Advancing DFI Transparency

The rationale and roadmap for better impact, accountability and markets

Publish WhatYouFund
The Global Campaign for Aid and Development Transparency
November 2021
WHO WE ARE

 Publish What You Fund is the global campaign for aid and development transparency. 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.

ABOUT OUR PROJECT

In November 2019, Publish What You Fund embarked on the DFI Transparency initiative. The ultimate objective of this work is to improve the effectiveness and accountability of DFIs, allowing them to maximise their development impact and grow private sector markets in challenging environments. We have focused on improving the transparency of public funds through a deeper understanding of current DFI practices at a very granular level using a collaborative and multi-stakeholder approach involving DFIs, civil society organisations (CSOs), the private sector, think tanks and other experts.

ABOUT THIS REPORT

Based on our research and consultations, this report presents our findings and introduces Publish What You Fund’s new DFI Transparency Tool, a detailed tool that will help to guide future DFI disclosure and provide a framework of analysis for future assessments of the sector.

This report was researched and written by Paul James, Ryan Anderton, and Sally Paxton.

ACKNOWLEDGEMENTS

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We also want to thank our expert working group for each of the five work streams and all those who contributed knowledge, expertise and advice throughout the research phase.

Expert working group members are: Mimi Alemayehou (Black Rhino), Joe Athiay (Centre for Financial Accountability), Samantha Attridge (ODI), Fidanka Bacheva-McGrath (Bankwatch Network), Michael Barth (EMPEA/GPCA), Michaela Bergman (AIIB), Priscilla Boiardi (OECD), Henri Boullier de Branche (AIIB), Debbie Cousins (EBRD), Paddy Carter (CDC), Gonzalo Castro de le Mata (former Inspection Panel at the World Bank), Chris Clubb (Convergence), Nadia Daar (Oxfam International), Alex Cobham (Tax Justice Network), Margaux Day (Accountability Counsel), Christian Donaldson (Oxfam International), Elena Espinoza (PRI), Issa Faye (IFC AIMM), Karin Finkelston (IFC), César Gamboa (DAR Peru), Kate Geary (Re-Course), Arntraud Hartmann (Panel Member of the IAM of DEG, PROPARCO and FMO), Rayyan Hassan (NGO Forum on ADB), Maya Hennerkes (EBRD), Aubrey Hruby (Africa Expert Network), David Hunter (American University), Amy Jadesimi (Lagos Deep Offshore Logistics Base), Petya Kangalova (IATI Secretariat), Charles Kenny (CGD), Nancy Lee (CGD), Ben Leo (Fraym), Lori Leonard (DFC), Leonardo Mazzei (IDB Invest), Alex MacGillivray (CDC Group), Vitalice Meja (Reality of Aid Africa), Giuseppe Nastasi (EIB), Nadia Nikolova (Allianz Global Investors), Paul O’Brien (Oxfam America), Andrea Ordóñez (Southern Voice), David Pred (inclusive Development International), Oliva Prentice (Impact Management Project), Cécile Renaudo (Proparco), Rodrigo Salvado (Bill & Melinda Gates Foundation), Jolie Schwarz (Bank Information Center), Adrian Torres (ADB), Thom Townsend (Open Ownership), Alvin Wildschutt-Prins (DBSA), Thomas Venon (Eighteen East Capital), Peter Woicke (former World Bank), and Alix Peterson Zwane (Global Innovation Fund).

Please note that participation in our Expert Working Groups and Project Advisory Board does not necessarily equate to endorsement of our findings or outputs.
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EXECUTIVE SUMMARY

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

- The current lack of DFI transparency makes it difficult to see what DFIs are doing, what impact their investments are making, whether they are adhering to their accountability and environmental, social, and governance (ESG) responsibilities, and to what extent they are successfully crowding in the private sector.

- Enhanced transparency is necessary to understand whether DFIs are fulfilling their mandates including developmental impact, market building, and accountability.

- Claims of commercial confidentiality need to be challenged. While there are valid claims of sensitivity that preclude disclosure, much purportedly confidential information is found in the public domain. Investees have shown a willingness to disclose more information and we found examples where some DFIs are providing information that others claim is confidential.

- DFIs are open to adopting a new harmonised approach to data disclosure to improve the availability, timeliness and comparability of investment and policy information. The DFI Transparency Tool can contribute to this approach.

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

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

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

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

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

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

- **Transparency of core information.** The disclosure of the basic information needed by stakeholders to know about DFI investments is relatively high, but reporting is often not systematic or disclosed in a comparable, accessible way.

- **Transparency of impact management.** The transparency of impact management by DFIs is low both in terms of transparency of process and results. Despite some sophisticated impact management systems, very little ex-ante or ex-post information is disclosed, making determinations about impact very challenging. Finally, there is little information about how impact attribution is determined, making it difficult to measure the contributions of DFIs to the SDGs.

- **Transparency of ESG and accountability to communities.** The disclosure of environmental and social (E&S) risks of investments at a global level and to project-affected communities is very mixed. DFIs, especially multilateral DFIs, often have transparent policies for disclosure and risk mitigation but the implementation practices fall far short. DFIs also have policy options for recourse, such as independent accountability mechanisms (IAMs) or grievance procedures, but there is little evidence of directly communicating those options to communities.

- **Transparency of financial information.** Disclosure of the financial structuring of an investment, including mobilisation, co-financing, and concessionality was low to almost non-existent. Even when disclosure occurred, it was neither systematic nor comprehensive. Finally, we found numerous DFIs claims of commercial confidentiality that were undermined by public disclosure elsewhere.

- **Transparency of financial intermediary investments.** DFIs increasingly invest in financial intermediaries (FIs) yet the transparency of these operations is low. Core information for FIs was generally available, although reported inconsistently. Disclosure of FI sub-investments was significantly lower than at the FI level and was limited to investments by private equity funds.

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

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

- Provide detailed, granular guidance to DFIs on the information they should disclose

- Provide the framework for analysis by Publish What You Fund to measure DFI transparency that will result in an initial public pilot index in late 2022

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

DFIs play a crucial role in the economic development of low and middle-income countries. In recent years this role has increased both with the creation of new DFIs (such as the multilateral New Development Bank, founded in 2014 and the Canadian bilateral DFI Findev Canada, founded in 2018) and the expansion of existing DFIs. For example, the scale of operations have increased significantly for the CDC Group (CDC; £3.5 billion increase in new funding from 2017)⁵ and the US Development Finance Corporation (DFC), which was inaugurated with a $60 billion investment cap, double that of its predecessor, Overseas Private Investment Corporation.⁶ Finance in Common, a summit of public development banks (PDBs), estimates that there are 450 PDBs globally with combined total of $11.2 trillion in assets.⁷

This growth offers a significant opportunity in a time when the need for development finance is enormous and growing. The often referenced financing gap in achieving the SDGs of $2.5 trillion annually makes clear the size of the challenge.⁸ Under the Paris Agreement, developed economies committed to mobilising $100 billion a year in climate finance from 2020.⁹ These figures have only increased due to the devastating impacts of the COVID-19 pandemic. The pandemic has highlighted structural inequalities that have resulted in poor and vulnerable populations being disproportionately affected both in terms of health outcomes and economic consequences, underlining the need to achieve a green and equitable recovery in developing economies globally.

In contrast to the overwhelming need, levels of transparency about DFI operations are low, particularly those in non-sovereign (private sector) financing.¹⁰ Indeed, even the Finance in Common summit notes that “despite [DFIs’] global renaissance, their role, functioning and effectiveness are still overlooked, mostly due to a lack of data.”¹¹ This lack of transparency has far-reaching consequences for the effectiveness of development finance. Knowing who is spending what, where, and to what effect is essential to making development finance more effective and accountable.

A need for greater transparency has been widely recognised, not least by DFIs themselves. Indeed, in recent years leading DFIs have shown improvements in their disclosure practices both individually and through joint endeavours such as the DAC Blended Finance Principles. However, this arc of improved transparency has been uneven across DFIs and has not progressed at a pace or extent that meets the needs of many stakeholders. Further, many of these discussions have been focussed on a macro level, such as providing global principles and policy recommendations, rather than going to the granular level and providing a detailed definition of what is required.

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⁷ https://financeincommon.org/pdb-database
⁸ https://www.oecd-ilibrary.org/sites/6ea613f4-en/index.html?itemId=/content/component/6ea613f4-en
⁹ https://wwf.panda.org/wwf_news/?1182266/climate-finance-100bn-hope
¹⁰ Non-sovereign projects are projects that have been financed without the guarantee of a sovereign entity (a national or sub-national government or in some cases a municipality). Broadly, non-sovereign therefore means private sector financing while sovereign means public sector financing.
¹¹ https://financeincommon.org/pdb-database
2.1 DFI TRANSPARENCY INITIATIVE

It is against this backdrop that Publish What You Fund began its DFI Transparency Initiative. The ultimate objective of this work is to improve the effectiveness and accountability of DFIs, allowing them to maximise their development impact and grow private sector markets in challenging environments. We focused on improving the transparency of public funds through a deeper understanding of current DFI practices at a very granular level using a collaborative and multi-stakeholder approach involving DFIs, civil society organisations (CSOs), the private sector, think tanks and other experts. We were guided by a multi-stakeholder project advisory board. More about our approach, our methodology, and the results of our research can be found on our website. As detailed below and in our published reports on each work stream, the level of transparency, especially at the project level, is low. Further, disclosure is rarely systematic, comparable, or comprehensive.

Based on our research and consultations, this report introduces Publish What You Fund’s new DFI Transparency Tool, a granular tool that will both help to guide future DFI disclosure and provide a framework of analysis for future assessments of the sector.

2.2 WHY TRANSPARENCY MATTERS

DFIs operate with varying business models and mandates. Objectives, areas of operation, and types of financing vary according to each DFI’s specific mandate, which may include delivering impact, market building, providing a financial return, addressing market failures, and bringing more capital to bear. Improving transparency is central to achieving these objectives:

- **Development impact.** As stewards of public money, DFIs should clearly communicate the anticipated and realised impact of their investments to relevant stakeholders. This is only possible if they collect and disclose information on projects and investments, including basic information (name, location, sector), potential risks, sources and terms of financing, goals and results as well as the methodologies used to determine them. Without this information, it is impossible to assess whether scarce public resources are being channelled effectively.

- **Accountability to communities.** Whether understanding the potential benefits of DFI investments or being informed of the associated ESG risks of investments, the communities in developing economies that are directly impacted should have systematic, effective, and timely information on projects that will directly impact them. It is also in the interests of DFIs to have this disclosure as late, inadequate access to information by project-affected communities can add serious costs and delays to projects.

- **Accountability to shareholders and taxpayers.** The public has the right to understand the value of the investments DFIs are making especially when public money is being used. Understanding how, where, and to what effect these resources are being used is essential to demonstrate the value of DFIs’ investments. This is especially important in a time of growing need and constrained public resources. Shareholders also need meaningful information if they are going to ensure the best allocation of resources by their respective DFIs. Finally, as DFIs look for more resources to meet demand, they must be able to demonstrate that they add value – on development impact, for project-affected communities, and that they are crowding in, not crowding out, private markets. Likewise, DFIs can make better decisions with access to quality, timely information on all DFI investments.

- **Better learning and coordination among DFIs.** Fuller disclosure of detailed and timely information, including evaluative information, will allow DFIs to learn from other DFIs about what worked and what didn’t. It can showcase innovation and avoid investments that have not delivered. It will also allow for better coordination across DFIs, helping to ensure that projects are complementary and not duplicative.

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12 For purposes of this project, we included both multilateral and bilateral DFIs that support both sovereign and non-sovereign operations where appropriate.
• **Market building.** Development finance on its own cannot fill the enormous financing gaps that are needed to meet current and future global needs. Market creation and the mobilisation of private finance for development outcomes have increasingly become part of the rationale for DFI activity. In addition to generating direct impacts from their investments, deploying other tools such as guarantees and blended finance, and co-financing investments with the private sector, DFIs are increasingly expected to have a demonstration effect that encourages private finance for development. DFIs propose that if they can find profitable and successful development opportunities in challenging environments, the private sector will be more willing to do business in sectors or places previously considered too risky. As the International Finance Corporation (IFC) puts it, they aim to create markets. However, DFIs have a close hold on large amounts of market data that if disclosed, could allow private sector actors to better identify investment opportunities, price risk, and potentially increase financial flows to countries that need it most. The absence of such public data creates a significant barrier to the success of DFI investments in spurring new private activity. Furthermore, the concept of impact investing has developed to such a point that it represents a commercial proposition in and of itself. Therefore, demonstrating how investing can be impactful through increased transparency of development impacts, particularly in the form of ex-post data, holds significant market value.

**Nadia Nikolova, Lead Portfolio Manager, AllianzGI Development Finance:**

*Through more data, DFIs hold the key to reducing the gap between “perceived risk” and “actual risk” in emerging markets. As a private player in the development finance community, we are strong believers in the catalytic role of DFIs. However, we need more transparency into their activities to unlock the trillions of private capital needed to achieve the SDGs. This tool provides a solid foundation to work towards this goal.*

### 2.3 THE DFI TRANSPARENCY TOOL

In order to achieve the widest possible sectoral reform on transparency, Publish What You Fund has developed the [DFI Transparency Tool](#). The result of two years of consultative research across five work streams, the DFI Transparency Tool is designed to have two functions. First, it provides detailed, granular guidance on the types of information that DFIs should disclose. The information, organised under 52 indicators, has proven to be both relevant to a range of stakeholders and feasible for DFIs to disclose. Second, it functions as a framework of analysis through which Publish What You Fund can measure the transparency of DFIs. We will complete a pilot assessment over the coming year, as discussed in more detail below.

The DFI Transparency Tool is organised into four main components that deal with the types of disclosure that govern direct investments:

1. **Core Information:** the fundamental or foundational policies that govern the transparency of DFIs and data that forms the first tier of information regarding DFI investments.
2. **Impact Management:** the approach, processes, and data relevant to achieving positive development outcomes from DFI investments.
3. **ESG and Accountability to Communities:** the ways in which a DFI discloses the ESG risks of their investments to stakeholders and assures that their clients disclose similar information to project-affected communities.
4. **Financial Information:** the financial structuring of investments including the use of concessional finance and the mobilisation of private finance.
The four central components of the tool are made up of two types of indicators: eleven organisational level indicators and thirty-two project level indicators. The organisational level indicators guide the ways in which a DFI discloses information through policies and organisational documents and include survey questions that assess their contribution to effective transparency. These indicators are information that only need to be disclosed once by the DFI and will only be assessed once. The project level data indicators are designed to be disclosed for all relevant DFI investments. Five indicators are applicable only to non-sovereign investments, while one indicator is applicable only to sovereign investments.

**FIGURE 1: DFI Transparency Tool**

The DFI Transparency Tool indicators have four elements for each indicator:

a) Indicator name.

b) Survey questions that provide guidance on the type of information that should be disclosed within an indicator.

c) Definitions of the terms used within an indicator.

d) Additional definitions and notes to guide effective disclosure, as needed.
Where possible, the indicators in the tool are aligned to the IATI Standard in an effort to reduce the reporting burden on DFIs. While this has not been possible in all instances, Publish What You Fund will continue to engage with the IATI Secretariat to work towards greater alignment in the future. Similarly, where appropriate, the indicators use similar definitions to those used in the Aid Transparency Index.

In addition, a fifth component guides the disclosure of financial intermediary (FI) sub-investments:

5. Financial intermediary sub-investments: onward investments made by financial institutions that DFIs have invested in.

**FIGURE 2: DFI Transparency Tool: Financial intermediary sub-investments**

There are nine indicators related to FI sub-investments. These indicators are expected to be disclosed for sub-investments that meet criteria set out in chapter seven of this report.

### 2.4 STEPS GOING FORWARD

As noted above, one of the functions of the DFI Transparency Tool is to provide a framework of analysis for future assessments of DFI transparency. Publish What You Fund will complete a pilot assessment of DFI transparency during 2022 that will produce a report containing comparative baseline assessments of leading DFIs. To complete this assessment, we will continue our multi-stakeholder approach through the following phases:

- **Methodology development:** we will develop a methodology for our assessment over the first months of 2022. The methodology will establish a project sampling method, a weighting of indicator scores, and a framework for the selection of DFIs to be included in our pilot assessment. We will conduct another phase of public consultations to present and refine our methodological approach.

- **DFI selection:** we will select DFIs for assessment according to the framework developed during the methodology phase. DFIs will be informed of their inclusion in the pilot assessment and a phase of targeted engagement will commence.

- **Data collection and analysis:** we will collect sample data over two phases. The first phase will be a confidential preliminary analysis allowing further engagement with the relevant DFI on areas for potential improvement. The second phase will be analysed for our pilot assessment report. The full detail of how the collection and analysis will work will be determined during the methodology development phase.

- **Pilot assessment report:** we will launch our pilot assessment in December 2022, providing a public, comprehensive comparative analysis of the transparency of the selected DFIs.
2.5 STRUCTURE OF THE REPORT

The subsequent five chapters of this report deal with the individual components of the DFI Transparency Tool. Each chapter has a similar structure: reviewing key findings from our related research, presenting the indicators relevant to the component, including spotlights on indicators that warrant in-depth discussion and establishing a series of recommendations for aid transparency in addition to the DFI Transparency Tool.

Chapter three presents the indicators from the ‘Core information’ segment of our tool. Spotlights focus on disclosure policies (indicator 1) and funding source (indicator 13). Chapter four discusses the ‘Impact management’ component of the tool with spotlights on impact measurement approaches (indicator 19), indicators and metrics (indicator 22), and results (indicator 23). Chapter five covers the ‘ESG and accountability to communities’ component of the tool. Spotlights focus on global E&S disclosure policy (indicator 25) and the assurance of community disclosure (indicators 32, 35 and 36). Chapter six presents the ‘Financial information’ component of the tool with spotlights on concessionality (indicator 41) and mobilisation (indicator 42). Chapter seven discusses the disclosure of FI sub-investments, discussing the types of sub-investments that should be disclosed and presenting the relevant indicators for this component.
3. Core information

Core information is the first section of our DFI Transparency Tool. It is simultaneously the most extensive section of the tool and arguably the most fundamental as it covers the basic information that stakeholders need to know about DFI investments. The section is made of two elements with complementary definitions:

- **Organisational level indicators:** The core policies and organisational documents that contribute to the transparency of a DFI. These are fundamental aspects of a DFI’s transparency that apply universally across their activities.

- **Project level indicators:** The first tier of information that a data user will encounter when they look up a project. The data is typically concise and may be quantitative or qualitative. It can be disclosed across a number of sources including, but not limited to, DFI websites, databases and annual reports.

### 3.1 WORK STREAM ONE RESEARCH RESULTS

Our research into the current transparency of DFI core information is discussed in detail in our [first working paper](#). Key findings include:

- Almost all DFIs disclose some information about their investment activities. However, the extent of disclosure varies significantly. No DFI discloses information against all of the core information indicators in the DFI Transparency Tool.

- There are instances of disclosure by at least one DFI for all of the core information indicators in the DFI Transparency Tool, suggesting that disclosure is possible.

- Disclosure of core information is higher amongst multilateral DFIs than bilateral DFIs.

- The accessibility of data varies across DFIs. Not all DFIs provide data that is downloadable, while a minority of the DFIs that we researched publish their investments in accordance with the IATI Standard.

- There is little standardisation of data across institutions with varying terminology used to report information. This adversely affects the usability and comparability of data.
### 3.2 CORE INFORMATION IN THE DFI TRANSPARENCY TOOL

The core information section of our transparency tool is comprised of 18 indicators:

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<tr>
<th>ORGANISATIONAL LEVEL INDICATORS</th>
<th>PROJECT LEVEL INDICATORS</th>
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<td>Disclosure / access to information policy</td>
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### 3.3 ORGANISATIONAL LEVEL SPOTLIGHT: DISCLOSURE / ACCESS TO INFORMATION POLICY

Disclosure and/or transparency policies are the central policy that determines the level of transparency that one may expect from a DFI. These policies establish the fundamental rules and procedures that govern the way in which institutions make information public. They should provide the basis for stakeholders to both request information and to contest the non-disclosure of information that they are seeking. It is therefore important that disclosure and transparency policies are themselves publicly available and of sufficient scope to ensure good transparency practices.

In recent years there has been a significant shift in the nature and content of DFI policies that guide transparency. Broadly, this shift is captured in the transition from a presumption of non-disclosure (with excepted lists) to a presumption of disclosure that acknowledges the right to access information (with some exclusions). This has been characterised as a transition from a procedure-based approach to a principle-based approach. Asian Infrastructure Investment Bank summarise the new policy formulation as follows: “The adoption of a principles-based, rather than a list-based, approach to required public disclosure is intended by the Board of Directors to generate maximum disclosure and achieve a culture of operational transparency at the Bank”.13

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The implications for transparency with the shift from procedure to principle-based policies is complex. On the one hand, numerous CSOs that we interviewed have welcomed the shift, as this approach creates a system under which stakeholders can pursue various mechanisms (e.g. Freedom of Information (FOI) requests) to access information. On the other hand, some interviewees felt that it had unintended consequences that limit some aspects of transparency. For example, one interviewee noted that the Asian Development Bank (AsDB) automatically discloses fewer documents under the new policy, instead only making them available if they are requested. While these documents may be available if requested, the lack of automatic disclosure is not best practice and could undermine community engagement efforts. Requesting documentation requires time and resources which ultimately places burdens on parties seeking information that the DFI has ultimately said is suitable for public disclosure. The default should be disclosure unless the information meets a specific exclusion.

Indicator 1 of our DFI Transparency Tool ‘Disclosure/access to information policy’ provides some minimum expectations regarding the disclosure of these policies. The indicator is assessed by the presence of a disclosure policy with attention paid to the quality of the policy. For bilateral DFIs, disclosure policies should incorporate national FOI legislation. Publish What You Fund will complete an assessment of the quality of disclosure policies based on the overarching approach taken in the Global Right to Information Rating.  

3.4 PROJECT LEVEL SPOTLIGHT: FUNDING SOURCE

The capital that DFIs deploy often comes from a variety of sources. These may be different budget allocations within a DFI (for example, CDC has two portfolios of capital: catalyst and growth\textsuperscript{15}), from trust funds (for example, AsDB manages at least 50 single and multi-partner trust funds\textsuperscript{16}), or from other sources as in the case of IFC, the International Development Association (IDA) private sector window.\textsuperscript{17} Transparency around the source of funding used for investments is important for a number of reasons. First, in many cases, investment terms may vary according to the source of funding. For example, CDC’s catalyst capital is provided either at concessional prices or in instances of unusually high market risk relative to the deployment of growth capital which is priced at market rates. Second, some forms of capital may have a higher proportion of ODA involved than in the central portfolio of the DFI that manages the funds. Given the relative scarcity of ODA it is important to be able to identify when, where, and how it is being deployed. Finally, in some cases, funds other than the central portfolio of the DFI are provided by a third party, whether that is a country or a philanthropic organisation. Understanding how these funds are used is important for stakeholders connected to the provider as it may be indicative of their priorities.

Our research during the first work stream found that disclosure of sources of funding by DFIs is low. We only identified one bilateral DFI that systematically disclosed the use of differing sources of funds. Transparency was higher amongst multilateral institutions: four of nine sovereign operations and three of nine non-sovereign operations disclosed funding sources. These results indicate there is significant room for improvement on this issue.

Indicator 13 of our DFI Transparency Tool, ‘Funding source’, guides the disclosure of the origin of financing for an investment. This indicator measures whether or not a DFI discloses the origin of funding, including capital from its central portfolio. In instances where funds are provided for an investment from more than one source, the amounts attributable to each source should be disclosed.

Rayyan Hassan, Executive Director, NGO Forum on ADB:

_The bloodline for accountability is information disclosure by DFIs. If they choose not to disclose, they choose not to be accountable._
APPROACHES TO DISCLOSING FUNDING SOURCE

The above section presents the tool indicator on sources of funding deployed by DFIs. While disclosure of this information was far from complete, our research found numerous approaches to disclosing funding sources, three of which are presented below.

AsDB discloses the source of funds used for investments alongside the amount provided by the funding source. Significantly, they also disclose the use of their own funds under the term ‘Ordinary Capital Resources’ which highlights one pathway to indicating the use of the DFI’s own finances. The example below of an investment in a solar power plant in Uzbekistan exemplifies disclosure of two funding sources within a single investment:

<table>
<thead>
<tr>
<th>Type or Modality of Assistance</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>3986 Loan</td>
<td>Ordinary capital resources</td>
<td>USD 9.51 mn</td>
</tr>
<tr>
<td>8388 Loan</td>
<td>Canadian Climate Fund for the Private Sector in Asia II (CFPS II)</td>
<td>USD 8.00 mn</td>
</tr>
</tbody>
</table>

FMO also discloses the use of its own funds, while using a slightly different approach to disclose investments from funds that it manages. When investing in Africa Renewable Energy Fund II from two government funds, the information is displayed as two discrete investments:

- **Total FMO financing EUR 8.00 MLN**
  - Fund: Access to Energy Fund
  - Fund: Building Prospects

CDC has recently improved its transparency regarding the source of funds. In the past CDC did not typically disclose whether an investment was made from their catalyst or growth portfolios. However, in recent investments it appears to have improved the disclosure to include this information for catalyst portfolio investments:

<table>
<thead>
<tr>
<th>GRID SCORE</th>
<th>CONTRIBUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Financial: The commercial market does not offer capital in sufficient quantities to meet the company's plans / needs. CDC is providing local currency debt financing which is not available at scale from commercial lenders on competitive terms.</td>
</tr>
<tr>
<td></td>
<td>Value-add: CDC is supporting Greenlight Planet’s objectives to meet best-practice consumer protection standards.</td>
</tr>
</tbody>
</table>

https://www.adb.org/projects/53340-001
https://www.fmo.nl/project-detail/59913
https://www.fmo.nl/project-detail/58844
In support and in addition to disclosing core information, in line with our DFI Transparency Tool, DFIs can improve their transparency through the following recommendations:

1. DFIs should work to improve the accuracy of the core information that they disclose. During the course of our research we have identified many instances of relatively simply data fields including clear errors. These have varied from the reporting of country of investment as Ukraine rather than United Kingdom to errors in the reporting of amount of capital invested. While some of these errors were obvious and hence easily identified, it seems probable that there are additional errors that are not possible to identify.

2. DFIs should ensure that information regarding investments is updated at regular intervals. In numerous disclosures it is evident that the only time data has been disclosed is prior to, or at the point of, investment (as evidenced by terms such as “the proposed investment” in project descriptions). Failure to update data in a timely manner reduces its quality and usability.
DFIs are broadly mandated to invest in activities that are intended to have a positive developmental impact as demonstrated by the fact that many are aligned to one or more of the SDGs. To achieve this, DFIs deploy development finance in investments that should have a clearly defined positive impact on the communities and economies in which they are active. As most DFI capital is either public money or ODA, it is imperative that they are able to demonstrate that their investments are impactful so that stakeholders can be certain that the use of scarce resources are justified.

4. Impact management

4.1 WORK STREAM TWO RESEARCH RESULTS

Our research into the current transparency of DFI impact management is discussed in detail in our second working paper. The research demonstrates that levels of transparency are currently low and in need of improvement. Key findings include:

• Impact management transparency needs transparency of process and transparency of results. Transparency of process relates to the ways in which DFIs predict and measure their development impact, including explaining what indicators will be used to measure outcomes, and how those indicators will be deployed. Transparency of results relates to the actual data that is produced as a result of the processes.

• There is a lack of systematic publication of ex-post impact data by DFIs. This finding is particularly pronounced with respect to non-sovereign operations for which we found only isolated examples of publication.

• Numerous DFIs have developed sophisticated impact management systems that incorporate ex-ante impact prediction, ex-post monitoring and measurement, and evaluation. Examples of such systems are IFC’s Anticipated Impact Measurement and Monitoring (AIMM) and DFC’s Impact Quotient (IQ). Systems such as these hold the potential to enable DFIs to improve their impact reporting.

• There is little transparency around the ways in which DFIs approach impact attribution. It is therefore difficult to ascertain the contribution that DFI investments have made to development outcomes.
4.2 IMPACT MANAGEMENT IN THE DFI TRANSPARENCY TOOL

The impact management section of our DFI Transparency Tool is made up of six indicators:

<table>
<thead>
<tr>
<th>ORGANISATIONAL LEVEL INDICATORS</th>
<th>PROJECT LEVEL INDICATORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact measurement approach</td>
<td>Additionality statement (non-sovereign only)</td>
</tr>
<tr>
<td>Sector / country strategy</td>
<td>Activity indicators/metrics</td>
</tr>
<tr>
<td></td>
<td>Results</td>
</tr>
<tr>
<td></td>
<td>Evaluation</td>
</tr>
</tbody>
</table>

4.3 ORGANISATIONAL LEVEL SPOTLIGHT: IMPACT MEASUREMENT APPROACH

One key aspect in the transparency of impact management processes is the disclosure of an impact measurement approach. While our previous research found that most DFIs publish some information regarding the way they measure the impact of their investments, the quality and depth of such disclosure was variable. Reflecting this, indicator 19 in our DFI Transparency Tool, ‘Impact measurement approach’, incorporates three aspects of an impact measurement approach that will be used to assess its quality:

- **Alignment to standards:** the impact investing sector is home to a wide array of standards that guide activity including the Harmonised Indicators for Private Sector Operations (HIPSO)\(^{18}\) and The Operating Principles for Impact Management.\(^{19}\) DFIs should disclose which standards they adhere to and, where appropriate, disclose independent verification of their adherence.

- **Additionality:** a key aspect of non-sovereign DFI investments. This is particularly the case in investments where ODA is involved as additionality replacing concessionality as a key feature of private sector ODA flows. There are two forms of additionality: financial additionality (the provision of capital that the market would not provide on similar terms) and developmental additionality (the added developmental value that a DFI gives to a client that it would not receive from private sector investment, such as the provision of technical assistance). DFIs should disclose their approach to both identifying and disclosing the additionality of their non-sovereign investments.

- **Attribution:** impact attribution is the correlation between finance provided and impacts. Our research suggests that DFIs currently claim the totality of impacts in each given activity, regardless of the size of their investments. This is problematic as it may lead to a number of issues including double attribution where numerous investors claim the same impacts. Furthermore, it creates risks that DFIs overstate the impact of their investments while making assessments of value for money less accurate. In turn, this is harmful for impact focused investment policies and strategies. While accurate attribution is difficult, significant progress has been made in other sectors such as the attribution of carbon emissions in carbon accounting. DFIs should be transparent about their approach to impact attribution, even if that currently involves clearly stating that they do not perform any form of attribution on their impact claims.

\(^{18}\) [https://indicators.ifipartnership.org/](https://indicators.ifipartnership.org/)

\(^{19}\) [https://www.impactprinciples.org/](https://www.impactprinciples.org/)
We performed a deep dive into the question of impact attribution to highlight why it is important that DFIs attempt to correctly attribute their impact to the scale of their investment. Our research focussed on a CDC investment in Grameenphone, a major Bangladeshi telecommunications company. CDC invested $25 million as part of a syndicated $345 million loan package led by IFC that involved several other DFIs and Standard Chartered.

CDC reports aggregated impact data on its website and in annual reports. It includes aggregate figures at the country, sector and portfolio level for impacts including jobs supported, private sector capital mobilised, electricity produced and taxes paid. While CDC does not report impacts at the level of each investment, we cross-checked the aggregate figures and the companies included in CDC’s Bangladesh portfolio, and were able to deduce that taxes recorded for Grameenphone were a major outlier. CDC included approximately $1 billion in taxes paid by the telecommunications company within their reported impact. This figure represents the totality of tax paid by the company in the reporting period. When the DFI’s contribution to the total investment amounted to approximately 7.25% of the total loan, and the loan was intended to expand an existing business operation, it is clearly problematic that it includes all of the taxes paid by the company in its impact data.

In addition to overstating the impact of CDC’s investment, the lack of impact attribution is problematic for several other reasons. First, five other DFIs were involved in the syndicated loan and if each was to report impact in a similar manner we would be in a situation where $6 billion of taxes paid was claimed across the DFIs, despite the actual total being $1 billion. This would potentially be a problem for anyone trying to quantify the total impact of DFIs at a country or global level along one of the common impact metrics across the sector, since the figures would be artificially inflated. Second, the investment was intended for a specific use – extension of telecommunications services in rural areas – and as such likely had limited impact on the core business of the company, which would have been responsible for generating the majority of tax receipts. Third, reporting of impact in this manner could lead to perverse incentives as relatively small investments in high tax paying companies could be claimed to be disproportionately impactful. Finally, there are also drawbacks for the DFI itself as a lack of impact attribution can lead to higher levels of volatility in their own reporting; once the loan was repaid and the company ceased to be a client, the aggregate amount of taxes paid by the DFI’s clients dropped by almost one third, despite the overall composition of their portfolio remaining similar.

CDC have been transparent about the fact that they do not attempt to attribute impacts such as taxes paid, noting “There is no consensus on how to quantify our exact contribution to company, sector and wider economic growth, therefore we attribute the impact detailed in this section solely to our investee businesses”. This is important as it protects, to some degree, from the concern that users of the data will aggregate such figures across DFIs resulting in double counting. However, it should be noted that this data is also available via CDC’s website under a segment called ‘Key Data’ which is located within the ‘Impact’ section of the website. More specifically it is located under a heading titled ‘The impact of our investments’ and is not accompanied with the same disclaimer that can be found via the Annual Report.
While it is important that DFIs disclose the outcomes of their investments, this information is of limited value unless the outcomes are disclosed according to well-defined indicators. Our research identified numerous examples of results indicators being disclosed, although data reporting in line with the indicators was far less common. However, the coverage and quality of process transparency remains limited and in need of improvement.

Indicator 22 of the DFI Transparency Tool, ‘Activity indicators and metrics’, is designed to guide the disclosure of the impact management processes. Two components are included, ‘disclosure of indicators’ used to monitor investment outcomes and ‘disclosure of the metrics’ definitions, and methodologies of the indicators. For disclosure of indicators, we expect DFIs to clearly state what indicators they will be using to monitor the outcomes for a given investment. For disclosure of the metrics, we expect DFIs to disclose the units of analysis for the indicator alongside a clear definition and an outline of how the relevant data will be collected and reported.

AsDB disclose much of this information for the majority of their investments in a document titled ‘Report and Recommendation of the President to the Board of Directors’. As can be seen below, the report includes indicators which include definitions, alongside information on data sources and reporting mechanisms that may be classified as a methodology.

<table>
<thead>
<tr>
<th>Results Chain</th>
<th>Performance Indicators with Targets and Baselines</th>
<th>Data Sources and Reporting Mechanisms</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clean power delivered to the domestic grid increased</td>
<td>a. Electricity delivered to off-takers increased to 4,400 GWh per year (FY2018 baseline: 0)</td>
<td>a.1. Company’s annual development effectiveness monitoring report</td>
<td>Changes in the regulatory environment or power purchasing arrangements</td>
</tr>
<tr>
<td></td>
<td>b. Annual emission of 0,860,000 tons of CO₂ avoided (FY2018 baseline: 0)</td>
<td></td>
<td>Climate and weather risks</td>
</tr>
<tr>
<td></td>
<td>c. Number of jobs provided during operation amounted to at least 500 (FY2018 baseline: 100)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>d. Number of contractual jobs provided for operations and maintenance of operating projects amounted to at least 450 (FY2018 baseline: 25)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>e. Share of jobs provided to women during operation reached at least 24% (FY2018 baseline: 12%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>f. Annual domestic purchase of goods and services amounted to more than $17.3 million during operation (FY2018 baseline: 6.0)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Established in 2002, the Private Infrastructure Development Group (PIDG) invests in infrastructure in developing economies and has committed $3.6bn to infrastructure development while mobilising almost $36bn in capital from private finance and DFIs. PIDG is arguably a market leader in transparency of impact management, having developed and disclosed a detailed impact measurement approach and through disclosing ex-post outcome data for their investments.

PIDG has published an extensive results monitoring handbook that outlines how it predicts and monitors the development impact of its investments.¹ The handbook outlines what monitoring, evaluation, and learning activities take place throughout the investment cycle and presents the PIDG theory of change, from which a set of key development indicators are derived. In addition to defining key results indicators, the annexes of PIDG’s Results Monitoring Handbook include specific instructions on how to calculate particular indicators.

PIDG maintains a publicly available development results database.² The database provides both predicted and actual results for a range of development indicators including:

- Additional people with access to infrastructure (also disaggregated by gender)
- People to improved access to infrastructure (also disaggregated by gender)
- Fiscal impact – up-front fees to government
- Fiscal impact – taxes paid
- Short term jobs created (actual only)
- Long term jobs created (actual only)

² http://data.pidg.org/

Marco Serena, Head of Sustainable Development Impact, PIDG:

At PIDG we publish as much information as possible online on all our investments and expected impacts, all the relevant methodologies that we use to calculate our impacts and all our evaluations. It is not just about public accountability, but also about ensuring that we generate precious impact data that we and others can learn from.

4.5 PROJECT LEVEL SPOTLIGHT: RESULTS

Improving transparency of the development outcomes of DFI investments is critical to allowing stakeholders to better understand the impact that DFIs have. If DFI capital is to be efficiently deployed and DFIs are to be accountable to stakeholders, including their shareholders and the communities in which they invest, it is imperative that DFIs share disaggregate results data. Further, given their long experience and preeminent position in the sector, as increasing private capital is directed to “impact investing” in its various guises, DFIs have the potential to demonstrate pathways to increased development impact. Ex-post data is therefore an important, although too-often absent, piece of the impact management puzzle.
Our previous research noted that, particularly in the case of non-sovereign investments, disaggregated ex-post results data was almost non-existent from leading DFIs. While sovereign investments more commonly reported ex-post results, coverage was rarely complete. As such, indicator 23 in our DFI Transparency Tool, ‘Results’, is intended to guide the disclosure of this data.

The indicator is formed of three components: baseline values, target values, and actual/current values. Baseline values are the values that exist for the given indicator prior to the DFI investments. Target values are the intended final value of the given indicator and should be based on the ex-ante impact analysis of the DFI investment. Actual/current values are the value of the indicator achieved at the most recent reporting period, including during the investment cycle and as an end value at the end of the investment.

### 4.6 IMPACT MANAGEMENT: TRANSPARENCY RECOMMENDATIONS

In support and in addition to disclosing impact management information in line with the DFI Transparency Tool, DFIs can improve their transparency through the following recommendations:

1. Develop or adopt an impact attribution approach: while the DFI Transparency Tool includes transparency of impact attribution, it allows DFIs to state that they currently do not attempt to attribute impact relative to the size of their investments. To improve the quality of impact data that is produced and disclosed, DFIs should seek to either develop or adopt an approach that allows impacts to be accurately attributed to their investments.

2. DFIs should seek to align their impact reporting to recognised impact management standards: where possible indicators should be harmonised (such as through the use of IRIS+ indicators) and aligned with other impact initiatives and development goals (such as the SDGs). Third party verification of impact management approaches such as that included in the Organisation for Economic Co-operation and Development (OECD)- United Nations Development Programme (UNDP) Impact Standards for Financing Sustainable Development provide a valuable channel for DFIs to further refine their approaches and demonstrate their successes.

3. Challenge positions of commercial sensitivity: contracts with current clients may treat results data as commercially sensitive and therefore not make the disclosure of such information a requirement. DFIs should seek to challenge this position and negotiate future contracts with a view to maximising the disclosure or results data.

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**GLOBAL INNOVATION FUND: USING CONTRACTS TO IMPROVE TRANSPARENCY**

The Global Innovation Fund (GIF) spoke with Publish What You Fund during 2020 to discuss their approach to disclosing impact data from their investments. During the conversation they noted that clear communication about their role as an impact investor, and a schedule for disclosure of specific data was key to improving impact transparency. To achieve this, negotiations with clients are necessary and GIF notes that it has "never failed to come to an agreement with the investee to collect and share enough information to satisfy our analysts that the investments we’re making will lead to positive change".

Given their nature and context, some DFI investments or projects will inevitably involve the risk of adverse ESG outcomes, including environmental degradation, involuntary resettlement, threats to cultural heritage, and damage or degradation of resources owned or controlled by indigenous populations. It is therefore vital that DFIs have robust systems in place that can manage and mitigate these risks before, during and after an investment. DFIs should be fully transparent about the ESG risks relating to their investments and the plans to minimise or mitigate them, especially through stakeholder consultation with project-affected communities. If DFIs fail to adhere to or enforce their ESG policies, it is also important that stakeholders, including project-affected communities, know what options there are for recourse. This can include, for example, project-level grievance mechanisms (PGMs) put in place by the DFI or its client and/or Independent Accountability Mechanisms (IAMs), which are responsible for investigating complaints and when deemed appropriate, proposing remedial action.

5.1 WORK STREAM THREE RESEARCH RESULTS

Our research into the current transparency of ESG and accountability to communities is discussed in detail in our third working paper. The research demonstrates that disclosure practices are mixed and more disclosure is needed, particularly at the project level. Key findings include:

- Most DFIs (especially multilaterals DFIs) have broadly transparent and well-developed policies concerning the disclosure of ESG risks and accountability. But it appears that the practices undertaken by DFIs rarely match their policy obligations.

- Evidence of global disclosure and dissemination of ESG information by DFIs regarding individual project information is mixed. There is greater transparency among multilateral DFIs and for projects categorised as high risk but many bilateral DFIs do not disclose any meaningful environmental or social information relating to individual projects.

- There is limited evidence that DFIs provide assurance that community disclosure has taken place (i.e. confirm publicly that they and their clients met disclosure requirements). In some cases, DFIs provided information on the date, place and method of community disclosure but this was not done in a systematic manner.

- DFIs did not directly communicate to project-affected communities the available options for recourse, such as IAMs. While policy governing global disclosure of IAMs is transparent and coherent, DFIs typically do not require their clients to disclose their availability to project-affected communities or commit to doing so themselves.
The ESG and accountability to communities’ section of the DFI Transparency Tool is made up of twelve indicators:

<table>
<thead>
<tr>
<th>ORGANISATIONAL LEVEL INDICATORS</th>
<th>PROJECT LEVEL INDICATORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>E&amp;S global disclosure policy</td>
<td>Summary of E&amp;S risks</td>
</tr>
<tr>
<td>E&amp;S community disclosure policy</td>
<td>E&amp;S project plans/assessments</td>
</tr>
<tr>
<td>IAM global disclosure documentation</td>
<td>Assurance of E&amp;S community disclosure</td>
</tr>
<tr>
<td>IAM community disclosure policy</td>
<td>Beneficial ownership (non-sovereign only)</td>
</tr>
<tr>
<td>PGM community disclosure policy</td>
<td>IAM global disclosure</td>
</tr>
<tr>
<td></td>
<td>Assurance of IAM community disclosure</td>
</tr>
<tr>
<td></td>
<td>Assurance of PGM community disclosure</td>
</tr>
</tbody>
</table>

5.3 ORGANISATIONAL LEVEL SPOTLIGHT: E&S GLOBAL DISCLOSURE POLICY

Fundamental to the transparency of ESG and accountability are robust ESG disclosure policies and standards, which should include both global and community disclosure requirements. Global disclosure refers to the generalised disclosure of ESG and accountability information at both the policy and project levels, typically occurring on the DFI’s own website and governed by access to information or disclosure policies. Community disclosure refers to the disclosure practices to inform project-affected communities about a project, which is often governed by E&S frameworks or standards.

Our previous research found that most DFIs have well developed policies. Indicator 25 in our DFI Transparency Tool, ‘E&S global disclosure policy’, provides the important aspects of a robust E&S global disclosure policy. This includes:

1. Early disclosure: it is important for stakeholders to have clear and detailed information about investments that are being proposed with sufficient time before they are approved by a DFI. An early disclosure policy details the minimum amount of time a DFI is required to disclose information about a proposed investment or activity before it is considered for board approval. This is typically expressed by the number of days and can vary for the different E&S risk levels. DFIs should be explicit about the minimum amount of time disclosure is required and if there are differences between the risk categories.

2. E&S documentation: E&S assessments are often conducted to assess the potential impacts to the environment and affected populations from a project. Disclosure to stakeholders is critical so these populations can be fully informed of the risks. A presumption in favour of disclosure policy dictates that all information shall be disclosed provided there are no legitimate reasons not to do so. While DFIs should disclose all E&S documentation that has been produced for each project, they should also identify the minimum level of document disclosure expected for medium and high risk (category B and category A or equivalent) activities so that stakeholders know what to expect to be disclosed and to make it clear what documentation is produced.

3. E&S standards: standards or frameworks define the responsibilities of the DFI and its clients for managing E&S risks. DFIs should disclose the E&S standards that they use (these can either be their own or another DFI’s, which is often the case with the IFC Performance Standards).
4. Language translation: E&S information should be in the relevant languages so that it is accessible for stakeholders, in particular for project-affected communities. DFI policy should set forth when and how translation should happen, including when translation to national and local languages is required.

5. Project risk categorisation explanation: most DFIs categorise their projects according to the E&S risks (e.g. category A, B or C). When projects are categorised, the DFIs should explain what attributes of a project contribute to the application of risk categories.

6. Investment exemptions: there are types of businesses (or sectors) that the DFI is prohibited from investing in.

DEEP DIVE: E&S RISK CATEGORISATION AND TRANSPARENCY

We conducted a deep dive to understand the relationship between E&S risk categorisation and transparency. Specifically, the research focused on whether there are differences in disclosure policy and practices between high risk (category A) and medium risk (category B) projects and the implications of those differences.

In summary, we found that stakeholders are often more well informed about category A projects with more detailed E&S documentation and more time for scrutiny. Although disclosure varied among investments for category B, typically less E&S documentation was provided and there was less time to access information before board approval. These differences are not always uniform however, as there were also cases where medium risk had more extensive disclosure than high risk projects.

However, discussions with stakeholders revealed that the types of risk that category B projects pose can vary significantly. At times, projects on the higher end of the risk spectrum are categorised incorrectly as category B instead of category A, which in turn results in inadequate disclosure. This issue was characterised by stakeholders as the prevalence of “big category B projects”. Therefore, how a project is categorised has implications for disclosure as it may result in less disclosure than is warranted for higher risk projects.

We also found examples where lack of transparency for category B projects contributed to filing of complaints to IAMs, which likely would have been avoided if the transparency requirements for category A had been followed. In the long run, it is beneficial for DFIs to be more transparent and for project-affected communities to be fully informed about every project with access to all E&S documentation that has been produced and active consultation in an on-going manner. This includes participation in decision-making and project planning from early in the project cycle and throughout the project life as the potential costs for DFIs in not doing so later down the line could be more significant.
Peter Woicke, former CEO of the IFC and former Managing Director of the World Bank:

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

### 5.4 PROJECT LEVEL SPOTLIGHT: ASSURANCE OF COMMUNITY DISCLOSURE

Often DFI policies stipulate that clients or implementing partners are responsible for disclosure of information to project-affected communities rather than the DFI themselves. However, it is the DFI’s responsibility to ensure that effective community disclosure has in fact taken place. Regardless of which party undertakes community disclosure, DFIs should provide assurance that their disclosure policies have been followed, both for E&S and for the presence of grievance mechanisms, including IAMs and PGMs. Without assurance of community disclosure from DFIs it is difficult for stakeholders to verify that relevant information has been disclosed to communities and they cannot confirm whether DFIs are adequately implementing their own policies in an adequate manner and doing enough to be accountable to project-affected communities.

Our research found limited examples of DFIs providing assurance of community disclosure. To the extent that we identified such assurance, most examples were found in stakeholder engagement plans, which is limited to early consultations and future plans of disclosure. There were very few instances when a DFI provided assurance or evidence of later consultations and information disclosure.

Indicator 32 ‘Assurance of E&S community disclosure’, indicator 35 ‘Assurance of IAM community disclosure’, and indicator 36 ‘Assurance of PGM community disclosure’ are directed towards providing assurance that community disclosure has taken place. These three indicators follow the same structure. Firstly, the DFI should state whether disclosure to project-affected communities of the activity or the presence of an IAM and PGM is required. If disclosure is required, then the following criteria are expected to be supplied about the information that was disclosed: date, place, method, what documentation and the language of disclosure.
Examples from Inter-American Development Bank (IADB) demonstrate how practices for assurance of community disclosure can be performed.

A case study from IADB in working paper three demonstrates how assurance of community disclosure can be provided. The investment was for the renovation of the Francisco Morazán Hydropower Plant in Honduras. A consultation report was disclosed on the project website which provided details of who was consulted, when, where, and how the consultations took place, and what information was disclosed to local stakeholders. It revealed that the Honduran authorities (with the support of IADB) conducted seven stakeholder consultations with different groups, such as representatives of community organisations and local government, and that they were mostly conducted virtually due to the Covid-19 pandemic. The report includes verification of the meetings with evidence including list of participants, photos and minutes. It also reveals what information was provided to participants before and during the meeting, such as a video and PowerPoint presentation explaining the proposed project and an audio detailing the E&S impacts. Participants were also directed to the project webpage on IADB’s website to find the environmental and social impact assessment (ESIA) and E&S management plan.

https://www.iadb.org/en/project/HO-L1203

5.6 ESG & ACCOUNTABILITY TO COMMUNITIES: TRANSPARENCY RECOMMENDATIONS

In support and addition to, disclosing ESG and accountability information in line with the DFI Transparency Tool, DFIs can improve their transparency through the following recommendations:

1. DFIs should ensure that disseminated information is appropriate and accessible for the target audiences. The format of disclosure for communities is particularly important, for instance the use of digital and physical mediums and in easy-to-understand language. Community disclosure could include the use of public billboards to announce projects and the publication of non-technical summaries of ESG documentation.

2. DFIs should work to ensure that community disclosure, consultation and engagement is conducted in enabling environments that facilitate open and full participation and that are free of risks of reprisal.

3. Information disclosure and engagement should be timely and on-going. It is vital that stakeholders, especially project-affected communities, receive updated information throughout the lifetime of the project to be fully informed and have sufficient time to digest the information.
DFIs play an important role in increasing flows of finance to developing economies. However, the size of the development finance gap has been well documented and DFIs will not be capable of bridging it solely with their own resources. As such, one of the central roles of DFIs in the current era is to mobilise other resources, particularly private finance. The main ways in which DFIs can do this are through direct and indirect mobilisation of private finance via their own investments and through the deployment of concessional funds to de-risk investments of private investors. Additionally, given their prominent role in many developing economies, DFIs may also provide an important demonstration effect for private sector investors – illustrating what is possible and illuminating the potential risks and opportunities present in these markets. Yet for this demonstration effect to be fully realised, it is important that DFIs are transparent about the ways in which they structure their investments. DFIs have the ability to disclose more and better-quality market information that is an important factor to increase private financial flows to developing economies.

Thomas Venon, Partner, 18 East Capital:

The lack of transparency is and has always been a hindrance to the flow of capital. The secular trend towards ever more stringent reporting requirements across capital markets will eventually render any efforts at preserving confidentiality futile as well as counter-productive in the context of the development finance agenda.

6.1 WORK STREAM FOUR RESEARCH RESULTS

Our research into the transparency of DFI financial information is discussed in detail in our fourth working paper. The research demonstrates that transparency of financial information is generally low at the project level. Key findings include:

- Transparency of general financing details (such as total project cost, DFI contribution, and instrument) were higher than other financing details. However, disclosure was neither systematic nor universal with numerous examples of incomplete disclosure.

- Reporting of co-financing was mixed. While the majority of DFIs reported the presence of co-financiers for some investments, detail about co-financing partners and amounts of finance involved was limited.

- DFIs rarely identified concessional deals and almost never disclosed the levels of concessionality involved. Notable exceptions were for blended finance projects conducted by the IFC and disclosure of grant elements of investments by European Bank for Reconstruction and Development (EBRD).

- While a number of DFIs report aggregate mobilisation figures via the Multilateral Development Bank (MDB) Joint Report and an OECD survey, there was almost no reporting of mobilisation at the project level.

- Disclosure of information specific to particular instruments was low across the three instruments assessed (debt, equity, and guarantees).
6.2 **FINANCIAL INFORMATION IN THE DFI TRANSPARENCY TOOL**

The financial information section of the DFI Transparency Tool is made up of seven indicators:

<table>
<thead>
<tr>
<th>ORGANISATIONAL LEVEL INDICATORS</th>
<th>PROJECT LEVEL INDICATORS</th>
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</thead>
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<td>Financial reports/statements</td>
<td>Repeat investment</td>
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<td>Co-financing</td>
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<td>Concessionality (non-sovereign only)</td>
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<tr>
<td></td>
<td>Mobilisation (non-sovereign only)</td>
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<td></td>
<td>Instrument-specific disclosure</td>
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6.3 **PROJECT LEVEL SPOTLIGHT: CONCESSIONALITY**

DFIs may use concessional finance in a number of ways; through price concessionality and through the addition of grants or technical assistance to investments. While a proportionally small aspect of the work DFIs do, blended finance is increasingly important in efforts to mobilise additional private capital for development. While concessional investment terms may be required to de-risk certain DFI investments, it is important that subsidies are used only when necessary and are no larger than is necessary. In other words, it is important to establish that blended finance investments offer good value for the providers of concessional funds. This is hard to ascertain when DFIs are not transparent about the level of subsidy that is attached to an investment.

Indicator 41 of the DFI Transparency Tool, ‘Concessionality’, guides the disclosure of DFI use of concessional finance. The indicator is split into two parts. First, DFIs should disclose the amount of concessional finance that was used in an investment. Given the different ways that DFIs structure their deals it may be necessary for DFIs to define concessionality in line with their operating models and to disclose amounts accordingly. In instances where there is no concessional element of a deal this should be noted. Second, DFIs should disclose a justification for the use of concessional finance, outlining why these funds were needed.
IFC’S DISCLOSURE OF CONCESSIONALITY

Since 2019, IFC has disclosed the level of concessionality in its investments that utilise blended finance: a major step forward in the transparency practices of DFIs. The IDA private sector window (PSW) was created during the eighteenth replenishment of IDA (IDA18) and USD $2.5bn was allocated to help IFC and the Multilateral Investment Guarantee Agency (MIGA) mobilise private sector finance through the de-risking of investments. IFC invests its own capital alongside concessional PSW funds from IDA. De-risking in the form of blended finance essentially represents a form of subsidy to investees. Subsidies can affect markets, therefore transparency around the level and need, or justification for the subsidy is important. While all DFI capital represents public money (or capital leveraged using public money), the IDA PSW is capitalised using ODA with many stakeholders, therefore arguing that transparency levels should be commensurate with non-DFI ODA activities.

IFC committed to publishing subsidy levels and justifications for IDA PSW activities that it manages in October 2019. Furthermore, having applied the practice to IDA PSW investments, IFC expanded their disclosure to include all of their blended finance activities. Philippe Le Houérou, then IFC CEO, highlighted a number of reasons for this decision, including the need for accountable use of public funds and demonstrating to the public that high standards are applied to the use of blended finance.

6.4 PROJECT LEVEL SPOTLIGHT: MOBILISATION

The private sector has a central role to play if investment in developing economies are going to increase sufficiently to achieve the SDGs. DFIs therefore have an important mobilisation role, but the current lack of transparency regarding mobilisation at the project level makes it almost impossible to measure that effort. While numerous DFIs publish aggregate data on mobilisation through two sources (the MDB Joint Report on Mobilization and the OECD survey on amounts mobilised from the private sector for development), our research highlighted that disaggregated mobilisation reporting is almost non-existent. To achieve mobilisation at scale it is imperative that blended finance resources are always directed to the areas where they will be most impactful and will mobilise the most private finance. Transparency around mobilisation at the level of individual deals would allow practitioners to identify more accurately the types of investments that can contribute to these end goals.

Indicator 42 of the DFI Transparency Tool, ‘Mobilisation’, guides the disclosure of mobilisation. The indicator is comprised of two components. First, DFIs should disclose the amount of private finance mobilised within their deals, including finance from the investee and finance from private sector co-investors where appropriate. Second, DFIs should disclose finance from other DFIs that they claim credit for mobilising.


During the course of our research we were often confronted with the argument that data that is indicative of product pricing (such as loan interest rates) is commercially sensitive and therefore hard for DFIs to disclose. However, our research has indicated that this is not necessarily the case and that such information is often available through other public sources. This is significant. When information has been disclosed publicly in other places the argument that it is commercially sensitive cannot be maintained.

We commissioned a private sector survey that looked for a range of information including data related to product pricing. The research focused on four investment types: banks and financial institutions, infrastructure projects (including energy investments), private equity funds and direct investments into private companies. The research noted that for financial institutions national regulations often require the disclosure of financing and as such, the terms on which DFIs lend to FIs can be found via the financial institutions themselves. With respect to investments in infrastructure projects, regulatory disclosure again plays a role. For three investments in Pakistani wind farm projects, disclosure of the pricing of financing was made to the National Electric Power Regulatory Authority (NEPRA). While equity shares are typically not disclosed for investments in private equity funds, these can normally be calculated from the commitment amount of the DFI and public disclosure of the closure amount of the fund. While information on pricing of loans to private businesses were not found, it was possible to identify shares of equity via public sources.

In support and addition to, disclosing financial information in line with the DFI Transparency Tool, DFIs can improve their transparency through the following recommendations:

- Further publication of Global Emerging Markets Risk Database Consortium (GEMs) data: DFIs are the custodians of one of the largest emerging markets risk databases in the world. The database is maintained by the European Investment Bank (EIB) and contains credit risk data from 25 DFIs and MDBs, making it the largest database of credit risk data for many low income and fragile countries. It contains data on over 17,000 contracts from 32 years of DFI activity. However, data from the GEMs database has, until recently, been only available to participating institutions. Recent publication of a report on default rates on credits to private and sub-sovereign clients marks the first time data from GEMs has been made public, albeit in aggregate form. Given the potential to improve market information and potentially to increase private sector participation in developing economies, the DFIs that govern GEMs should seek to find ways to publish more data in increasingly disaggregated ways.


7. Financial intermediaries

Lending to, or investing in, financial institutions has become an increasingly important aspect of DFI activity. Research conducted by Oxfam in 2018 indicated that FI investments represented 55.4% of the IFC’s total investment portfolio and 52% of CDC’s portfolio, while also representing significant portions of portfolios of the EIB (45%) and FMO (30%). FI lending allows DFIs to address numerous development issues including the presence of finance and equity gaps in developing economies at a scale and cost that DFIs could not achieve through direct investments. However, a lack of transparency both at the level of the investment in FIs and at the level of the sub-investments (on lending) that FIs make, means that it is unclear where a great deal of this development finance ends up, what its development impact is, and the E&S risks that it holds for project-affected communities.

7.1 WORK STREAM FIVE RESEARCH RESULTS

Our research into the transparency of DFI FI financing is discussed in detail in our fifth working paper. The research demonstrates that there is almost no transparency around the financing of FIs by DFIs. Key findings include:

- 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 significantly lower at the level of sub-investments.
- 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.
- 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.
- 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.

7.2 FINANCIAL INTERMEDIARIES IN THE DFI TRANSPARENCY TOOL

Transparency of DFI FI investments should take place at two levels: at the FI-level and at the FI sub-investment level. This section refers specifically to the types of information that should be disclosed at the FI-level.

7.2.1 FI-LEVEL DISCLOSURE

This level of disclosure is applicable to all types of FI including, but not limited to, funds, banks, and microfinance institutions. DFIs should disclose the same information for FI investments at the FI-level as they disclose for other direct investments. As such, the 32 project level indicators outlined in the four previous chapters should be reported for DFI FI investments.

24 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.
Research from our fifth work stream indicated that it was appropriate to treat FI investments in the same manner as DFI direct investments for a number of reasons. First, prior to approval, FI investments are subject to the same types of decision-making processes, such as consideration of relevant ESG risks and development impact, as direct investments. This is reflected in the disclosure of E&S risk categorisations and the fact that ex-ante impact tools include frameworks for FIs. In turn, this indicates that a significant amount of the data the DFI Transparency Tool includes will already have been produced. Second, while the appropriate types of disclosure may differ, this does not negate the need for effective transparency. For example, while it may be inappropriate for an FI investment to include a stakeholder engagement plan, it would be appropriate for the same investment to disclose a summary of the FI’s environmental and social management system (ESMS). The DFI Transparency Tool includes the flexibility for DFIs to decide the appropriate documentation for a given investment. Finally, as discussed further below, significant amounts of this information can be obtained from other sources including publication by the financial institutions themselves, disclosure to other bodies such as regulatory institutions, and disclosure behind paywalls.

In addition to our fifth work stream, we have undertaken two pieces of research that have together indicated that significant quantities of data regarding the activities of DFI FIs are published via other sources. These findings are significant as they indicate pathways to publication for DFIs and suggest that much of the information is less sensitive than is often suggested.

We conducted a private sector survey that sought to better understand the perspectives of various types of DFI investees regarding increased transparency on the part of their investors. In the case of banks, the survey found that financial information, including loan interest rates and tenors, were publicly available and, as such, were not sensitive information that DFIs could not disclose. Banks were also found to commonly publish information regarding their ownership structure and relevant ESG and impact information. Interviews with bank employees indicated that they did not feel that the publication of ESG and/or impact data was price sensitive and as such not commercially sensitive from the perspective of stock exchange regulations. While the survey found private equity funds to be less transparent than banks, certain types of data were identifiable. In some cases, ownership of fund management companies could be ascertained through disclosure via regulatory bodies while some, although not all, funds disclosed ESG and impact data.

We also performed a deep dive into DFI FI investments in Zambia and Kenya. The deep dive evidenced the fact that many banks in developing economies are heavily reliant on DFI financing for their capital needs and as such, DFIs arguably have significant leverage that they could deploy to encourage increased levels of transparency. Furthermore, we identified numerous instances of data disclosure by banks in which DFIs are invested. For example, in our analysis of Equity Bank (Kenya), 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.

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7.2.2 FINANCIAL INTERMEDIARY SUB-INVESTMENTS DISCLOSURE

Research in our fifth work stream indicated that barriers to the publication of sub-investments by funds are low due to the relatively small number of sub-investments and the high degree of leverage DFIs often have. As such, for all funds (including venture capital funds, private equity funds, and debt funds) we expect disclosure of all sub-investments in line with the nine indicators set out below. Indeed, some DFIs are already systematically publishing some information about the sub-investments of their private equity fund investments.

ASDB AND CREADOR IV: CURRENT LEADING PRACTICE IN PRIVATE EQUITY FUND DISCLOSURE

During our research 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 is notable as it is the most extensive disclosure of private equity fund sub-investment disclosure that we have identified.

As can be seen in the image below AsDB discloses seven data points for each sub-investment: investment name, “country of investment, sector, “background” (investee description), safeguard categorisation, start dates, and exit dates for each sub-investment.

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.

1 https://www.adb.org/projects/52007-001/main
A significant portion of DFI FI investment is directed towards the banking retail market including microfinance, SME lending, and housing finance. Such on-lending activities are inappropriate for disclosure by DFIs for a number of reasons including the sheer number of such sub-investments, legitimate privacy concerns for lenders, and relatively lower ESG risks. This leads to two issues. First, what types of bank sub-investments should DFIs be expected to disclose? Second, what information should DFIs disclose about those sub-investments?

The DFI Transparency Tool employs a three-stage filter to identify FI bank sub-investments that should be disclosed by DFIs (see figure 3). The first aspect of the filter is to determine whether or not a DFI is materially exposed to the 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 equity 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. Second, any sub-investments classified as high E&S risk (category A or equivalent) should be disclosed via the DFI. Third, medium and low E&S risk sub-investments (category B/C or equivalent) that are above thresholds established by the Equator Principles should be disclosed.

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:
   1. The majority of the loan is related to a project over which the client has effective operational control (either direct or indirect).
   2. The total aggregate loan amount and the EPFI’s individual commitment (before syndication or sell down) are each at least US$50m.
   3. 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:
   1. The underlying project was financed in accordance with the Equator Principles framework.
   2. There has been no material change in the scale or scope of the project.
   3. Project completion has not yet occurred at the time of the signing of the facility or loan agreement.  

**FIGURE 3:** filter to identify bank FI sub-investments that should be disclosed by DFIs

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As an organisation, we are committed to promoting the greatest possible transparency of aid and development funding. The approach to disclosure of FI sub-investments that we set out in this report marks a compromise in attempting to improve the current situation of almost no disclosure of sub-investment information. We recognise that this approach will at once be viewed as overly ambitious by some and not ambitious enough by others. Our approach seeks to balance the need for a degree of ‘buy-in’ from DFIs to start disclosing more of this important data against the calls for full transparency and recognise that a DFI could not be considered ‘fully transparent’ with respect to their FI activities if they satisfied the requirements in our tool. It is therefore important to note that the development of the DFI Transparency Tool is an iterative process with scope for future evolution.

With the above in mind, while the full details of this assessment will be determined in the process of developing our methodology, we will assess the transparency of FI sub-investments in a manner distinct from the main body of the DFI Transparency Tool. This may include assessing the progress towards transparency that DFIs are making in this sector rather than a definitive measure of their transparency.

Christian Donaldson, Policy Advisor, Oxfam International:

"Getting access to such basic information is a right itself, consequently, the current situation of basically no disclosure of sub-investee information by most DFIs is appalling. This tool and corresponding indicators offer the necessary first steps DFIs need to take to improve their transparency practices and move in the right direction, but not necessarily the end of the road."

The second consideration relates to the specific information DFIs should disclose about sub-investments that qualify for disclosure. As discussed in our fifth working paper, national banking regulations mean that in many jurisdictions FIs will need to seek consent from sub-investees in order to disclose information. As such, it is necessary to strike a balance that simultaneously is of value to stakeholders and is not so onerous for FIs and their clients that consent will not be granted.

As such, we have outlined a set of nine indicators that allow stakeholders such as project-affected communities and accountability organisations to identify the involvement of DFIs in sub-investments that meet the above requirements for disclosure. The nine indicators for DFI FI sub-investments are shown in the table below.

<table>
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<tr>
<th>PROJECT LEVEL INDICATORS</th>
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<tr>
<td>Number of qualifying sub-investments</td>
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<tr>
<td>Sub-investee name</td>
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<tr>
<td>Country</td>
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There are currently no known examples of bank sub-investment disclosure being systematically practised by DFIs. However, IFC has committed to disclosing qualifying sub-investments of the majority of their investments in financial intermediaries.

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, there is a time-lag in the disclosure of FI sub-projects. In evidence of progress towards this goal, IFC have begun to build FI disclosure infrastructure into their database. This development in disclosure marks an important step forward in the transparency of IFC’s FI lending. It is important that other DFIs follow this trajectory to ensure best practice becomes generalised.

In support and addition to, disclosing information about FIs and their sub-investments in line with our DFI Transparency Tool, DFIs can improve their transparency through the following recommendations:

- Encourage FI clients to adopt the Equator Principles: the disclosure requirements set out above rely partly on the framework established by the Equator Principles. If DFIs were to encourage their FI clients to become signatories of the Equator Principles, it would help to spread a higher level of transparency across the financial sector. Further, if FI clients were already disclosing information for the whole of their portfolios in line with the Equator Principles it would reduce barriers to DFI disclosure.
This report has introduced Publish What You Fund’s DFI Transparency Tool, highlighting the need and the opportunity for DFIs to improve the transparency of their activities. Based on the two years of research and consultation with stakeholders detailed in our previous five working papers, the tool provides both a roadmap for DFIs to increase their transparency and a framework of analysis for the assessment of transparency. The tool is designed to provide guidance on a granular level, moving beyond previous declarations and statements in support of transparency and towards an actionable plan for delivery.

The demand for greater transparency from DFIs comes from a range of stakeholders including project-affected communities, CSOs, DFI shareholders and the private sector. While these demands are based on varied needs, they share the commonality of expecting DFIs to be able to demonstrate that they invest in impactful ways while minimising harms. Our tool incorporates a number of themes that allow DFIs to address these concerns.

DFIs are a mainstay in the impact investing sector, in many cases with decades of experience investing in activities that are supposed to be developmentally beneficial. However, disaggregated data on the results of DFI investments are consistently lacking, particularly with respect to non-sovereign operations. The lack of reliable and consistent results data limits the extent to which the efficacy and efficiency of DFIs can be assessed and prevents effective learning about the types of investments that are most impactful. As the impact investing sector grows generally, DFIs should be acting not only as industry leaders, but also as disseminators of information to other investors in this space. Our tool focuses on both the processes of determining investment impact and the disclosure of ex-post results data.

Despite their development-focused mandates, DFI investments have been documented to cause both social and environmental harms including the displacement of households and livelihoods, environmental degradation, and contributing to climate change. The ESG and accountability segment of our transparency tool outlines the ways in which DFIs should communicate the E&S risks of investments at global and local levels and be transparent about the availability of project grievance and independent accountability mechanisms.

If progress is to be made in closing the SDG financing gap, it is imperative that DFIs act in a manner that crowds-in rather than crowds-out private finance. DFIs often invest in economies that are perceived to be financially high risk and traditionally underserved by the private sector. To encourage additional private financing in these economies it is important that DFIs are transparent about the methods they use to de-risk investments, the scale of mobilisation of private finance that their investments achieve, and the pricing of their investments which may serve as benchmarks to the private sector. Our tool includes indicators on the use of concessional finance, mobilisation, and instrument specific data such as loan tenors.

Investing in financial institutions has become a large and growing aspect of DFIs’ portfolios. While this type of financing is increasingly directed towards targeted sectors such as Micro, Small & Medium Enterprises finance or the housing sector, some of it is used to finance projects that may carry significant E&S risks. Yet, there is almost no transparency about the specific ways in which FIs use the funds they receive from DFIs which has negative consequences for stakeholders who are adversely affected by projects. Our tool introduces a filter that is designed to guide disclosure of the most potentially harmful on-lending activities that DFIs are connected to.
Our DFI Transparency Tool provides a granular roadmap to improve DFI transparency that is at once achievable and ambitious. Our previous research has demonstrated that transparency across the indicators in the tool is currently insufficient and DFIs have a significant amount of work to do to reach the standards we outline. Meanwhile our research also indicates that in many cases, the information we seek, is being made available by DFIs in certain instances, therefore pointing to what’s possible. Where information isn’t being made available and commercial confidentiality is cited as the reason, our evidence shows that this position needs to be challenged. However, if DFIs are to fulfil their role of positively impacting developing economies while fostering an environment that crowds-in private capital, improving transparency in line with the tool is an important step in the right direction.