DFI-7 – Banks					
DFI-8 – Funds					
DFI-8 – Banks					
Multilaterals (Private)					
DFI-18 – Funds					
DFI-18 – Banks					
DFI-10 – Funds					
DFI-10 – Banks					
DFI-11 – Funds					
DFI-11 – Banks					
DFI-12 – Funds					
DFI-12 – Banks					
DFI-19 – Funds					
DFI-19 – Banks					
DFI-14 – Funds					
DFI-14 – Banks					
DFI-15 – Funds					
DFI-15 – Banks					
DFI-20 – Funds					
DFI-20 – Banks					
DFI-17 – Funds					
DFI-17 – Banks					

TABLE 9: Sub-investment disclosure of accountability to communities

Institution	Disclosure	Assurance of disclosure			
	Does the FI project page disclose the presence of the IAM?	Does the DFI provide assurance that the availability of an IAM has been disclosed at community level?			
		Date	Place	Method	Relevant language
Bilaterals					
DFI-1 – Funds SP					
DFI-1 – Banks SP					
DFI-2 – Funds SP					
DFI-2 – Banks SP					
DFI-3 – Funds SP					
DFI-3 – Banks SP					
DFI-4 – Funds SP					
DFI-4 – Banks SP					
DFI-5 – Funds SP					
DFI-5 – Banks SP					
DFI-6 – Funds SP					
DFI-6 – Banks SP					
DFI-7 – Funds SP					
DFI-7 – Banks SP					
DFI-8 – Funds SP					
DFI-8 – Banks SP					
Multilaterals (Private)					
DFI-18 – Funds SP					
DFI-18 – Banks SP					
DFI-10 – Funds SP					
DFI-10 – Banks SP					
DFI-11 – Funds SP					
DFI-11 – Banks SP					
DFI-12 – Funds SP					
DFI-12 – Banks SP					
DFI-19 – Funds SP					
DFI-19 – Banks SP					
DFI-14 – Funds SP					
DFI-14 – Banks SP					
DFI-15 – Funds SP					
DFI-15 – Banks SP					
DFI-20 – Funds SP					
DFI-20 – Banks SP					
DFI-17 – Funds SP					
DFI-17 – Banks SP					

FINANCIAL INTERMEDIARY LEVEL

Our landscape analysis found very limited transparency of accountability mechanisms. In terms of global disclosure, only four multilateral DFIs (DFI-11, DFI-12, DFI-17 and DFI-18) were found to disclose the presence of an IAM on each of their FI investment project pages.

We found no assurance of community disclosure of IAMs across the FIs in our landscape analysis.

SUB-INVESTMENT LEVEL

As can be seen in the preceding table, we found limited global disclosure and no assurance of community disclosure of the availability of IAMs for FI sub-investments.

FINANCING DETAILS DISCLOSURE

We assessed nineteen data fields across seven categories of information to analyse the disclosure of financing details between DFIs and their FI clients. Four categories (General, Co-financing, Concessionality and Mobilisation) were assessed across the whole sample at FI level, while three instrument-specific categories (Equity, Debt, and Guarantee/Insurance) were assessed in line with the disclosure of investment instrument. For sub-investments we excluded three data categories (Co-financing, Concessionality and Mobilisation) from the analysis as the private sector to private sector nature of sub-investment lending makes the presence of these financing details unlikely. We excluded the instrument data field for private equity funds as the type of instrument is implied in the nature of the fund.

TABLE 10: FI disclosure of financial information

	Activity – General					Co-Financing			Concessionality		Mobilisation			Equity	Debt			Guarantee/ Insurance	
Institution	Total cost	DFI contribution	Instrument	Repeat investment	Currency	Co-financers (Y/N)	Co-Financers (details)	Co-financers (amounts)	Concessionality (amount)	Concessionality (justification)	Private finance mobilised	DFI/ODA mobilised	Amount mobilised	Equity share	Interest rate	Loan tenor	Disbursements	Length	Fees/Price
Bilaterals																			
DFI-1 – Funds																			
DFI-1 – Banks																			
DFI-2 – Funds																			
DFI-2 – Banks																			
DFI-3 – Funds																			
DFI-3 – Banks																			
DFI-4 – Funds																			
DFI-4 – Banks																			
DFI-5 – Funds																			
DFI-5 – Banks																			
DFI-6 – Funds																			
DFI-6 – Banks																			
DFI-7 – Funds																			
DFI-7 – Banks																			
DFI-8 – Funds																			
DFI-8 – Banks																			

TABLE 10: FI disclosure of financial information *(continued)*

	Activity – General					Co-Financing			Concessionality		Mobilisation			Equity	Debt			Guarantee/ Insurance	
Institution	Total cost	DFI contribution	Instrument	Repeat investment	Currency	Co-financers (Y/N)	Co-Financers (details)	Co-financers (amounts)	Concessionality (amount)	Concessionality (justification)	Private finance mobilised	DFI/ODA mobilised	Amount mobilised	Equity share	Interest rate	Loan tenor	Disbursements	Length	Fees/Price
Multilaterals (Private)																			
DFI-18 – Funds																			
DFI-18 – Banks																			
DFI-10 – Funds																			
DFI-10 – Banks																			
DFI-11 – Funds																			
DFI-11 – Banks																			
DFI-12 – Funds																			
DFI-12 – Banks																			
DFI-19 – Funds																			
DFI-19 – Banks																			
DFI-14 – Funds																			
DFI-14 – Banks																			
DFI-15 – Funds																			
DFI-15 – Banks																			
DFI-20 – Funds																			
DFI-20 – Banks																			
DFI-17 – Funds																			
DFI-17 – Banks																			

FINANCIAL INTERMEDIARY LEVEL

As may be expected, the "Activity – General" category of financial information was the most commonly disclosed at the FI level. This category contains some of the same data fields that were included in basic project information. DFI contribution was the most commonly disclosed field, being done so systematically for all but two DFIs (DFI-6 and DFI-7). In the case of DFI-7 all investments had a disclosed amount for the investment but, in one case, the stated amount was imprecise ("up to $100m"). The total cost of investment was commonly disclosed, although only DFI-12 was found to do so systematically for all FI investments sampled. Disclosure of investment instrument in bank investments was mixed. Only two DFIs (DFI-10 and DFI-20) failed to disclose the instrument in any investment although a further five DFIs (DFI-1, DFI-2, DFI-3, DFI-7 and DFI-11) did not disclose this information in all cases.

There was limited disclosure of co-financing of FI investments. In the case of banks this could be explained by a lack of co-financers in investments. However, with private equity funds there are certainly co-investors in each instance, yet no DFI systematically discloses other investors.

We found no evidence of the disclosure of concessionality in our landscape analysis. As above, it could be the case that none of the investments we assessed were considered concessional by the DFIs. However, since there is no systematic project-level disclosure of whether or not DFIs considered their investments to be concessional, this is hard to ascertain. In the case of one bilateral DFI, documentation that identified all investments as market-rate resulted in us marking the data field as not-applicable.

We identified extremely limited disclosure of mobilisation at the project level. This was limited to disclosure of mobilisation for one DFI-3 investment and two DFI-18 projects.

Two multilateral DFIs (DFI-12 and DFI-17) systematically disclosed the equity share of their investments in private equity funds. Five other DFIs disclosed equity shares for private equity funds although not systematically and, in most cases, this figure was deduced from disclosure of total cost and DFI contribution. DFI-1 was the only DFI to disclose the equity share of an investment in a bank, although only doing so for one investment.

Data relating to debt investments was limited. Three multilateral DFIs (DFI-11, DFI-18 and DFI-19) disclosed loan tenors and disbursements for some but not all of their investments. No DFIs disclosed the interest rates of loans. No bilateral DFIs disclosed any instrument specific information for debt investments.

SUB-INVESTMENT LEVEL

As can be seen in the table above, we did not identify any disclosure of financing details for sub-investments in our landscape analysis sample.

TABLE 11: Sub-investment disclosure of financial information

	Activity – General					Co-Financing			Concessionality		Mobilisation			Equity	Debt			Guarantee/ Insurance	
Institution	Total cost	DFI contribution	Instrument	Repeat investment	Currency	Co-financers (Y/N)	Co-Financers (details)	Co-financers (amounts)	Concessionality (amount)	Concessionality (justification)	Private finance mobilised	DFI/ODA mobilised	Amount mobilised	Equity share	Interest rate	Loan tenor	Disbursements	Length	Fees/Price
Bilaterals																			
DFI-1 – Funds SP																			
DFI-1 – Banks SP																			
DFI-2 – Funds SP																			
DFI-2 – Banks SP																			
DFI-3 – Funds SP																			
DFI-3 – Banks SP																			
DFI-4 – Funds SP																			
DFI-4 – Banks SP																			
DFI-5 – Funds SP																			
DFI-5 – Banks SP																			
DFI-6 – Funds SP																			
DFI-6 – Banks SP																			
DFI-7 – Funds SP																			
DFI-7 – Banks SP																			
DFI-8 – Funds SP																			
DFI-8 – Banks SP																			

TABLE 11: Sub-investment disclosure of financial information *(continued)*

	Activity – General					Co-Financing			Concessionality		Mobilisation			Equity	Debt			Guarantee/ Insurance	
Institution	Total cost	DFI contribution	Instrument	Repeat investment	Currency	Co-financers (Y/N)	Co-Financers (details)	Co-financers (amounts)	Concessionality (amount)	Concessionality (justification)	Private finance mobilised	DFI/ODA mobilised	Amount mobilised	Equity share	Interest rate	Loan tenor	Disbursements	Length	Fees/Price
Bilaterals																			
DFI-18 – Funds SP																			
DFI-18 – Banks SP																			
DFI-10 – Funds SP																			
DFI-10 – Banks SP																			
DFI-11 – Funds SP																			
DFI-11 – Banks SP																			
DFI-12 – Funds SP																			
DFI-12 – Banks SP																			
DFI-19 – Funds SP																			
DFI-19 – Banks SP																			
DFI-14 – Funds SP																			
DFI-14 – Banks SP																			
DFI-15 – Funds SP																			
DFI-15 – Banks SP																			
DFI-20 – Funds SP																			
DFI-20 – Banks SP																			
DFI-17 – Funds SP																			
DFI-17 – Banks SP																			

Discussion

This section of the paper presents a discussion of the key themes and issues that have arisen from our research. Informed by the results of the landscape analysis, interviews with key informants, and secondary research, it discusses current transparency levels, opportunities to improve transparency across DFIs' FI portfolios, and highlights contradictions in current practices of data disclosure.

FI LEVEL DISCLOSURE

The first question that arises from our landscape analysis concerns the extent to which, in terms of DFI transparency requirements, investments in FIs should be treated in a different manner to direct investments. Specifically, this refers to the type of disclosure that can reasonably be expected at the level of the FI itself, rather than disclosure of information about the FI's sub-investments. To determine this, this section explores the four broad themes of our previous workstreams on direct DFI investments – basic project information, impact management, ESG and accountability to communities, and financial information – and considers the extent to which levels of transparency for FI disclosure can be expected to be equivalent to direct lending transparency. As with similar direct investment, we recognise there may be additional reporting restrictions on particular forms of FI investment. In particular, equity investments in FIs that are publicly traded, such as some banks, may be subject to more limited reporting.

Our landscape analysis of basic project information showed that this was the most commonly disclosed form of data that we surveyed. Disclosure took place across almost all of the data fields we surveyed, although not in a uniform manner. These findings are broadly in line with our analysis of disclosure of basic project information for direct investments and indicates that there is potential to improve transparency in the sector by making disclosure more systematic and standardised.

The question of disclosure of impact management is more complex, as there are essentially two levels at which investment outcomes could be measured; that of the FI itself (and therefore its effect on things such as functioning of financial markets) and that of the sub-investments made by the FI (such as energy generated in green energy investments). Our interviews and research indicate that DFIs do collect data regarding the performance of their FIs. For example, AIMM (IFC's development management system) contains sector frameworks for numerous aspects of their financial intermediary portfolio including housing finance, SME finance and private equity funds.[22] These frameworks include indicators to measure impact. The SME finance framework contains indicators related to access, affordability, quality and effect on FI employees.[23] Indeed some, although very few, of the investments included in our landscape analysis had impact indicators included in their project disclosure. For example, an AsDB investment in An Binh Commercial Joint Stock Bank disclosed a results monitoring framework that included indicators, targets, baselines and measurement methodologies.[24] These examples are important as they indicate that DFIs are already collecting impact data and so, in stipulating that it should be disclosed, we are not seeking to increase the reporting burden on the FIs involved.

22 https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/development+impact/aimm/measuring-impact
23 https://www.ifc.org/wps/wcm/connect/3ec0b0c3-306f-4146-a41a-e039cc4757ae/AIMM-SME-Consultation.pdf?MOD=AJPERES&CVID=nmTfhT-
24 https://www.adb.org/sites/default/files/project-documents/51218/51218-001-rrp-en.pdf

The disclosure of E&S information at the level of the FI holds some differences to what may be reasonably expected from direct investments. One reason for this is that many of the E&S risks of FI investments occur at the level of their sub-investments rather than at the level of the FI itself. As many FI investments will not have identified sub-investments prior to the DFI investment, disclosure of documents such as a stakeholder engagement plan may not be relevant or justified. Similarly, assurance of community disclosure at the level of the FI (as opposed to for each sub-investment) is probably unnecessary given the nature of the investment. However, in our analysis of DFI policies, we noted that the large majority of DFIs state that an FI must have an appropriate environmental and social management system (ESMS) in place before investment. As such, it may be argued that DFIs should disclose documentation of their ESMS at the time of FI project disclosure.

While our landscape analysis revealed that disclosure of the financial aspects of DFI FI investments are currently extremely limited, our research revealed no clear reasons why this type of information could not be disclosed in line with direct investments. It should be noted, however, that current financial disclosure of direct investments is also inadequate. As such, financial transparency of all DFI investments should be simultaneously improved. Our research has found information of particular significance that is discussed in more detail in section 4.5. In the case of DFI investments in banks, significant amounts of data concerning the financing of deals is already disclosed by the banks themselves and, as such, barriers to improving transparency should be low.

One more general area of FI-level disclosure that we found to be lacking relates to the designated use of funds by FIs. In many cases the investments into banks that we studied provided limited details about the way in which finance provided would be used. Additionally, we searched for policy guidance that defined the uses of funds for FI investments. In most cases we found broad sectoral guidance such as statements that funds were to be used for SME finance. However, the sectors were not sufficiently defined to understand the types of investments that would qualify. The notable exception that we identified was in the case of IFC. IFC provides size thresholds for MSMEs based on number of employees, total assets, and loan size. Definitions are also offered for women-owned enterprises, climate-related finance, and housing finance.[25] Clear definitions such as those offered by IFC are useful in allowing stakeholder to make an initial assessment of the potential impacts and risks of an FI investment. Furthermore, they act as a signal that financing outside the scope of the definitions will not take place.

25 https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial+institutions/priorities/ifcs+definitions+of+targeted+sectors

ESTABLISHING THRESHOLDS FOR SUB-INVESTMENT DISCLOSURE

As noted in this report's introduction, there are many complex ways in which DFIs make investments in FIs. These include intermediated project financing, general corporate loans, targeted loans, equity investments, and insurance. This is significant as it may have implications for the types of data that can be expected to be disclosed at the level of the sub-investment. There are several issues to consider with respect to this. First, while project financing for green energy projects may be expected to generate development impacts at the level of sub-investments, it would be hard to define development indicators at the sub-investment level for housing finance. In the latter case, it would make more sense for the disclosure of development impacts to be aggregated to the level of the FI investment as a whole. Second, similar issues arise in the case of E&S risks attached to sub-investments. While project financing may include large projects that carry significant E&S risks, these risks will be smaller for certain types of FI activity such as MSME finance.[26] Third, in cases such as microfinance (which may be used for household consumption as well as productive activities) and mortgage provision, there arise privacy concerns that differ from the commercial confidentiality concerns typical of private sector lending. Finally, there is the question of feasibility. IFC gather data on the sub-investments of their FI clients through their Reach Survey. IFC's MSME FI clients had 62.74m MSME loans outstanding with a balance of $438.6bn.[27] When dealing with this number of sub-investments, it is necessary to consider the value of complete disclosure. Even if it was possible to disclose all investments, there exists a danger that the investments stakeholders need to know about are lost in a sea of data.

BOX 3: IFC's commitment to bank sub-investment disclosure

There are currently no known examples of bank sub-investment disclosure being systematically practised by DFIs. However, IFC have committed to disclosing qualifying sub-investments of the majority of their investments in financial intermediaries.[28] Included FI investments are:

> *New equity investments in commercial banks including with existing clients (excluding rights issues arising from equity commitments previously approved by IFC's Board), new senior bonds issued by commercial banks where IFC is the sole investor and senior loans to commercial banks.*

Sub-projects that qualify for disclosure include high-risk (Category A) investments and medium-risk (Category B) investments that meet the following criteria:

> *A relevant sub-loan is a corporate loan or a project-finance loan of US$20 million equivalent or more funded by proceeds from an IFC senior loan or senior bond investment that would be considered as financing climate related activities*

Disclosures according to these commitments have not been made to date as it is reliant on reports from client FIs which will be made according to their own annual reporting schedules. As such, disclosure of FI sub-projects can be expected from next year. In evidence of progress towards this goal, IFC have begun to build FI disclosure infrastructure into their database.[28]

26 However, it should be noted that although the E&S risks of certain types of FI financing (such as MSME or housing finance) are low at the level of the sub-investment, it is possible they carry significant aggregate E&S risks. For example, microfinance could be directed to enterprises that rely on informal labour which impacts a small number of people in each instance. However, the aggregate risk of labour abuses could be high across the portfolio of a microfinance institution. In such instances E&S disclosure at the level of the sub-investment (in this case, each microfinance loan) would be inappropriate. In such cases the existence and publication of an ESMS, as discussed in FI level disclosure in this section is important.

27 https://www.smefinanceforum.org/sites/default/files/IFC_MSME_Factsheets_LAC_2019.pdf

28 https://financialservices.house.gov/uploadedfiles/mnuchin_ltr_waters_03212020_sca_ifc_cap_inc.pdf

With the above considerations in mind, a mechanism to increase the transparency of FI sub-investment lending while respecting concerns over feasibility and privacy is needed. Such a mechanism could be used to establish what types of sub-investments could and should be disclosed. One possible pathway to achieving this would be to apply a “filter” to sub-investments that identifies which should be subject to disclosure according to material exposure, E&S risk and size of the investment.

The first principle within such a filter would be establishing whether or not the DFI is materially exposed to a sub-investment. For ring-fenced debt investments, material exposure would be limited to sub-investments made with the ring-fenced finance. However, for other instruments such as debt investments or bond underwritings, material exposure may extend to the whole of the FI’s existing and future portfolio for the lifetime of the investment. To improve transparency around these determinations, DFIs should disclose their approach to establishing their material exposure to FI sub-investments. Second, any sub-investments classified as high risk (Category A or equivalent) should be disclosed via the DFI. Third, medium risk sub-investments (Category B or equivalent) that are above a certain size should be disclosed. As noted above, IFC have committed to disclosing certain sub-investments made by FIs they are invested in. For FIs that IFC have an equity investment in they will disclose all Category A sub-investments regardless of size. For FIs that IFC are invested in as the sole investor in a bond issuance, or through senior loans, they will disclose all Category A investments, and Category B investments according to a size and sector-based disclosure threshold. However, it is notable that IFC’s threshold (for category B projects) is firstly, limited to debt and bond investments, and secondly, significantly higher than an equivalent threshold for project finance that is applied by private sector banks that are signatories to the Equator Principles (see below). Given the fact that DFI financing can legitimately be held to at least the same standard of development impact (both positive and negative), it is logical that the same thresholds for sub-investment disclosure should be applied. The thresholds for the Equator Principles are:

1. **Project finance advisory services** where total project capital costs are US$10m or more.

2. **Project finance** with total project capital costs of US$10m or more.

3. **Project-related corporate loans** where all of the following three criteria are met:

    i. The majority of the loan is related to a project over which the client has effective operational control (either direct or indirect).

    ii. The total aggregate loan amount and the EPFI’s individual commitment (before syndication or sell down) are each at least US$50m.

    iii. The loan tenor is at least two years.

4. **Bridge loans** with a tenor of less than two years that are intended to be refinanced by project finance or a project-related corporate loan that is anticipated to meet the relevant criteria described in 2 and 3 above.

5. **Project-related refinance** and **project-related acquisition finance**, where all of the following three criteria are met:

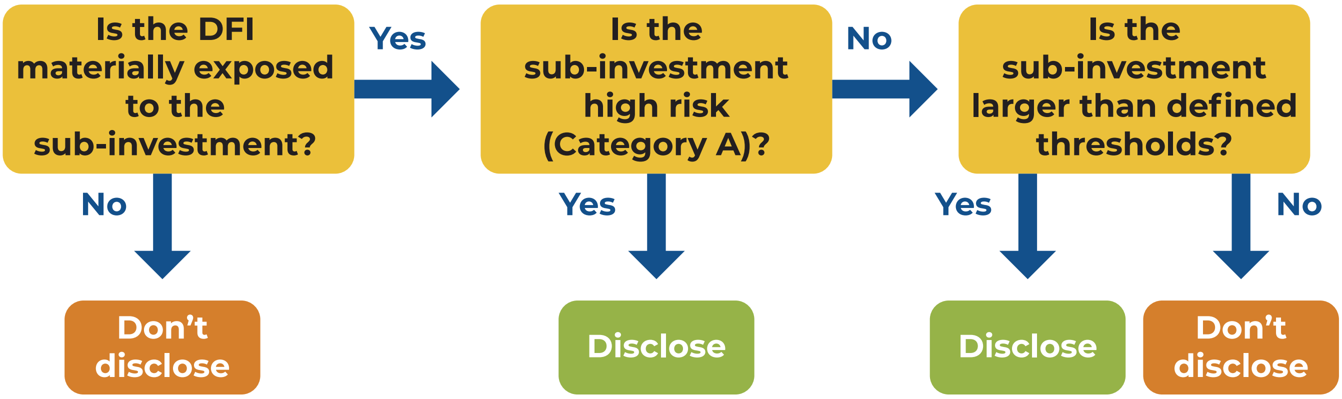
    i. The underlying project was financed in accordance with the Equator Principles framework.

    ii. There has been no material change in the scale or scope of the project.

    iii. Project completion has not yet occurred at the time of the signing of the facility or loan agreement.[29]

29 https://equator-principles.com/wp-content/uploads/2021/02/The-Equator-Principles-July-2020.pdf

A visual representation of how such a filter could function is displayed below.



NATIONAL PRIVACY REGULATIONS

Disclosure of data concerning FI activity by DFIs relies on a more complex set of arrangements than is the case for direct investments. In both cases, commercial confidentiality may restrict the type and amount of data that can be disclosed about an investment as the data owner is typically the client rather than the DFI. Our previous research has suggested that a DFI can seek permission to disclose data as part of its contractual relationship with a client. However, in the case of FI lending, data ownership typically lies with the sub-investee and, as such, the FI acts as an intermediary not only in the financing process but also in the data disclosure process.

Numerous interviewees from DFIs argued that there were significant barriers to improving DFI FI transparency owing to the existence of national banking privacy regulations that limit what information FIs (and in turn DFIs) can disclose about their clients. Numerous jurisdictions have laws that prevent financial institutions from disclosing the identity of their clients and any accompanying information. One DFI informed us that requirements to disclose information about FI sub-investments would require the DFI to study the laws of every jurisdiction in which it works and could potentially make working in some impossible.

However, research by BankTrack shows that national banking regulations need not limit transparency in all cases. BankTrack studied the use of client confidentiality as a reason cited by commercial banks in declining to confirm that they had investments in companies.[30] Its study found that 47% of banks stated that they were unable to comment on specific clients and for over half of these cases client confidentiality was given as the reason. However, BankTrack identified numerous cases of inconsistency such as project finance in a given jurisdiction for which some banks were willing to disclose their investment and others were not. This suggests that it is not laws alone that prevent disclosure. Furthermore, when banks wish to promote positive aspects of their work they will often disclose their involvement with particular clients, indicating that blanket policies not to discuss investments are not universally upheld.

The most significant finding of BankTrack's work relates to the extent that national banking privacy laws limit the ability of banks to disclose client information. The report analyses numerous jurisdictions including ones that are broadly considered to be particularly restrictive such as Singapore, Japan and Switzerland, and found that in all cases information could be disclosed with the consent of the client. This is important as it suggests that DFIs could stipulate that their FI clients seek permission for the DFI to disclose certain types of data from their sub-investments.

30 https://www.banktrack.org/download/we_are_unable_to_comment_on_specific_clients

It should be noted that there are limitations to the use of client consent to disclose information. If a sub-investee does not grant consent, then disclosure is effectively blocked in line with national banking privacy laws. In theory, DFIs could make on-lending from some forms of FI investment (such as project lending) contingent on the FI obtaining consent to disclose from the sub-investee prior to approval of financing. However, as noted above, the leverage of DFIs is arguably less in the case of FI investments than in the case of direct investments. Limitations in the role of client consent in overcoming privacy laws are exemplified in discussion of the Equator Principles that follows.

LEVELLING UP AND IMPROVING PRIVATE EQUITY FUND DISCLOSURE

Our landscape analysis has shown that the DFI disclosure of sub-investments made by private equity funds is more extensive than that for banks. However, disclosure practices are both limited, and uneven. As such, there is significant potential for DFIs to both “level-up” in their disclosure practices to match the best practices in the field, and for all DFIs to expand on current practices to enhance disclosure generally.

Our analysis has shown that three DFIs (CDC, Norfund and IFC) routinely disclose the identities, countries and sectors of private equity fund sub-investments. Additionally, AsDB has begun to disclose this information in addition to sub-investee descriptions, risk categorisations, start dates and exit dates. These practices, particularly in the case of systematic disclosure, demonstrate that it is possible to do this at a minimum. In the cases of DFIs that do not currently disclose their sub-investments this would mark a significant improvement in their transparency practices. The feasibility of this type of disclosure is enhanced by certain features of private equity funds compared to other types of FIs. In particular, private equity funds typically have portfolios with a limited number of investments, a fact in stark contrast to banks. Furthermore, as private equity funds take an ownership share in sub-investments, and fund managers or general partners often take a governance position, consent to publish information may be easier for the DFI to acquire.

However, it should be noted that current best practice in DFI disclosure regarding private equity funds does not go far enough. In the first instance, disclosure of information at the level of the FI is often insufficient. While our landscape analysis was able to identify approved commitments and, in some cases, total fund costs, these figures were often based on disclosure at the time of DFI commitment. Therefore, total costs were often the target close of the given fund and likely did not match the actual close achieved by the fund. Indeed, in cases where there was a lack of sub-investment disclosure, it was typically impossible to deduce whether a fund that a DFI had committed investment to had actually achieved financial close at all, or whether it had made any subsequent investments. Furthermore, there exists a complete lack of impact data at the level of the private equity fund for the FI investments we sampled, and a similar lack of E&S disclosure beyond general descriptions of the expected E&S performance of the fund. Given the fact that private equity funds in developing markets are increasingly marketing themselves along lines of sustainability and impact investing, and are in some instances disclosing these types of information themselves, it is unclear why DFIs cannot improve their transparency on these issues. Two examples of the disjuncture between own-disclosure of private equity funds and that of the investing DFIs are outlined in Box 4.

BOX 4: Disclosure disparities between private equity funds and DFIs

Silverlands I

Silverlands I is a private equity fund managed by SilverStreet Capital that focuses on agricultural investments in East and Southern Africa. The fund is invested in by CDC, alongside two DFIs that are not included in our landscape analysis: Finnfund (Finland) and IFU (Denmark). It also has a debt facility with DFC. Information regarding co-investment was sourced from SilverStreet Capital's website but is not disclosed by CDC.

SilverStreet Capital discloses an annual Impact and ESG Report that covers the funds under its management. This detailed report contains a wealth impact data including indicators such as "new jobs created" and "community participants impacted" that is disaggregated to the sub-investment level. It also discloses impact data specific to particular sectors such as cattle farming with indicators such as "cattle mortality" and "calving rate".

SilverStreet Capital's ESG reporting makes specific reference to CDC's responsible investment code and IFC's Performance Standards, publishing compliance rates to the former. The report also disclosed numerous metrics related to ESG performance.

However, CDC does not disclose any information regarding either impact or E&S risks for their investment in Silverlands I. Given the fact that so much data is already publicly available there is no clear reason why they should be unable to.

BaltCap Private Equity Fund and Baltcap Infrastructure Fund

Baltcap Private Equity Fund and Baltcap Infrastructure Fund are managed by Baltcap, the largest private equity investor in the Baltic Region. Both funds have been invested in by EBRD.

As with the case above, Baltcap publish an annual ESG report. Unlike SilverStreet, Baltcap does not disaggregate its ESG data at the sub-investment level. However, it does report against numerous aggregate ESG indicators. Furthermore, in line with the European Commission's Sustainable Finance Disclosure Regulation, Baltcap Infrastructure Fund discloses documentation of the integration of ESG into investment decisions, and transparency of the promotion of environmental and social characteristics of its portfolio.

Disclosure of impact and E&S data for both EBRD investments is limited to narrative summaries or descriptions.

EXAMPLES OF DISCLOSURE IN THE FINANCIAL SECTOR

During the course of our research, we have come across numerous examples of disclosure of the types of data that would be important in improving the transparency of DFI FI investments. These examples do two things. Firstly, they establish the existence of such data which indicates that production of data should not be a major barrier. Secondly, and more significantly, it demonstrates that it is often possible to disclose data if the right conditions are in place. These conditions may vary, from the publication of data behind paywalls (thus limiting transparency), to obtaining consent for publication as a condition of investment, or publication by the client itself. This section details some of those examples.

THE GREEN CLIMATE FUND

The Green Climate Fund (GCF) finances climate related projects. GCF finance is provided to private financial institutions (essentially FIs) and is managed by other entities, including DFIs. To date, the GCF has $8.4bn in commitments, of which $5.7bn is under implementation and $1.9bn is disbursed. The GCF has reporting requirements that, in some ways, surpass those of the DFIs in our landscape analysis, highlighting the potential for improved transparency in their FI lending.

GCF are invested in Climate Investor One, a climate financing facility managed by Climate Fund Managers, both of which were created with input by FMO.[31] Climate Investor One has received two investments from FMO.[32] However, despite categorising their second investment as Category A (high risk), FMO only disclose a narrative assessment of the E&S risks associated with the investment. They do note that fuller E&S disclosure can be found on the website of Climate Fund Managers. Of particular significance, however, is the fact that GCF discloses numerous documents concerning the fund including the “Approved Funding Proposal”,[33] a “Gender Action Plan”,[34] “Environmental and Social Safeguards Reports”,[35] and an “Annual Performance Report”.[36] The Environmental and Social Safeguard Reports include assurance of community disclosure, data types that we did not find for any FI investments in our landscape analysis.

Similarly, GCF have made a $55m investment in the DBSA Climate Finance Facility.[37] The Climate Finance Facility is a $170m investment facility that will provide finance to FIs to fund climate related projects. DBSA disclose extremely limited information about the facility, restricted to a general description of the facility on its climate change webpage.[38] However, as above, GCF discloses numerous documents regarding the fund and its activities. These documents have been authored by DBSA. While they do not disclose the identities of sub-investments, they do include impact data.[39]

THE EQUATOR PRINCIPLES

The Equator Principles are “a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects”.[40] Alongside due diligence and monitoring, Principle 10 (Reporting and Transparency) outlines the disclosure responsibilities of signatory financial institutions including the identification of sub-investments that qualify under the thresholds discussed above: “The EPFI will submit Project name data directly to the Equator Principles Association Secretariat for publication on the Equator Principles Association website”.[41] In addition, the Equator Principles set requirements for disclosure to project affected communities: “For all Category A and Category B Projects the EPFI will require the client to demonstrate effective Stakeholder Engagement, as an ongoing process in a structured and culturally appropriate manner, with Affected Communities, Workers and, where relevant, Other Stakeholders”.[42]

31 https://www.climatefinancelab.org/project/fmo-climate-development-finance-facility/
32 https://www.fmo.nl/project-detail/52290 and https://www.fmo.nl/project-detail/52284
33 https://www.greenclimate.fund/sites/default/files/document/funding-proposal-fp099-fmo-burundi-cameroon-djibouti-indonesia-uganda-kenya-malawi-madagascar.pdf
34 https://www.greenclimate.fund/sites/default/files/document/gender-action-plan-fp099-fmo-multiple-countries.pdf
35 https://www.greenclimate.fund/sites/default/files/document/ess-report-fp099-2-fmo-djibouti.pdf
36 https://www.greenclimate.fund/sites/default/files/document/fp099-2019apr.pdf
37 https://www.greenclimate.fund/project/fp098#investment
38 https://www.dbsa.org/article/what-dbsa-doing-about-climate-change
39 https://www.greenclimate.fund/sites/default/files/document/fp098-2019apr.pdf
40 https://equator-principles.com/about/
41 https://equator-principles.com/wp-content/uploads/2020/05/The-Equator-Principles-July-2020-v2.pdf
42 https://equator-principles.com/wp-content/uploads/2020/05/The-Equator-Principles-July-2020-v2.pdf

However, as noted above, the application of the Equator Principles is imperfect. BankTrack have documented numerous instances where evidence of the required documentation from investees is missing. In particular, their study failed to identify evidence of stakeholder engagement and the creation of project grievance mechanisms in a majority of cases they inspected.[43] Further, the disclosure of investments by Equator Principles banks is based on the consent of the investees. This results in disparities between the number of qualifying investments and those that are disclosed. For example, while the Dutch private bank ABN Amro discloses the presence of nine investments that qualify for the Equator Principles, it only reveals the identity of four of them.[44] This highlights the potential limitations of relying on consent to disclose data but equally, demonstrates that when consent is given, disclosure can occur.

"TRANSPARENCY" BEHIND PAYWALLS

One form of data publication that commonly occurs happens behind paywalls, and as such, has serious limits attached to who is able to view it. Commercial databases serving the banking and financial sector such as Refinitiv Eikon (previously Thomson Reuters Eikon) contain large amounts of data concerning investments made by private sector banks and financial institutions. Oxfam state that much of this data has been published by financial institutions with the permission of their clients.[45] Further, BankTrack note that information also "comes from a variety of sources including regulatory filings, law firm submissions and press releases".[46] These findings are significant as it demonstrates that banks are able to publish information about their clients in certain circumstances, and often do so, when those circumstances are in line with their interests. However, this form of publication is of little use to marginalised groups such as project affected communities who will rarely be able to afford the fees to access the data. As such, it is difficult to classify this form of data as transparent.

OWN-DISCLOSURE BY FINANCIAL INSTITUTIONS

Earlier in this chapter (Box 4) we profiled two private equity funds that disclose more impact and ESG information about their investments than can be found on the disclosure pages of the DFIs that have invested in them. Here, we demonstrate that other types of information are also routinely disclosed by banks that are not disclosed by the DFIs that have invested in them.

Our research into DFI FI investment in Zambia has revealed that a number of Zambian banks are almost completely reliant on DFI investments for borrowing. This is supported by research from 18 East Capital that found that DFIs were the main shareholders for 10 East African banks, providing over 75% of debt for 7 of them.[47] Furthermore, they disclose information about these investments that are not disclosed by the DFIs themselves. During 2020, the Zambia National Commercial Bank (ZANACO), held borrowings from six DFIs (FMO, Proparco, EIB, DEG, AfDB and TDB), five of which are included in our landscape analysis. While the loans from four of the DFIs were paid off, ZANACO had outstanding balances with EIB and TDB. For these loans, information that could not be found via DFI disclosure was available. For example, ZANACO discloses a series of terms and conditions attached to the loan (financial covenants) from EIB. The tenure, interest rate and currency are also disclosed.[48]

43 https://www.banktrack.org/download/trust_us_were_equator_banks_briefing_paper
44 https://equator-principles.com/reporting-abn-amro-2019/
45 https://oxfamilibrary.openrepository.com/bitstream/handle/10546/620559/bp-financial-institutions-disclosure-161018-en.pdf
46 https://www.banktrack.org/download/we_are_unable_to_comment_on_specific_clients
47 http://www.18eastcapital.com/wp-content/uploads/18E_FCDO_ExitMobilisationReport_Mar2021_FINAL.pdf
48 https://drive.google.com/file/d/1k_X9GbgT-xY6vWwqd88ScTtv1k5dXwKW/view

We found similar evidence with respect to Kenyan banks. In our analysis of Equity Bank, we identified disclosure of lending from seven DFIs from our landscape analysis (IFC, EIB, AfDB, DEG, FMO, CDC and Proparco) that made up the large majority of the bank's outstanding borrowing. As well as disclosing outstanding balances, Equity Bank disclosed the type of loan, loan balance, security involved, currency, interest rate, maturity date, and finance cost in the year.[49] With exception for the (occasional) disclosure of type of loan ("Instrument" in our landscape analysis) and currency, these data fields are not disclosed by the DFIs involved in the investments.

WHAT SHOULD DFIS DISCLOSE ABOUT THEIR FI SUB-INVESTMENTS?

The question of what DFIs could reasonably disclose about the sub-investments made by the FIs that they invest in is shaped by two considerations already discussed. First, in the interest of feasibility, the question must be limited to sub-investments that qualify under agreed circumstances. We have outlined a proposal for this that combines material exposure, E&S risks, and the size of sub-investments above. Second, given the fact that disclosure is sometimes reliant on the consent of sub-investees due to national banking regulations, it is necessary to identify an appropriate level of disclosure that is simultaneously of use to stakeholders and sufficiently limited so as not to discourage consent from sub-investees.

With these considerations in mind, it is unrealistic, at least in the short term, to demand disclosure of sub-investments that matches that of FIs or DFI direct investments. We have therefore looked at two current types of disclosure – that required by the Equator principles and that already practiced by some DFIs with respect to private equity fund sub-disclosure – to identify information that could reasonably be expected to be disclosed. Member banks of the Equator Principles are required to report four pieces of information: project name, sector, host country name/project location, and year of financial close. In addition, the banks are meant to ensure that:

- The client will ensure that, at a minimum, a summary of the ESIA is accessible and available online and that it includes a summary of Human Rights and climate change risks and impacts when relevant.
- The client will report publicly, on an annual basis, GHG emission levels (combined Scope 1 and Scope 2 Emissions, and, if appropriate, the GHG efficiency ratio) during the operational phase for Projects emitting over 100,000 tonnes of CO2 equivalent annually. Refer to Annex A for detailed requirements on GHG emissions reporting.
- The EPFI will encourage the client to share commercially non-sensitive Project-specific biodiversity data with the Global Biodiversity Information Facility (GBIF) and relevant national and global data repositories, using formats and conditions to enable such data to be accessed and re-used in future decisions and research applications.[50]

The first of these components – a summary of the investment ESIA – is in line with the types of E&S documentation that is (or should be) disclosed for DFI direct investments. As such, it is possible to make the case that this represents an important minimum standard that also can be applied to qualifying FI sub-investments.

The types of private equity fund sub-investment disclosure that some DFIs currently practice has been discussed in more detail earlier in the report. The data fields disclosed across the four DFIs include: sub-investee name, country, sector, sub-investee description, E&S risk category, start date, and end date. With this in mind, the above pieces of information, in addition to a summary of the relevant ESIA, arguably represent an achievable requirement for FI sub-investment disclosure.

49 https://equitygroupholdings.com/wp-content/uploads/2021/05/Equity-Group-Holdings-PLC-2020-Integrated-Report-and-Financial-Statements.pdf
50 https://equator-principles.com/wp-content/uploads/2021/02/The-Equator-Principles-July-2020.pdf

Conclusion

This report has focused on the transparency, or lack thereof, of DFI investments into FIs. It has demonstrated that levels of transparency are low, particularly at the level of sub-investments, and that this makes it near-impossible to track the flow of development finance through private sector financial institutions. In turn, this makes it hard to understand the development impacts and ESG risks of these investments. This conclusion highlights the key findings of the report and suggests reforms that could improve the transparency of FI lending.

Our analysis split DFI FI investments into two stages: the investment into the FI itself (FI level) and the sub-investments made by those same FIs. We identified significant differences in the degrees of transparency between these two stages. While still insufficient, transparency was much higher at the FI level than at the sub-investment level. At the FI level basic project information was relatively transparent although neither systematically nor uniformly disclosed. Crucially, disclosure of almost all basic project information data fields appears to be possible given instances of their disclosure for certain investments. Disclosure of development impact data was far more limited, being restricted to qualitative ex-ante impact narratives and a handful of cases where impact indicators had been identified but not reported against. Similarly, ESG disclosure was generally limited to short statements regarding the environmental and social management of FI investments. Specific documentation such as disclosure of ESMS was lacking.

Sub-investment disclosure was far more limited. With respect to private equity funds, we identified only four DFIs that disclosed the identities of sub-investments. Of these, three did so systematically although the data that was disclosed about investments was insufficient (typically restricted to client identification, location and sector data). The most expansive private equity fund sub-investment disclosure was identified for a single AsDB project which disclosed more detailed client information and risk categorisations of each sub-investment. This case highlights potential for a new benchmark to be established in FI disclosure although arguably still falls short of both what should be expected, and what is in fact already practiced by numerous private equity funds through their own reporting. In the case of banks, we were unable to identify a single sub-investment across our sample. Recent commitments by IFC to disclose sub-investments for FI project lending are to be welcomed as potentially enhancing transparency although we question whether they go far enough.

Why does the lack of transparency of DFI FI investments matter? In the first instance, it matters because we are talking about the use of development finance that is both constrained in its availability and broadly mandated to have beneficial effects. When DFIs are not disclosing the development effects of their FI investments, or of the sub-investments where appropriate, stakeholders are unable to assess whether such investments are a sound use of such resources. Similarly, the lack of disclosure of ESG information means stakeholders are unable to ascertain whether or not DFIs, their FI clients, and their sub-investees are doing everything that they should to minimise and redress the harm caused by investments. At a more fundamental level, the failure to identify sub-investments with potentially deleterious consequences makes it impossible for project affected communities to identify the involvement of a DFI and to seek redress via appropriate channels such as independent accountability mechanisms (IAMs).

In the second instance, questions of DFI FI transparency arguably extend beyond the confines of the development finance involved. As much DFI FI lending is intended to improve the functioning of financial markets in developing economies, we must also consider the types of practices that they are promoting through their work. The value of transparency extends beyond development finance to business and society as a whole and due to the rapid expansion of their FI operations, DFIs are in an unparalleled position to ensure that these values are replicated widely. Just as FIs offer a channel for

DFIs to broaden and deepen the reach of the finance they provide, they also offer a channel to extend transparent banking practices in the private sector. This report has highlighted numerous instances of private sector FIs (both private equity funds and banks) behaving in a more transparent manner than DFIs. It is time for DFIs to adopt a leadership role in the transition to a global economy founded on principles of transparency and accountability.

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