DFI Transparency Index 2023

First ranking of the world's leading development finance institutions

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

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 this report

This report was researched and written by Paul James and Ryan Anderton with research support provided by Mekila Ngwambe. The DFI Transparency Index 2023 can be found on our website.

Acknowledgements

This report is based on research funded by the Bill & Melinda Gates Foundation. The findings and conclusions contained within are those of the authors and do not necessarily reflect positions or policies of the Bill & Melinda Gates Foundation.

We would like to thank the stakeholders that provided valuable feedback in the development of the DFI Transparency Tool and the methodology for the DFI Transparency Index. We would also like to thank the independent reviewers who reviewed our findings from the first round of our assessment. Additionally, we thank the DFIs that have proactively engaged in the research for the DFI Transparency Index.

We would like to thank our project advisory board who have brought a wealth of experience and expertise on DFI operations, transparency, and development and who have offered strategic guidance throughout the research and tool development. The project advisory board members are: Robert Mosbacher Jr (chair), Paddy Carter, Nadia Daar, Aubrey Hruby, George Ingram, Nancy Lee and Andrea Ordóñez.

We also want to thank members of our expert working group for each of the five DFI Transparency Initiative work streams and all those who contributed knowledge, expertise and advice.

Expert working group members are: Mimi Alemayehou (Black Rhino), Joe Athialy (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), Olivia 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), Alvino 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.

Contents

Acronyms

AFD	Agence Française de Développement
AfDB	African Development Bank
AIIB	Asian Infrastructure Investment Bank
AIMM	Anticipated Impact Measurement and Monitoring
AsDB	Asian Development Bank
BII	British International Investment
BIO	Belgian Investment Company for Developing Countries
CAF	Development Bank of Latin America
DEG	German Development Finance Institution
DFC	US International Development Finance Corporation
DFI	development finance institution
E&S	environmental and social
EBRD	European Bank for Reconstruction and Development
EDFI	European Development Finance Institutions Association
EIB	European Investment Bank
EMDEs	emerging and developing economies
ESCON	Environmental and Social Compliance Note
ESG	environmental, social, and governance
ESIA	environmental and social impact assessment
FI	Financial Intermediary
FMO	Dutch Entrepreneurial Development Bank
FPIC	free, prior, and informed consent
GEA	Green Equity Approach
HIPSO	Harmonized Indicators for Private Sector Operations
IAM	independent accountability mechanism
IATI	International Aid Transparency Initiative
IBRD	International Bank for Reconstruction and Development
ICD	Islamic Corporation for Development of the Private Sector
ICM	Independent Complaints Mechanism
IDA	International Development Association
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IFC PS	International Finance Corporation Performance Standards
IFU	International Fund for Developing Countries
IQ	Impact Quotient
IsDB	Islamic Development Bank
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OeEB	Development Bank of Austria
SDGs	sustainable development goals
SIFEM	Swiss International Fund for Emerging Markets

1 Executive summary

As global crises mount—from the social and economic fallout of COVID-19 to the deepening climate crisis, to food insecurity compounded by the Russian invasion of Ukraine—development finance institutions (DFIs) are increasingly being called upon to address these issues. Although more resources are being funnelled through DFIs, it is a challenge to know what investments are being made and the impact these are having.

This report presents the findings of Publish What You Fund's first DFI Transparency Index. The DFI Transparency Index is a comparative measure of the transparency of thirty leading DFI portfolios. It assesses multilateral and bilateral institutions, and sovereign (public sector) and non-sovereign (private sector) operations.

The DFI Transparency Index measures the transparency of DFIs across 47 indicators in five categories of information:

- Core Information
- Impact Management
- ESG and Accountability to Communities
- Financial Information
- Financial Intermediary Sub-investments (non-sovereign only)

Full lists and definitions of the indicators included in the index can be found in the methodology paper.

The key findings of the report are as follows:

- Across the board DFIs are insufficiently transparent – critically, DFIs are not providing evidence of impact, data regarding mobilisation, or proof of accountability to communities. For many DFIs, even basic information about their investments is not publicly available.
- Progress is being made – use of and adherence to the standards laid out in the DFI Transparency Tool are guiding the efforts of leading DFIs which have improved their disclosure during Publish What You Fund's DFI Transparency Initiative.
- The International Finance Corporation (IFC) was ranked as the most transparent non-sovereign DFI in the assessment, scoring 54.4 out of 100. IFC performed relatively strongly across each of the index components, placing first in two components (ESG and Accountability to Communities, and Financial Intermediary Sub-investments).
- The rest of the top five positions in the non-sovereign assessment were filled by the African Development Bank (AfDB), Asian Development Bank (AsDB), European Bank for Reconstruction and Development (EBRD), and IDB Invest.
- The Development Finance Corporation (DFC) was the top ranking bilateral DFI.
- The AsDB was ranked as the most transparent DFI in the analysis of sovereign operations, scoring 75.9 out of 100. AsDB performed relatively strongly in each of the four components, coming first in Core Information and ESG and Accountability to Communities, while placing second in Impact Management and Financial Information.
- The rest of the top five positions in the sovereign assessment were filled by AfDB, the Inter-American Development Bank (IDB), EBRD and the Asian Infrastructure Investment Bank (AIIB).

Especially for non-sovereign operations, the index shows that DFIs are not transparent enough about their operations. Alongside generally low overall scores in the index, non-sovereign DFIs also performed poorly in relation to important individual indicators within the index. The analysis found almost no disclosure of results data for non-sovereign investments, making it impossible to accurately understand the DFIs' impact. Furthermore, despite the mobilisation of private finance being part of many DFIs' mandates, DFIs do not disclose disaggregated mobilisation data. Together, the lack of disclosure around results and mobilisation limits the ability of stakeholders to ensure that DFIs are investing in the most impactful ways and mobilising private finance efficiently.

The DFI Transparency Index assessed the extent to which DFIs provide assurance that investments have been disclosed to project-affected people when necessary. The report finds that while there are examples of assurance of disclosure, these are rarely standardised or systematically disclosed. The report identifies good practice in this respect from the AsDB and AfDB's sovereign operations, although there is room for further improvement. However, it is often not possible to ascertain that DFIs have ensured that their clients have followed relevant environmental and social policies in relation to disclosure.

While this initial index serves as a benchmark for future assessments, there have been meaningful improvements in the transparency of many DFIs during the assessment period. Improvements have been noted in the accessibility, quantity, and quality of data disclosed, with many DFIs committing time and resources to improve their operational transparency.

The report makes a number of recommendations to improve DFI transparency, including:

- ***Report impact data:*** non-sovereign DFIs should commit to publishing information about the impact of their individual investments. Harmonised results indicators such as the Harmonized Indicators for Private Sector Operations (HIPSO) can provide the framework through which such reporting could occur. The presumption of commercial confidentiality needs to be addressed. DFIs and their investees should agree on key metrics that can be reported. For existing investments, DFIs should examine whether it is possible to disclose additional information about ex-ante impacts, even if it is not practical to renegotiate the disclosure of actual results.
- ***Publish disaggregated mobilisation data:*** DFIs should seek to improve disclosure around mobilisation of private finance so stakeholders can verify that DFI resources are being directed to areas in the most efficient and effective manner possible. Mobilisation remains one of the most important remits of most DFIs' activities yet there is insufficient data to identify if and where DFIs effectively mobilise and where they do not.
- ***Improve transparency around assurance of disclosure to project affected people:*** DFIs should take steps to provide evidence that their investees fulfil their ESG responsibilities. Current disclosure practices often involve information being disclosed in a range of documents including environmental and social impact assessments and stakeholder engagement plans. Disclosure could be improved through the collation of information in a single document with a specific purpose. The disclosure of Environmental and Social Compliance Notes (ESCONs) by AfDB and publication of annual social monitoring reports by AsDB are examples of this, although neither fully satisfy the requirements of the DFI Transparency Tool. Improving disclosure of this information would help to ensure that clients comply with DFI policies and increase confidence from stakeholders that DFIs are actively seeking compliance.

- ***Disclose high risk financial intermediary (FI) sub-investments*** DFIs should disclose high-risk on-lending activities by FI clients, ideally in line with the thresholds established by the Equator Principles and set out in the DFI Transparency Tool. IFC has demonstrated that it is possible to disclose high-risk on-lending activities by DFI FI clients, and other DFIs should follow IFC's lead on this issue.
- ***Increase standardisation of data:*** DFIs should use Publish What You Fund's DFI Transparency Tool and publish to the International Aid Transparency Initiative (IATI) Standard as they exist for DFIs to improve the standardisation of their data. Improving standardisation of disclosure is a critical step to improve the usability of data. The IATI Standard has the added benefit of centralising data which would make inter-institutional analysis simpler. Given the extent to which IATI data is now being used by a variety of actors for analysis and decision making it is regrettable that a majority of DFIs do not report their investments to IATI.

2 Introduction

DFIs form an increasingly important part of the global development ecosystem. Broadly, DFIs are financial institutions that are backed by public money, either bilaterally (in the case of national/bilateral DFIs) or multilaterally (in the case of multilateral development banks). They make investments in emerging and developing economies (EMDEs) via a range of financial instruments.[i] DFI operations can be broadly separated into two types; non-sovereign operations in which DFIs invest primarily in private sector operations (in absence of a sovereign investment guarantee) and sovereign operations in which DFIs invest primarily in public sector operations with a sovereign guarantee. The majority of bilateral DFIs (including all of those in the DFI Transparency Index) function as purely non-sovereign operations. Multilateral DFIs typically make non-sovereign and sovereign investments, whether through separate departments within the same institution (as is the case with AfDB and AsDB) or through separate institutions within the same group (as is the case with IFC and the International Bank for Reconstruction and Development/ International Development Association (IBRD/IDA) in the World Bank Group).

DFIs are not new. British International Investment (BII) traces its history to the creation of the Commonwealth Development Corporation in 1948, while the World Bank was founded as part of the Bretton Woods Agreement in 1944. Yet in recent years the role of DFIs has grown in prominence. A report by Devex found that 16 North American and European bilateral DFIs have grown from a combined portfolio size of $47.9 billion in 2012 to $84 billion in 2021 (2021 constant prices).[1] The DFIs included in the DFI Transparency Index have total assets in excess of $2.1 trillion.[2] Additionally, new DFIs have been created in recent years, including the US Development Finance Corporation (DFC), Findev Canada, and proposals for the creation of an Australian DFI.[3] This remarkable growth in development finance is set against a context of generally far slower growth in traditional Official Development Assistance (ODA) and in some instances, such as that of BII, growth is occurring in a context of shrinking levels of ODA.[4]

2.1 Why DFI transparency matters

The global economy is in the middle of a number of converging crises that disproportionately affect EMDEs. Firstly, as nations locked down during the Covid-19 pandemic the global economy effectively froze. Widespread economic contractions caused commodity price slumps that had an outsized effect on EMDEs. Despite a rebound in commodity prices, high public debt levels because of social interventions and the shrinking policy space that has followed have led to divergent recoveries from the crisis.[5] Secondly, the Russian invasion of Ukraine has also had significant effects on EMDEs. Ukraine and Russia account for 29% of global wheat exports and 62% of sunflower oil.[6] Some EMDEs are disproportionately reliant on imported foodstuffs. For instance, Lebanon imports 80% of the wheat it consumes from Ukraine, and its food prices have risen by 351% since the invasion.[7] Simultaneously, fertiliser prices have increased by 231% globally, harming the ability of agricultural sectors to maintain yields and further driving up the price of food and exacerbating food insecurity.[8] Finally, the longer-term climate crisis continues to impact EMDEs that are less resilient to shocks. The recent catastrophic flooding in Pakistan is estimated to have caused $30 billion in losses, accounting for approximately 2.2% of the country's GDP.[9] COP27 highlighted the need for $2 trillion in annual investment in climate-related activities, half of which will need to be mobilised from international public and private sources, including DFIs and the private sector.[10]

i We use the term 'backed by public money' to recognise diversity in ownership and investing models. While some DFIs are directly owned by countries/governments (such as British International Investment (BII)), others are private companies operating with government guarantees (such as OeEB) or have joint public-private ownership (such as FMO and Proparco). Similarly, while some invest money that is wholly derived from public funds (the DFC receives an annual appropriation from the US government) others, including multilateral development banks, invest money raised on private capital markets using public capital (often uncalled) or guarantees to secure favourable lending rates.

Given their development mandates, DFIs are uniquely placed to act in a countercyclical manner during times of crisis. Commercial capital typically responds to crisis by flowing to safer investments; "Africa's share of total global FDI inflows for developing economies fell from 6.3 percent to 5.9 percent between 2019 and 2020".[11] Conversely, major DFIs increased their investment by an average of 7% between 2019 and 2020, growth driven particularly through liquidity investments in existing investees.[12] Alongside a general increase in investment, DFIs have effectively targeted sectors and economies tied to the varying crises. For example, IFC, Proparco, the German Development Finance Institution (DEG), and DFC's co-investment in Aspen Pharmacare Holdings Limited, a South African vaccine manufacturer aims to address global vaccine inequity.[13] Similarly, IFC and Dutch Entrepreneurial Development Bank's (FMO) investment in HAS Group's Yemen operations helped to address food insecurity during the Covid-19 crisis.[14]

The above highlights the crucial role that DFIs play in economic development. However, despite growing size and importance, they still operate in a context of constrained resources. In short, the investment needs of EMDEs still far outweigh DFI investments and the private capital that they mobilise. It is vital that DFIs use their resources in the most impactful way possible both in terms of generating positive development results and mobilising private finance. While aggregate reporting has increased, there remains a dearth of disaggregated data on the development impacts of DFI investments as well as on financial aspects, including co-financing of deals and the mobilisation of private finance. Moreover, where data does exist, it is frequently disclosed in less-accessible formats that makes meaningful analysis challenging.

While recognising the important role that DFIs play, it is also essential to recognise that some DFI investments pose significant environmental and social (E&S) risks. A report in 2020 noted that AIIB had invested 20% of its lending portfolio to fossil fuel projects.[15] Other projects, such as the construction of a hydroelectric dam in Cameroon financed in part by the AfDB, European Investment Bank (EIB), BII, and IFC, have resulted in disruptions to livelihoods and allegations of insufficient community consultation.[16] DFIs should respect the right to information of project-affected people. Including project-affected people through consultation and decision making is central to improving the inclusivity of development interventions. Despite significant progress in improving both their disclosure policies and their E&S safeguards, DFIs still publish far too little data about how these policies are implemented in individual projects. In the absence of this information, it is impossible for stakeholders to ascertain whether policies are being followed and that accountability is ensured.

A note on commercial confidentiality

Throughout the course of our research on the DFI Transparency Initiative, the issue of commercial confidentiality was among the most commonly cited reasons for non-disclosure of information by DFIs. However, our research and that of others suggests that in many instances the concept of commercial confidentiality is being used as a catch-all reason for not disclosing information, even where the concern may not legitimately apply. Research by BankTrack found that even in countries with restrictive bank secrecy laws, disclosure of information is possible with client consent.[17] Furthermore, in some cases, information that is described as commercially confidential is already available through other publicly accessible sources such as disclosure by the client themselves or on financial databases protected by paywalls. If information is already accessible elsewhere, it follows that claims of commercial confidentiality cannot be legitimate. Finally, Publish What You Fund commissioned research into the attitudes of investees of a leading European DFI regarding increased disclosure. The research found that in many cases investees would be willing to disclose more information if required to do so. Meanwhile, some investees noted that disclosure of information is a burden that they seek to avoid, and they do so by relying on competition for deals between DFIs and choosing DFIs with lower reporting requirements.[18] This in turn is indicative of the need to harmonise disclosure requirements across DFIs to ensure a level playing field.

2.2 The DFI Transparency Index

Publish What You Fund launched the DFI Transparency Initiative in November 2019 with the aim of understanding opportunities and barriers to improve the transparency of DFIs.[19] Through the course of the research it became increasingly apparent that while DFIs have taken meaningful steps to improve their transparency, there is still a great deal more that needs to be done. There is still not enough information available to stakeholders and researchers about where DFI capital is invested and its impact. Information about how DFIs manage and mitigate environmental, social, and governance (ESG) risks continues to be unavailable. With this in mind, we recognised the need for innovations that would encourage DFIs to further improve their transparency and to provide them with guidance. We launched the DFI Transparency Tool in November 2021 to provide granular guidance on the types of information that DFI stakeholders value and should therefore be disclosed.[20] The DFI Transparency Index has been designed to provide an assessment of the transparency of leading DFIs, using the DFI Transparency Tool as the basis for analysis. Following consultation on the methodology in March 2022, we started our analysis in May 2022. Additionally, this edition of the DFI Transparency Index acts as a baseline report, marking the starting point from which future progress can be assessed.

2.3 Structure of the report

The rest of the report is structured as follows. Chapter three provides a brief overview of the DFI Transparency Index assessment method and chapter four presents the overall results of the DFI Transparency Index. Chapter five explores the results of the Core Information component of the DFI Transparency Index and argues that greater standardisation of data is required, highlighting the role of both the DFI Transparency Tool and the IATI Standard in achieving this. Chapter six looks at the Impact Management results in detail and argues that improving disclosure around ex-post development results is critical in ensuring scarce development resources are directed to the most impactful investments. Chapter seven focuses on results in the ESG and Accountability to Communities component, arguing that assurance of disclosure to communities is an essential aspect of ensuring that well developed ESG policies are being implemented by DFIs and their clients. Chapter eight dives into the disclosure of Financial Information, and highlights the importance of co-financing and mobilisation data in ensuring sufficient private finance is mobilised to achieve global goals. Chapter nine focuses on the transparency of FIs and profiles recent developments in FI disclosure at IFC.
Finally, chapter ten proposes a series of recommendations for improving DFI transparency.

3 Methodology

This section provides a brief overview of the DFI Transparency Index methodology. The full methodology can be found on our website.[21]

3.1 What the DFI Transparency Index measures

At its core, the DFI Transparency Index assesses the following four points:

1. Presence of data: our research team surveyed policies and projects from the DFIs included in the index to identify data that is disclosed.
2. Quality of publication: where data was found, the quality of data was assessed in line with definitions outlined in the DFI Transparency Tool.
3. Consistency of publication: for project-level indicators we assessed whether qualifying data was published for at least 80% of activities in the relevant sample.
4. Format of publication: we surveyed four formats of publication which we scored based on their accessibility and standardisation, publication to the IATI Standard, publication in files that allow bulk download including .xls and .csv files, publication on websites, and publication in PDF format.

The DFI Transparency Index measure the transparency of DFIs across 47 indicators in five components:

- Core Information: the basic information that describes a DFI's organisational policies and investments. This type of information is typically found in key organisation documents and represents the first tier of project information, typically disclosed on project web pages or in files available for bulk download. At the organisation level this includes access to information policies and annual reports. At the project level this includes project titles, locations and key dates.
- Impact Management: the ways in which a DFI predicts, measures, and evaluates the impacts of their investments. At the organisation level this includes an impact measurement approach. At the project level this includes activity indicators/metrics and results.
- ESG and Accountability to Communities: the ways in which a DFI predicts, mitigates, and communicates the ESG aspects of their activities. At the organisation level this includes E&S global disclosure policy and E&S community disclosure policy. At the project level this includes E&S plans and assessments, and assurance of community disclosure.
- Financial Information: this information provides details on the financial performance of DFIs and the structuring of investments. At the organisation level this includes audited financial reports. At the project level this includes currency of investment, mobilisation and concessionality.
- Financial Intermediary Sub-investments (non-sovereign only): this information relates to the ways in which investments in FIs is used. At the organisation level this includes FI sub-investment policy. At the project level this includes private equity fund sub-investments and FI (bank) sub-investments.

Full lists and definitions of the indicators included in the index can be found in the methodology paper.

3.2 DFIs in the DFI Transparency Index

The following DFIs are included in the DFI Transparency Index:

Non-Sovereign
African Development Bank (AfDB)
Asian Development Bank (AsDB)
Asian Infrastructure Investment Bank (AIIB)
British International Investment (BII) [United Kingdom]
Belgian Investment Company for Developing Countries (BIO) [Belgium]
German Development Finance Institution (DEG) [Germany]
Development Bank of Latin America (CAF)
US International Development Finance Corporation (DFC) [United States]
European Bank for Reconstruction and Development (EBRD)
European Investment Bank (EIB)
Finnfund [Finland]
Dutch Entrepreneurial Development Bank (FMO) [Netherlands]
IDB Invest
Investment Fund for Developing Countries (IFU) [Denmark]
International Finance Corporation (IFC)
Islamic Corporation for Development of the Private Sector (ICD)
Norfund [Norway]
Development Bank of Austria (OeEB) [Austria]
Proparco [France]
Swiss Investment Fund for Emerging Markets (SIFEM) [Switzerland]
Swedfund [Sweden]

Sovereign
African Development Bank (AfDB)
Asian Development Bank (AsDB)
Asian Infrastructure Investment Bank (AIIB)
Development Bank of Latin America (CAF)
European Bank for Reconstruction and Development (EBRD)
European Investment Bank (EIB)
Inter-American Development Bank (IDB)
Islamic Development Bank (IsDB)
World Bank

3.3 The research process

The research can be broken into five distinct phases:

1. Sample construction: the research team constructed databases of projects within sample timeframes (see box below) and conducted random samples in line with our methodology.
2. First round assessment: the research team conducted a first round of assessments in line with our methodology to gain an initial measurement of DFI transparency.
3. Engagement with DFIs and independent reviewers: first round results were sent to the DFIs assessed and to independent reviewers. Engagement meetings were offered to all DFIs and were used as an opportunity for the team to highlight areas of potential improvement as well as to ensure the accuracy of Publish What You Fund's assessment. Independent reviewers were given the opportunity to provide feedback on results to further calibrate our assessment.
4. Second round assessment: the research team repeated the analysis of DFI transparency using new sample sets. This round was used to create the scores within the DFI Transparency Index in line with our methodology.
5. Analysis: the results of the second round of assessments were analysed to produce scores for each DFI. Further analysis was conducted to inform the DFI Transparency Index report.

Samples

Main: all project-level indicators used the main sample of fifteen random projects from 2020 to 2022, apart from the ones listed below.

Results/disbursements: indicator 12.3 (disbursements) and indicator 24.3 (actual results) used fifteen random projects from 2018-19.

Concessionality: indicator 41.1 (concessionality, non-sovereign only) used a purposive sample where applicable (see the methodology paper), otherwise it used the main sample above.

Private equity funds: indicators 45.1 and 45.2 (private equity fund sub-investments, non-sovereign only) used a sample of fifteen random private equity fund projects over 2018–19.

FI (bank) use of funds: indicator 46.1 (use of funds for banks, non-sovereign only) used a sample of fifteen random investments through financial institutions/banks over 2020–22.

FI (bank) sub-investments: indicators 47.1 and 47.2 (bank sub-investments, non-sovereign only) used a sample of fifteen random investments through financial institutions/banks over 2018–19.

3.4 How the DFI Transparency Index differs from the Aid Transparency Index

Publish What You Fund has published the Aid Transparency Index for 10 years.[22] The Aid Transparency Index is the only independent measure of aid transparency among the world's major bilateral and multilateral development agencies. In later editions, the Aid Transparency Index has included assessments of multilateral DFIs. For the first time in 2022, these DFIs had their sovereign and non-sovereign portfolios assessed separately. It is therefore important to explain the need for a new index of DFIs' transparency and outline the principal differences between the two indexes. In turn, this will help to explain the different scores that institutions receive in the two assessments.

At its core, the Aid Transparency Index is primarily a measure of the extent and quality of data that aid agencies and other institutions (such as DFIs) publish in the IATI Standard. While being an IATI publisher is not a prerequisite of inclusion in the Aid Transparency Index, it remains the fact that in the most recent edition of the index all but three of the institutions included published IATI data. The predominance of IATI publishers in the Aid Transparency Index is partly a result of the Aid Transparency Index's success in incentivising the publication of aid data to a globally recognised open data standard. Furthermore, publication in the IATI Standard is fundamental to scoring highly in the Aid Transparency Index; institutions that do not publish IATI data cannot score above 51.875 points. Across its history the Aid Transparency Index has been successful in improving the quantity and quality of aid data that is disclosed. It has also provided a basis for comparing data across a range of institutions; from bilateral aid agencies, to development banks, philanthropic organisations and United Nations agencies.

While there are clear benefits of comparability across this range of donors, DFIs have their own unique attributes that are not covered in the Aid Transparency Index. DFIs have different mandates to other aid agencies, including their role in mobilising private sector investment and financial additionality, which we believe warranted a separate index process. Also, there are characteristics of a subset of DFI activities that necessitate a form of transparency that is not adequately covered by the IATI Standard. DFIs have historically financed activities that contain significant E&S risks. These include the financing of major infrastructure projects and routing of capital through FIs. Our research into these subjects highlighted the need to measure transparency in new ways that are not included in the Aid Transparency Index and, in some cases, prioritising formats other than IATI.

The strength of IATI is its standardisation of aid information, its timeliness, and the fact that it is fully open, machine-readable data, accessible from a central registry. This means it can be compared, aggregated and disaggregated for macro or micro-level analysis. There are, however, aspects of DFI business models that are fundamental to many of their mandates that are currently not accommodated by the IATI Standard. A number of these relate to the financial aims and structuring of DFI investments, including the use of co-financed financial instruments, the mobilisation of private finance, and the use of concessional funding in the form of technical assistance and blended finance. As these types of data cannot currently be published in the IATI Standard, they are not captured in the Aid Transparency Index, and it is necessary to assess the disclosure of them in other ways.

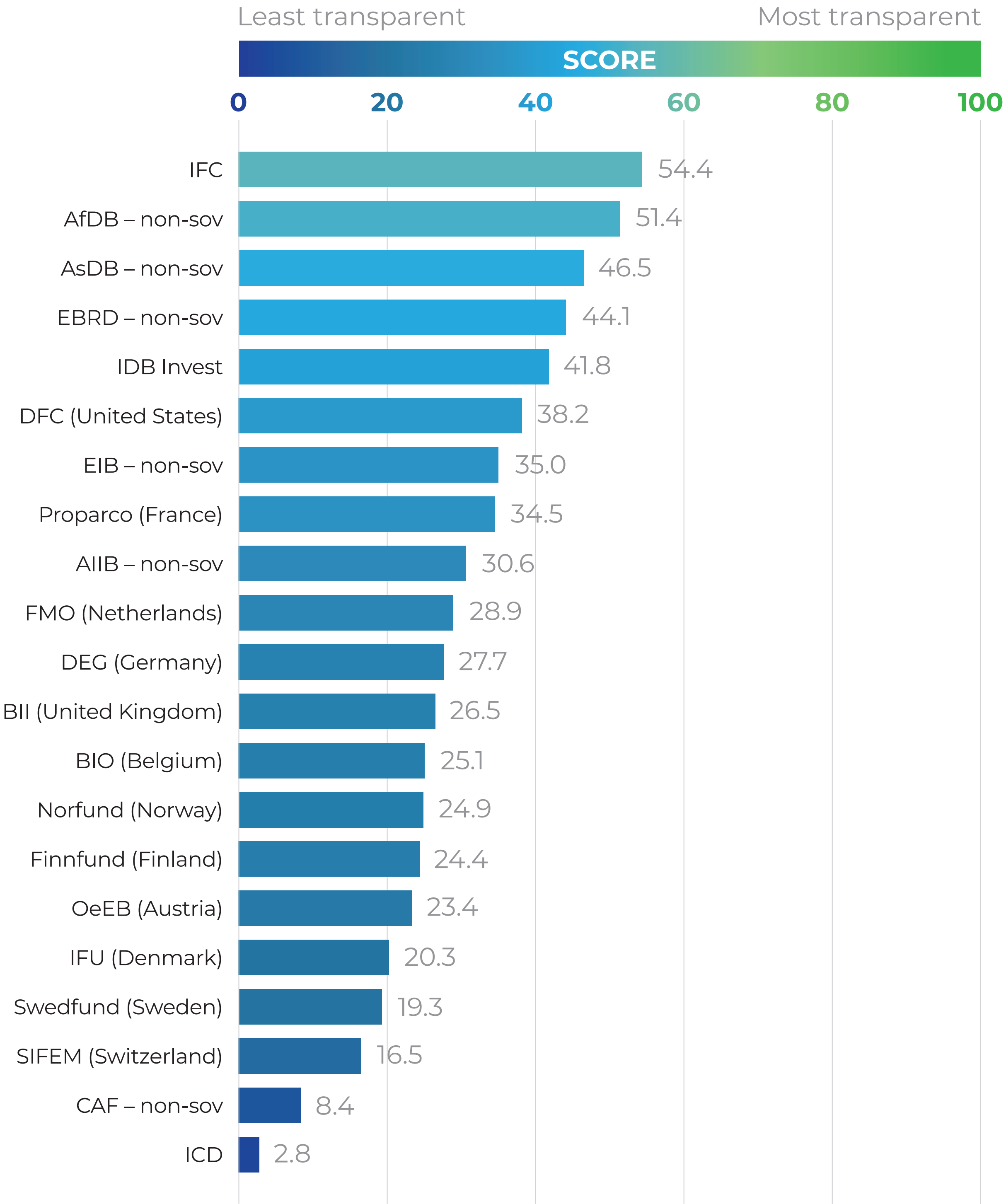
The Aid Transparency Index and the DFI Transparency Index both measure transparency, but the DFI Transparency Index allows for a more customised assessment that is tailored specifically to DFIs' business models. These differing methodologies inevitably result in different scores for institutions that are included in both indexes. This is not inconsistent, but rather reflects that an institution may have different aspects of transparency being measured leading to different outcomes.

3.5 A note on our assessment

Two important factors shape our analysis of DFI transparency. The first is the time-bound process of the assessment and the second relates to identifying relevant data. Regarding the 'time-bound' assessment, as detailed in our process, the second round of assessments we conducted were the basis for the scores in the index. Our assessment is therefore a measurement of transparency with time-bound limitations. It is possible that disclosure has changed in the time between assessment and this report being published. We have already noted one instance of this being the case, as IFU updated their project database to include 2021 investments in the month following our assessment. Had this taken place a month earlier, IFU would not have been penalised for late publication of project data. Regarding 'identifying relevant data', as our assessment surveys a wide range of data sources, we established a 15-minute time limit for how long researchers would look for data. If data was not found within that limit, we marked it as not being present. This does not mean that the data is definitively not published in any location. However, we consider this as indicative that the data is too hard to find to be included in our analysis.

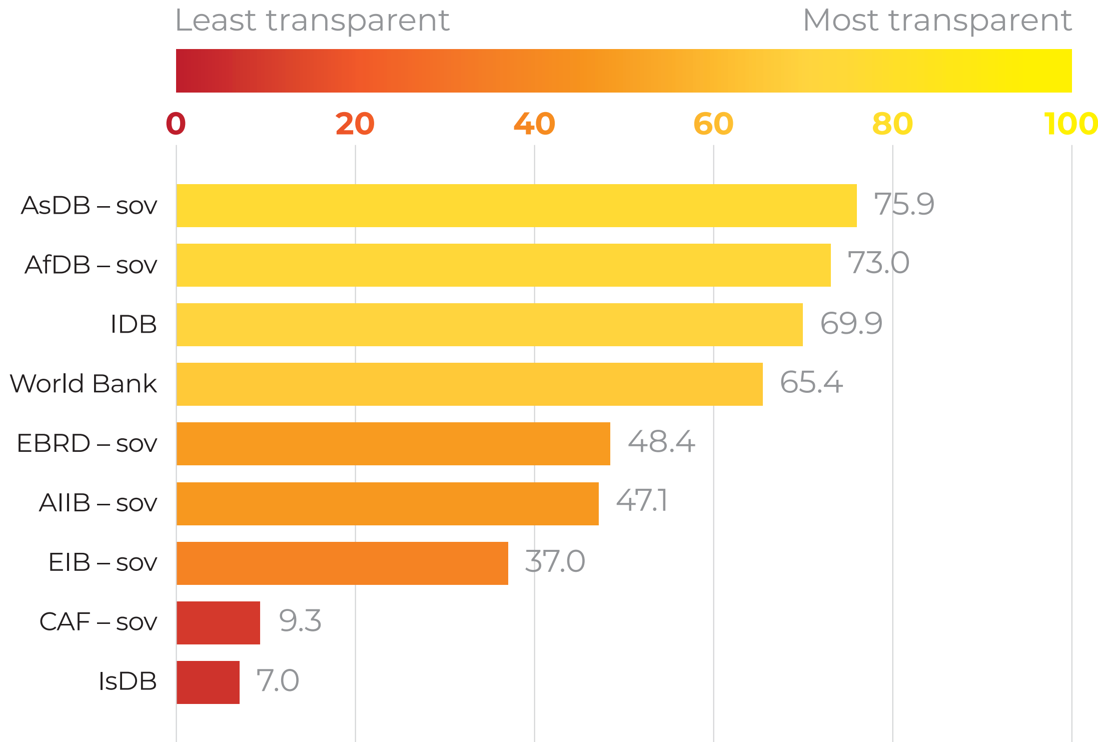
4 DFI Transparency Index results[ii]

Non-sovereign DFIs



ii Analysis of individual DFI results can be found in DFI profiles on our website.

Sovereign DFIs



Institutions that were not transparent enough to include in the index

The selection criteria for the DFI Transparency Index are presented in full in our methodology. One element of our criteria, that DFIs demonstrate a fundamental commitment to transparency through the maintenance of a database or list of active investments, has an important implication for the results of our assessments. A number of large bilateral DFIs were excluded from the index because we were unable to identify systematic project/investment disclosure through a project database. For some institutions we were unable to ascertain whether they had non-sovereign operations, sovereign operations, or both. These institutions include **China Development Bank, Industrial Bank of Korea, Korea Development Bank, Japan Finance Corporation, The Brazilian Development Bank, Development Bank of Japan, Japan Bank for International Cooperation, Japan International Cooperation Agency, and Silk Road Fund**. If we had included these institutions, it is highly likely that they would have been among the worst performing DFIs in our index.
This is important as these DFIs are all large institutions with combined total assets of approximately $3.7 trillion.[23] Furthermore, although we argue that our results show that the DFIs included in the index have a long way to go in becoming transparent, they are certainly not the least transparent DFIs in the sector. We call on the DFIs that were excluded from this edition of the index to commit to improving the transparency of their operations. We remain at their disposal if they would like to engage and commence their transparency efforts.

4.1 Non-sovereign results

IFC achieved the highest overall score for transparency in our non-sovereign assessments with a score of 54.4 out of 100. IFC consistently scored highly across each of the index components; of the top five DFIs they were the only institution to score in the top five for each of the five components. IFC came top in two components; ESG and Accountability to Communities, and Financial Intermediary Sub-investments.

AfDB received the second highest score in the index with 51.4, while AsDB had the third highest score with 46.5. EBRD and IDB Invest are the other DFIs in the top five with 44.1 and 41.8, respectively. Broadly, publication in the IATI Standard is indicative of better performance in the non-sovereign rankings of the DFI Transparency Index. All the top five ranked DFIs in our non-sovereign assessment are IATI publishers, although AsDB did not score points for IATI publication due to the fact we were unable to identify five projects from our sample published to IATI. The fact that AsDB performed relatively well in our assessment despite not receiving points for IATI publication suggests that being an IATI publisher may have positive spill over effects on general transparency.

DFC received the highest score among bilateral DFIs in the index with 38.2. DFC's relatively strong performance can be partly attributed to the development and publication of a detailed downloadable investment file that improved scoring on numerous indicators. This data file was significantly improved following pre-assessment engagement with Publish What You Fund, indicating that improvements to transparency can be made in relatively short timeframes.

ICD and CAF received scores that were significantly below the scores achieved by other DFIs. ICD scored 2.8, while CAF achieved 8.4. In the case of ICD, at the point of assessment there had been no new projects disclosed since 2018. As such, ICD failed every project-level indicator in the index assessment. There was also largely a lack of policy documents providing guidance on either global or community disclosure. We were unable to identify non-sovereign operations for CAF, despite evidence that they exist.[24] This resulted in CAF failing all project-level indicators.

Two DFIs in our non-sovereign assessment received score penalties as a result of their databases being significantly out of date. In each case, half of their total points received for project-level indicators were deducted, in line with our methodology. BII received a penalty as, at the time of the second assessment, there were only three direct investments for 2021 disclosed on their data portal. IFU also received a penalty as, at the point of the second assessment, there were no projects disclosed from 2021 and the database had a last update date of 31 December 2020.

4.2 Sovereign results

AsDB scored the most points in our sovereign assessments with a score of 75.9. AsDB performed strongly across all four components in the sovereign assessment. AsDB came first in Core Information and ESG and Accountability to Communities, while coming second in Impact Management and Financial Information. AsDB's core information was particularly strong, receiving 26.5 out of a possible 30. This is a reflection of AsDB's excellent IATI data as many of the indicators in the Core Information component of the DFI Transparency Index are aligned to the IATI Standard.

AfDB came second in our sovereign assessment, scoring 73. IDB came third in the sovereign assessment with 69.9 while World Bank came fourth with 65.4. Each of these institutions performed well across the four components. AfDB came top of the Impact Management component while IDB topped the Financial Information component.

The results of our sovereign assessment can be broadly split into three distinct groups of performance. The above four institutions all scored more than 65, performing relatively strongly overall. Meanwhile, a second group of three institutions performed worse. EBRD scored 48.4 while AIIB scored 47.1 and EIB received 37. For each DFI in this group it is possible to identify an important explanation in why they scored fewer points than the top four. In the case of EBRD and EIB, both DFIs fail to publish results data and as such perform poorly in the Impact Management component of the index. Meanwhile, AIIB is the only DFI out of the top seven in the assessment that publishes no projects to IATI. Much of AIIB's data is disclosed in less accessible formats such as PDF files, which results in a lower score in the index.

A final pair of DFIs, CAF and IsDB, performed very poorly in our sovereign assessment. CAF came second last in our assessment with a score of 9.3. We found extremely limited project-level data in CAF's database resulting in a poor score overall. IsDB scored 7 in our sovereign assessment. While IsDB does have a project database, it was unavailable during both rounds of our assessment. As such, IsDB failed all project-level indicators in the index.

4.3 Analysis

The results of our inaugural DFI Transparency Index represent the first time an independent organisation has quantified the transparency of multilateral and bilateral DFIs using a consultative, stakeholder-centric methodology that is specifically aligned to their business models. Results of the DFI Transparency Index are generally low, with only two DFIs in our non-sovereign assessment scoring over half of the total available points. Given the fact that this is the first undertaking of this kind, some context is useful. In this section we highlight progress that the sector is making, and the significant amount of work that needs to be done for DFIs to be considered truly transparent.

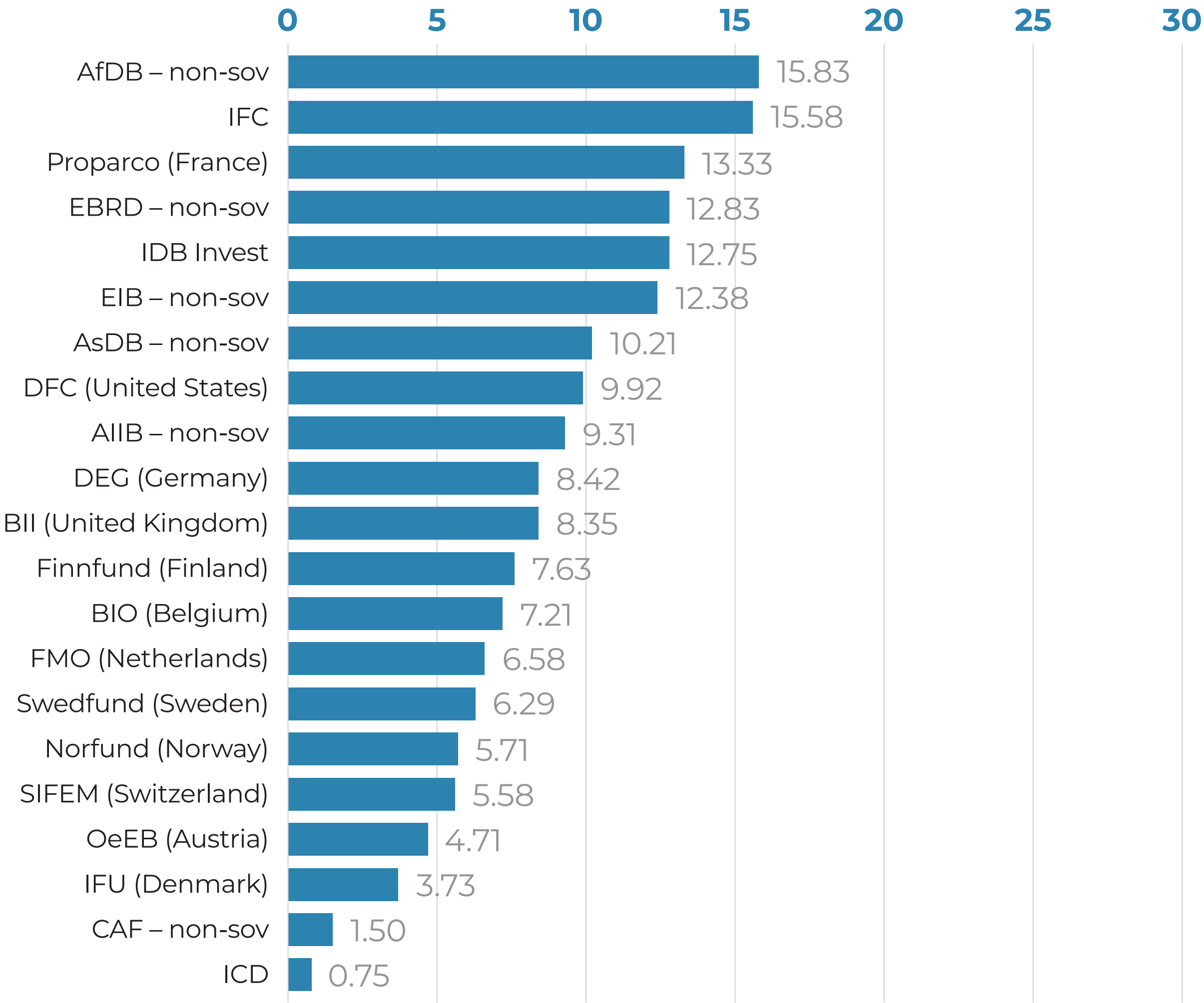
Given the generally low scores, the results of our assessment need to be contextualised. First, the results of the index should be situated within the timeframes of our analysis. Publish What You Fund launched the DFI Transparency Tool in November 2021. Our assessment was conducted across the course of 2022 with samples that were predominantly formed from projects approved in 2020 and 2021. The majority of projects we assessed were either already active, or were already in the process of development when we launched the tool. We must recognise that DFIs often have disclosure agreements with their investees and for projects that predate the launch of the tool, it is unrealistic to expect alignment between disclosure agreements and the tool. Making significant changes to processes can take time, and a number of changes that DFIs are planning to make will presumably be realised after the assessment period. As such, the findings of this edition of the DFI Transparency Index should be interpreted primarily as a baseline measurement of the transparency of DFIs before the tool was established.

Despite the novelty of the DFI Transparency Tool and the DFI Transparency Index, our research identified a degree of improvement in the transparency of a number of DFIs between the first and second rounds of our assessment. These improvements were founded on the back of an intensive series of engagements between the research team at Publish What You Fund and DFI personnel, and the efforts of DFIs to identify areas of potential improvement and to act on them. The improvements may best be described as piecemeal in which DFIs identified data points that they could feasibly disclose from existing data. Of more significance is the level of effort that DFIs put into the process, building on a history of constructive engagement throughout the life of the DFI Transparency Initiative. In total, we held pre-assessment meetings with 17 of the DFIs in our index, representing 24 non-sovereign and sovereign portfolios, and mid-assessment meetings with 15 of the DFIs, representing 19 portfolios. In some cases, DFIs held multiple meetings focused on the various components of the index. Additionally, we have participated in efforts to harmonise disclosure, including through joint meetings with the members of the European Development Finance Institution Association (EDFI). While much of this work is not captured in the results of the first DFI Transparency Index, they are indicative of the fact that DFIs recognise the need and value of greater transparency, and in many cases are working towards that goal.

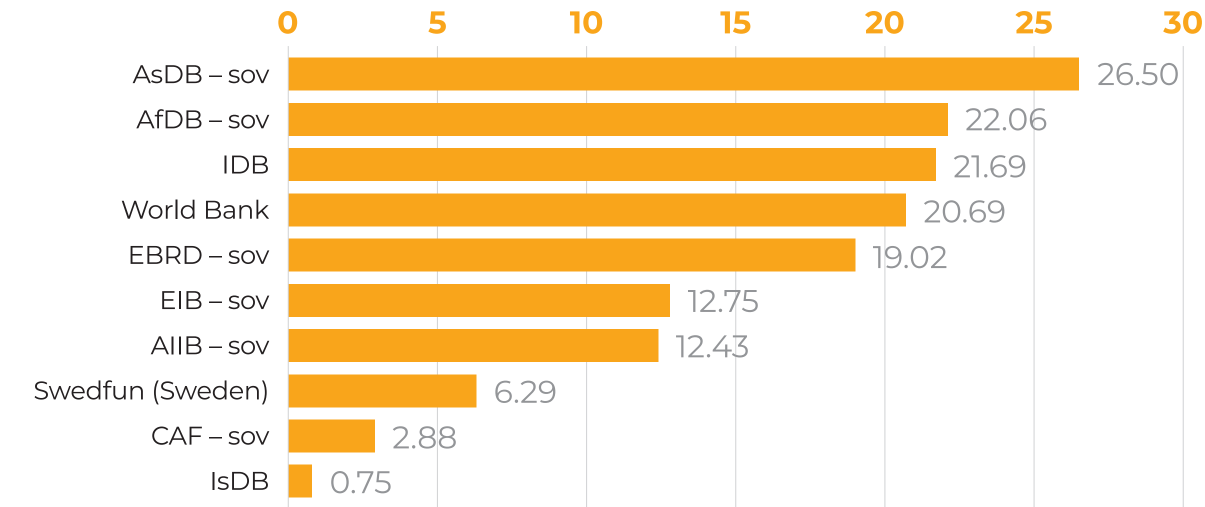
With the above noted, it remains important to acknowledge that overall DFI transparency is poor. While the DFI Transparency Tool and Index are new, the demands for improved DFI transparency are not. These new products represent the first codifying and measurement of what transparency should look like, but the demands for transparency are long established. Civil society has long demanded greater transparency from DFIs, particularly regarding the E&S risks of their activities.[25] Voices from the private sector have also articulated the need for greater transparency from DFIs if they are to fulfil their role in crowding in private capital.[26] While there has undoubtedly been progress in improving the transparency of DFIs, this progress has been too slow and uneven. The results of this index show that the need for further efforts to increase transparency is urgent and that we have not yet reached a position where we can say any DFI is sufficiently transparent.

5 Core Information

Non-sovereign DFIs – Core Information



Sovereign DFIs – Core Information



5.1 Non-sovereign results: Core Information

AfDB came top of the Core Information component of our non-sovereign assessment with a score of 15.83 out of 20. AfDB performed strongly in the breadth, quality, and accessibility of its data. For all but two Core Information indicators aligned to IATI, AfDB received full points. IFC came second in the component with a score of 15.58 out of 20 and had similar attributes to AfDB, losing points on sub-national location and project dates amongst others.

The top five positions in our non-sovereign Core Information assessment included Proparco in third with 13.33, EBRD in fourth with 12.83, and IDB Invest in fifth with 12.75. The performance of Proparco is notable as they came five positions higher in the Core Information component than they did overall. This result is largely explained by the fact that Proparco has a detailed data file available via Agence Française de Développement's (AFD) data portal.[27] The existence of the data file improves the usability and accessibility of Proparco's data and is reflected in its strong performance in this component.

As with the overall scores, ICD and CAF occupy the bottom two positions in our non-sovereign assessment of Core Information. CAF came second last with 1.5, having scored points for the presence of a disclosure policy and an annual report. ICD came last with 0.75, only picking up points for publication of an annual report.

5.2 Sovereign results: Core Information

AsDB scored the highest in our sovereign assessment of the Core Information component with a score of 26.5 out of 30. The breadth of information disclosed by AsDB was good and the information disclosed was of high quality and in accessible formats, including to the IATI Standard. As such, AsDB scored at least 50% for every indicator in the component. AfDB came second in our Core Information component sovereign assessment, scoring 22.06 out of 30. Their disclosure was broadly comparable to that of AsDB with the exception of its failure to publish loan agreements or contracts. The performance in this single indicator largely explains the difference in the component scores of the two DFIs.

IDB, World Bank, and EBRD also scored well in the Core Information component. IDB came third with a score of 21.69, World Bank came fourth with a score of 20.69, and EBRD came fifth with a score of 19.02. The performance of AIIB is notable as an example of the importance of publication in accessible formats. Despite scoring points in 15 of the 17 indicators in the component, much of the information was disclosed in project summary sheets in PDF format. As this format is less accessible, AIIB received a significantly lower score of 12.48 while disclosing an approximately similar amount of information as the higher scoring DFIs.

IsDB and CAF again scored the least number of points. CAF came second last with a score of 2.88 while IsDB came last with a score of 0.75. CAF scored points in two organisation-level indicators and four project-level indicators, demonstrating the scarcity of information available about the DFI's projects. IsDB failed all project-level indicators.

5.3 **Analysis: Core Information**

At the project level, core information is the most commonly disclosed information category we assess. However, there are several issues that inhibit the usability of the information. This section reviews some key findings relating to core information and highlights the need for improved standardisation of data.

The first issue affecting data usability relates to inconsistent levels of disclosure among some DFIs. As noted above, institutions such as AfDB and IFC (non-sovereign) and AsDB and AfDB (sovereign) disclosed information across almost all survey questions and indicators. In other cases, the level of disclosure was significantly lower. In some instances, the unevenness of disclosure was masked by similar scores within the component. For example, in our non-sovereign assessment, FMO and Swedfund scored similar scores of 6.58 and 6.29, respectively. However, FMO scored points for two indicators (funding source and progress dates) that Swedfund did not disclose. Likewise, Swedfund scored points in two other indicators (domicile and investment instrument) that FMO did not disclose. Therefore, despite disclosing roughly similar amounts of information, the comparability of the information between the two institutions is limited. The fact that each DFI disclosed varying data is indicative that both DFIs could learn from the other's practice and make improvements.

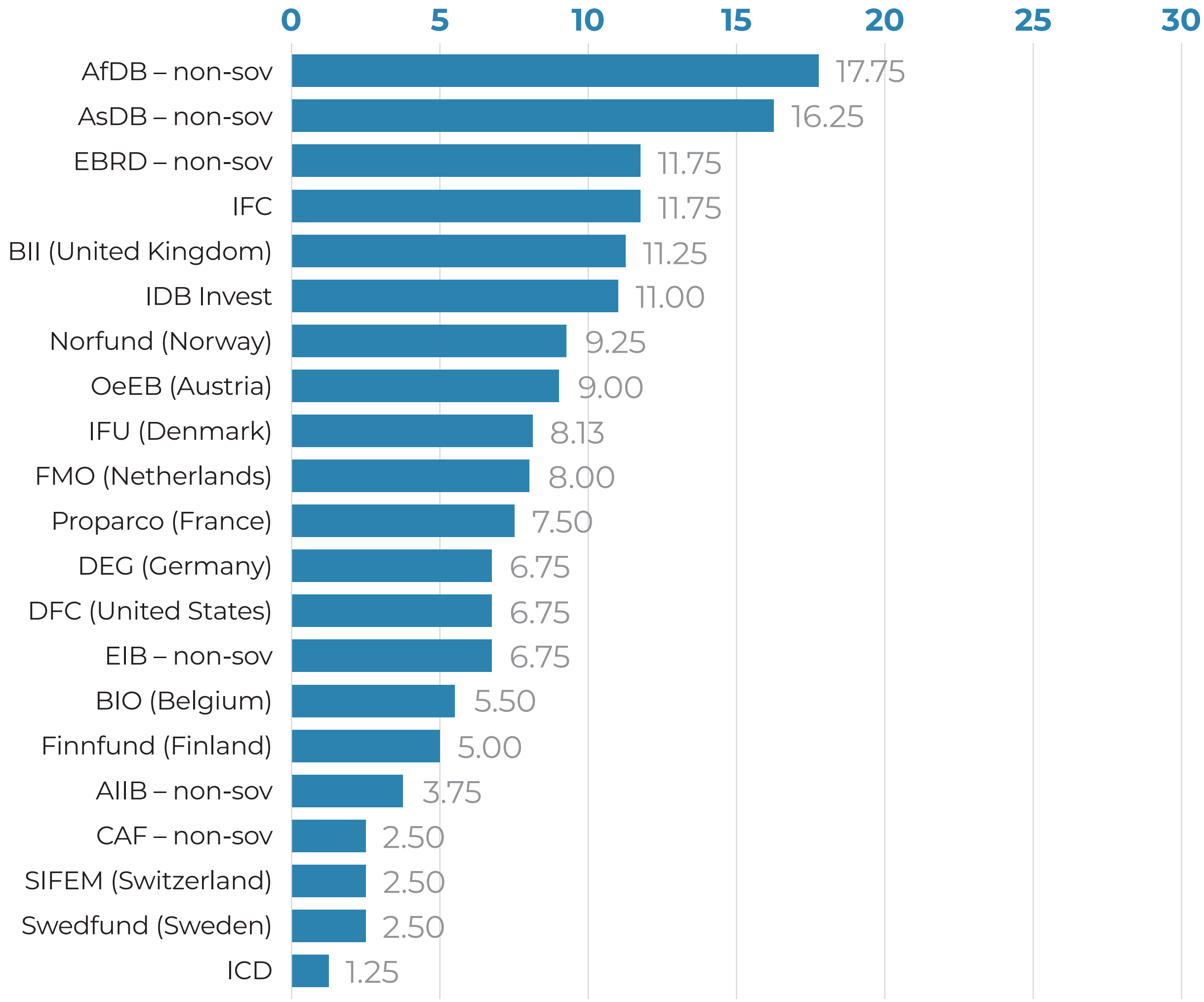
The second issue relates to the lack of standardisation of data. While we surveyed the presence of data under particular titles, the language used by DFIs varies. For example, AfDB (in their downloadable data) and BII use the title 'start date'. It is not immediately clear what step in the investment cycle this term relates to. For this reason, our DFI Transparency Tool stipulates disclosure of specific dates in the project cycle including approval date and signature date. While we were able to infer this in most cases, it highlights the fact that there is a need to standardise disclosure. Why does this matter? Without standardisation of data, including in the terminologies used, it becomes difficult to conduct inter-institutional analysis. If one institution uses 'start date' meaning approval date, and another institution uses the term meaning signing date, it becomes challenging to analyse commitment data across the two institutions.

The third issue relates to location and formats of disclosure. As noted in the above discussion of results; in comparison to other components there was relatively high disclosure of data in Core Information, while the formats used to disclose data varied significantly. Our analysis accepted data in four formats, IATI disclosure, bulk download formats, website disclosure, and PDF disclosure. Through the analysis of thousands of files, we were able to discern a relatively high amount of information about many investments. However, the lower accessibility of PDF data and usability of website data limits the value of disclosure. In each format, the ability to aggregate data is limited by the format. While analysis was possible across a period of six months, our samples were limited in size. Conducting analysis on whole portfolios would be unfeasible. For example, FMO currently has 996 disclosed investments. As its data is not available in any format other than website disclosure, analysis of its whole active portfolio would require scrubbing data from 996 separate webpages.[28] If this data was made available via IATI or in bulk download, it would be significantly more accessible and usable.

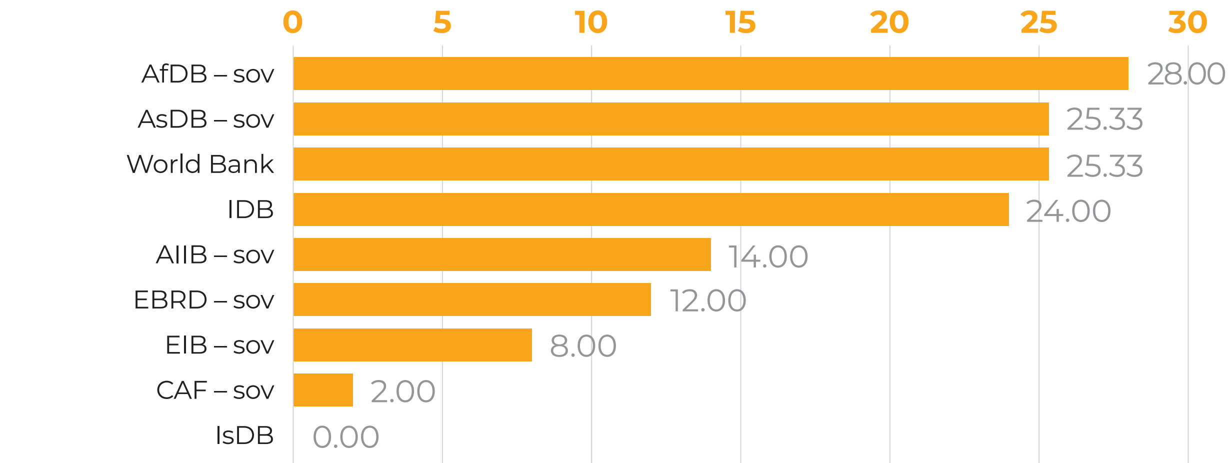
There are solutions to these issues. Publish What You Fund's DFI Transparency Tool provides granular guidance on the data that DFIs should disclose, while the IATI Standard provides guidance on ensuring all data is standardised and comparable. Publication of data contained within the DFI Transparency Tool and to the IATI Standard (where applicable) would significantly improve the current ecosystem of DFI data.

6 Impact Management

Non-sovereign DFIs – Impact Management



Sovereign DFIs – Impact Management



6.1 Non-sovereign results: Impact Management

AfDB scored highest in our non-sovereign assessment of the Impact Management component of the index with a score of 17.75 out of 25. AfDB differentiated themselves from other DFIs through publication of activity indicators/metrics and results indicators. While AfDB did not publish baseline data or actual results, the publication of results indicators and target results allows stakeholders to identify the intended impacts of an investment in greater detail than is the case for other DFIs.

AsDB came second with a score of 16.25. As with AfDB, AsDB scored points in the activity indicators/metrics indicator, albeit lower than AfDB. AsDB did not score points in the results indicator. The rest of the top five included EBRD on 11.75, IFC on 11.75 and BII on 11.25. BII outperformed their overall position on the index due to two factors. First, they were one of only two bilateral DFIs (alongside Norfund) who scored points on the additionality indicator. Second and more significantly, BII has strong impact management policies and procedures, scoring 10.25 out of 11 on organisation-level indicators. As these indicators are not penalised for late project publication, BII did not receive a significant scoring penalty in the Impact Management component of the index.

The bottom five DFIs in our non-sovereign assessment of the Impact Management component were AIIB on 3.75, CAF on 2.5, SIFEM on 2.5, Swedfund on 2.5, and ICD on 1.25. These five institutions are amongst fourteen in our non-sovereign assessment who scored no points for project-level indicators. This provides evidence that we can see far too little about the impacts of DFI investments at a disaggregated level. For the majority of projects across most non-sovereign DFIs, we cannot identify clear quantifiable impacts of their investments or understand the intended impacts. The low performance of AIIB is notable, having placed eight places lower in this component than their overall position for the assessment. This is due to the lack of a published impact methodology and inadequate disclosure of other organisation-level information.

6.2 Sovereign results: Impact Management

Our sovereign assessment of the Impact Management component of the index found a broad contrast between institutions that published project-level impact data and those that did not. AfDB, AsDB, World Bank, IDB, and AIIB all published data in the activity indicators/metrics and results indicators, although there were variations in the quality of publication as reflected in differences in the scores. Meanwhile, EBRD, EIB, CAF, and IsDB did not publish project-level impact data.

AfDB came first in our sovereign assessment of the Impact Management component with a near perfect score of 28 out of 30. It scored top marks in four out of the five indicators, only losing marks for two survey questions in the impact measurement approach indicator. AsDB and World Bank came joint second with 25.33 and IDB came fourth with 24. Each of these DFIs scored in all five indicators of the component, with small variations in quality differentiating them. Scoring 14, the performance of AIIB is of note as a DFI that published project-level impact data but performed markedly worse than its peers in the component. This is due to AIIB not having publicly disclosed impact measurement documents.

EBRD scored 12, EIB 8, CAF 2, and IsDB 0 in the Impact Management component of the index. None of these published project-level impact data. This is not surprising in the case of CAF, which had extremely limited project data, and IsDB, whose project database was unavailable. However, EBRD and EIB had reasonable organisation-level transparency and are also IATI publishers, so the failure to be transparent about project-level impacts is harder to understand.

6.3 Analysis: Impact Management

As noted in the introduction, DFIs have grown in size over the last two decades. However, development finance and traditional ODA flows are still far too small to achieve global goals such as achieving the sustainable development goals (SDGs) and bridging the climate finance gap in EMDEs. In short, development finance is still a relatively scarce resource and, as such, it is important that it is consistently directed towards activities that are most impactful. For DFI stakeholders to be able to measure this, it is necessary for DFIs to disclose disaggregated impact data about their investments. Our results have found that over half of the sovereign operations of DFIs that we assessed routinely disclose results data, indicating that barriers to doing so are low and it is reasonable that other DFIs should be expected to follow suit. However, the situation is markedly different with non-sovereign operations. While two DFIs disclosed metrics and indicators for investments, and one DFI disclosed targets, no DFI currently reports results against investments in a systematic manner.[iii] We therefore focus the rest of this section on non-sovereign operations where there is the greatest need for change.

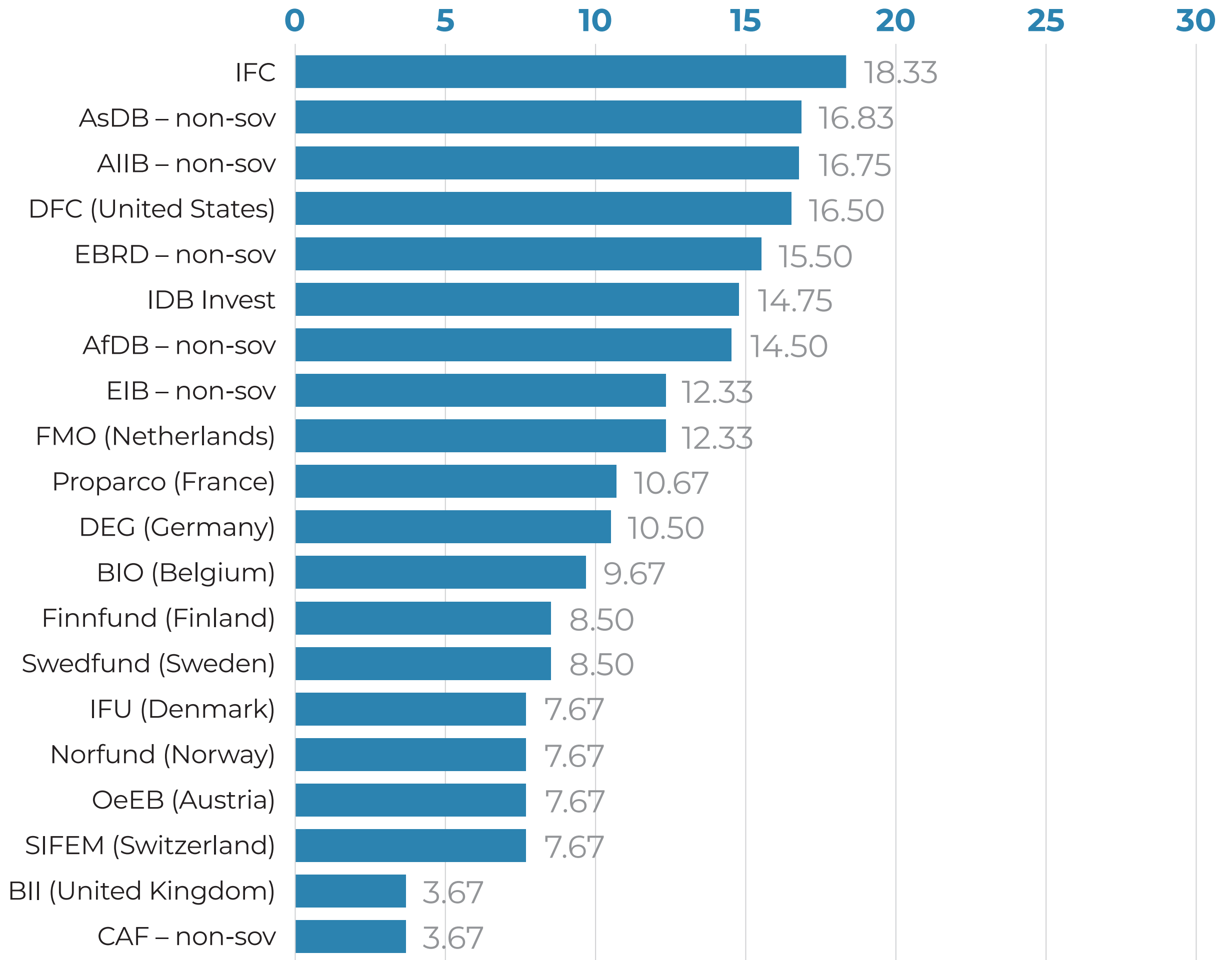
Previous research by Publish What You Fund found that DFIs have made significant progress in developing sophisticated impact management systems and harmonised impact indicators.[29] Impact management systems have become increasingly complex in recent years. Modern systems such as IFC's Anticipated Impact Measurement and Monitoring (AIMM)[30] system and DFC's Impact Quotient (IQ)[31] both provide metrics encapsulating ex-ante impact predictions and provide guidance on the measurement and monitoring of ex-post impacts, including alignment with recognised impact standards. BII recently launched a new impact management system based on the guiding principle that their investments should be productive, sustainable, and inclusive.[32] The development of HIPSO[33] and the Joint Impact Model[34] have created agreed standards for measuring direct and indirect impacts.

Following the development of impact management systems and harmonised impact indicators, the next step for DFIs is to begin disclosing which indicators they are using for specific investments and to disclose disaggregated data in line with these indicators. DFIs have commonly cited commercial confidentiality as the key reason for not disclosing impact data for individual projects. In the past DFIs have typically signed agreements with investees that do not stipulate the disclosure of impact data. However, the assumption of commercial confidentiality needs to be challenged for new investments, and both DFIs and their investees need to identify appropriate indicators for disclosure. More expansive disclosure agreements should be leveraged at the point of investment by DFIs to achieve this. We have previously profiled the work of the Global Innovation Fund in improving disclosure agreements with investees to maximise the publication of impact data.[35]

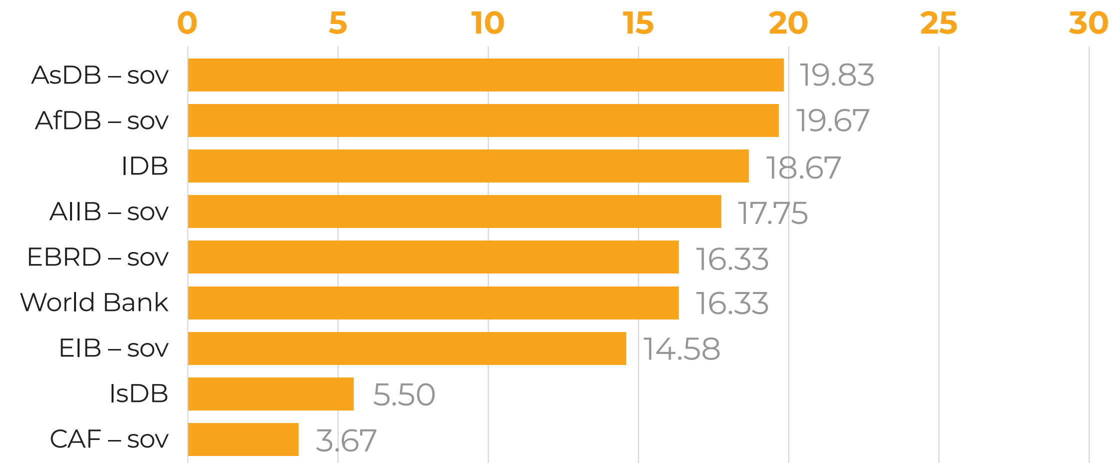
iii IFC does report actual results for a minority of investments although this practice was not comprehensive enough to score points in our assessment.

7 ESG and Accountability to Communities

Non-sovereign DFIs – ESG & Accountability to Communities



Sovereign DFIs – ESG & Accountability to Communities



7.1 Non-sovereign results: ESG and Accountability to Communities

IFC came top of the ESG and Accountability to Communities component of the non-sovereign assessment with a score of 18.33 out of 30. The majority of this comes from organisation-level indicators by scoring 13 out of 15. In fact, six non-sovereign DFIs scored 13 or higher for organisation-level questions (IFC, AsDB, AIIB, DFC, EBRD, and IDB Invest). IFC scored 5.33 out of 15 for project-level indicators, which is the highest of all of non-sovereign DFIs. IFC performed better in particular by disclosing E&S risk summaries and the E&S standards triggered for investments both to its website and to the IATI Standard. Although IFC revealed what E&S documents were produced for projects, it only disclosed them a handful of times. AsDB came second with 16.83 out of 30. It was the only non-sovereign DFI to consistently publish whether disclosure to communities was required for its projects. However, it did not consistently provide assurance that disclosure took place by giving details on where, when, how or what information was disclosed and in which language.

AIIB, DFC, and EBRD were the others in the top five positions with 16.75, 16.5 and 15.5, respectively. AIIB outperformed its overall position in the index, coming fourth in the component. One reason for this is that it has a policy requiring clients to inform affected communities about its independent accountability mechanism (IAM), which only two other DFIs have (DFC and AfDB). DFC was the only DFI to score full marks on organisation-level questions for ESG and Accountability to Communities. It was also the only bilateral DFI to score points for disclosing information about the E&S risks of its projects.

The bottom three were ICD with 0, and both CAF and BII with 3.67. There was no information about ESG policies for ICD, while CAF and BII only picked up points on a handful of questions, such as the E&S standards it applies, list of investment exemptions, community disclosure policy and having a free, prior, and informed consent (FPIC) policy. None of the three had any ESG and accountability project-level information. In fact, most bilaterals did not have any project-level ESG information, including BII, SIFEM, OeEB, Norfund, IFU, Swedfund, Finnfund, and DEG. Meanwhile FMO, Proparco, and BIO only had details about their IAMs.

7.2 Sovereign results: ESG and Accountability to Communities

AsDB came top of the sovereign assessment with 19.83 points out of 30, while AfDB came a close second with 19.67. AsDB scored 13 out of 15 for organisation-level questions and performed comparatively well on project-level indicators (6.83 out of 15) because it consistently published summaries of E&S risks and which E&S standards are triggered on its website and the IATI Standard. Although AfDB did not score as well on the organisation level (11.17), it performed the best for project-level disclosure (8.5 out of 15). It scored points for publishing all E&S plans and assessments for its investments on its website and to the IATI Standard. It is also the only DFI that consistently provided assurance of E&S community disclosure, which was found in an Environmental and Social Compliance Note (ESCON) for each project (see more detail in the analysis below).

The worst performers again were CAF with 3.67 and IsDB with 5.5. Both failed the majority of the ESG and accountability organisation-level questions and neither provided information at the project level. There was a big gap between these two and the next, with all other DFIs scoring at least 14.58 out of 30. This is because the majority performed well for ESG policies and provided summaries of E&S risks on the project level at a minimum.

Although World Bank performed relatively well for project-level disclosure, it failed certain organisation-level questions that many other sovereign DFIs passed. This includes having an early disclosure policy, an explanation of project E&S risk categorisation, and an investment exemption list.

7.3 Analysis: ESG and Accountability to Communities

ESG policies are relatively well developed and communicated by DFIs but there are significant issues with project-level disclosure of ESG information and DFIs need to do more to ensure they are accountable to communities for their investments. This section analyses key findings related to ESG and accountability, focusing on the need for assurance of community disclosure in partciular.

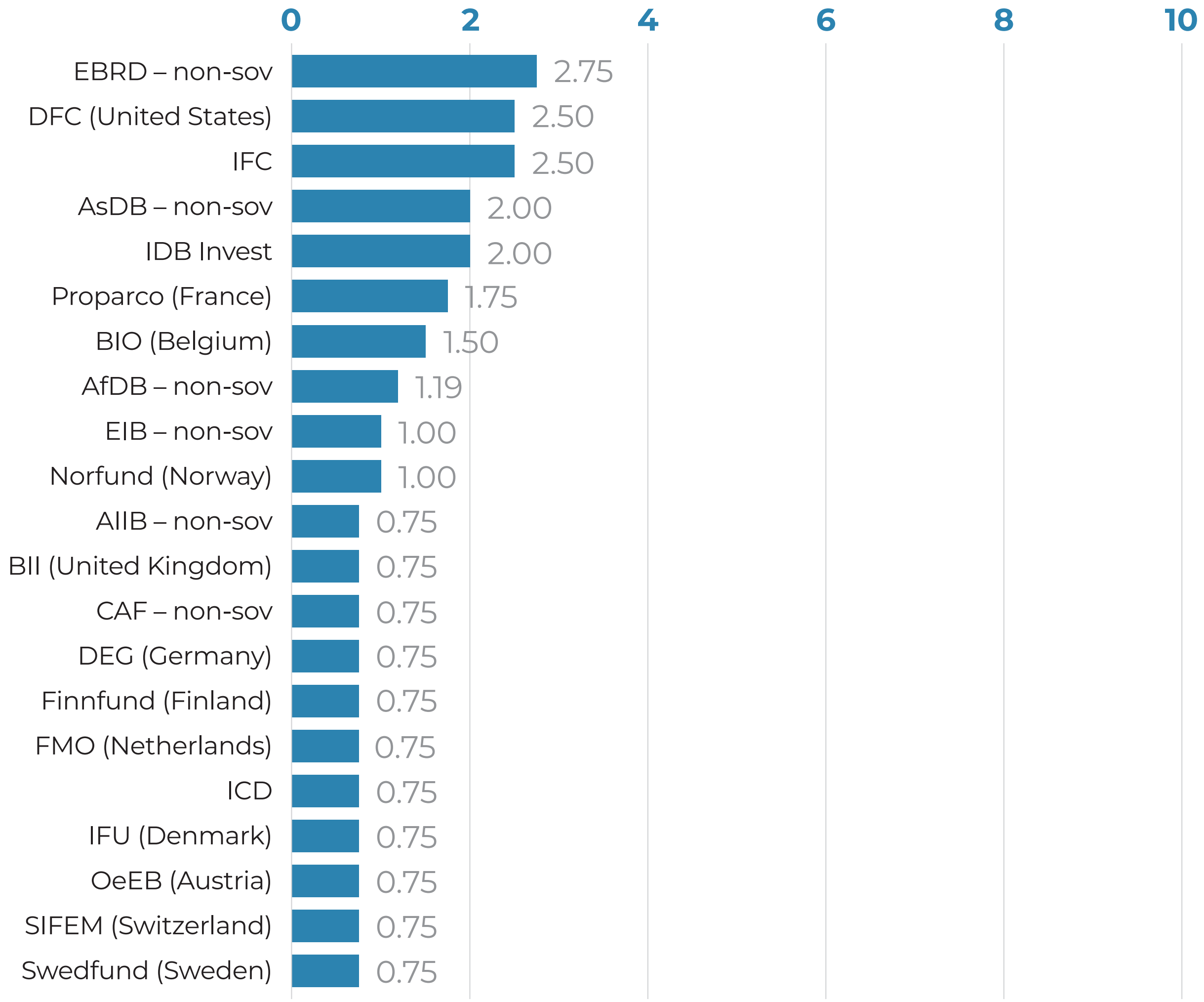
Many DFIs have extensive requirements for their clients to disclose information to project-affected people. DFIs either have their own ESG policies and standards or, alongside their institution-specific policies, they adopt the IFC Performance Standards (IFC PS) for community disclosure. It is often difficult, however, to see how policies are operationalised at the project level and there is little evidence that clients effectively implement policies such as the IFC PS or that DFIs meaningfully monitor compliance. Despite DFIs conducting due diligence on investments, a lack of transparency around these processes means it is impossible for stakeholders to ascertain whether community disclosure has been adequate. Providing assurance of community disclosure would go some way to addressing the gap between policy and a lack of transparency of implementation. This could also be part of a broader assurance of due diligence procedure.

The important details for assurance of community disclosure in our indicators include: when, where and how information was disclosed; in what language it was conducted, and what documentation was disclosed. Typically, assurance of disclosure was found in environmental and social impact assessments (ESIAs), stakeholder engagement plans, and resettlement action plans. AfDB consistently disclosed an ESCON for its sovereign operations which provided details in a standardised manner, including the dates specific E&S documents were disclosed.[36] There is potential for this, or a similar due diligence template, to standardise the disclosure within institutions while providing the essential details from our indicator. AsDB discloses annual social monitoring reports, providing updates on community disclosure as the project progresses, not just pre-approval, which is the more common approach.[37] Increased transparency of the due diligence that DFIs conduct for investments, especially over the life of the project, would provide information that is sorely missing at this point and allow people to interrogate whether community disclosure has been adequate.

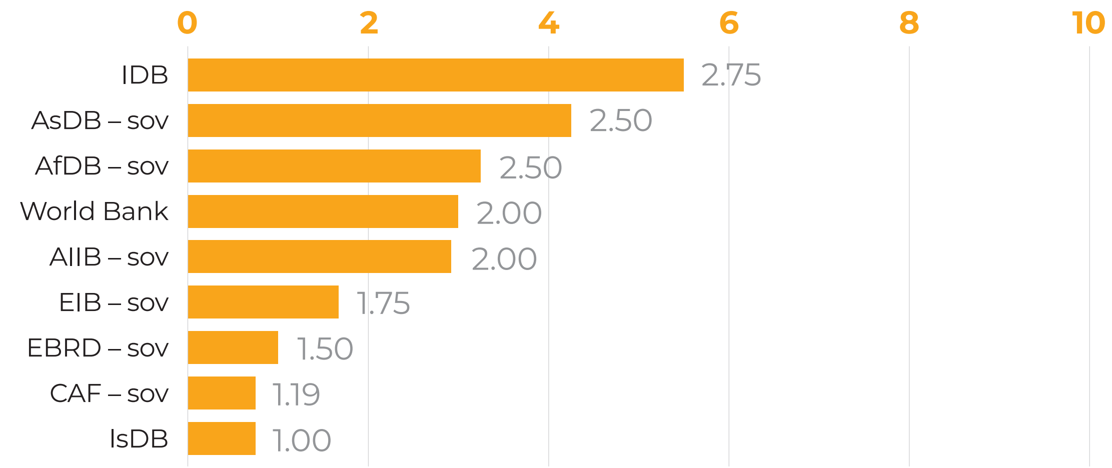
All DFIs should have an IAM, a policy dictating that either the DFI or client must disclose its existence to project-affected people, and provide assurance that this has taken place on a case-by-case basis. More bilaterals need to create an IAM in the first instance; the Independent Complaints Mechanism (ICM) is a joint IAM from FMO, Proparco and DEG, which is an example to follow. Most multilateral DFIs have an IAM but there needs to be a commitment to disclose the existence of it to affected communities, either themselves or as a requirement for their clients. It is critical that potentially affected people know about a DFI's IAM as it negates its effectiveness if they do not.[38] Outreach to disclose IAMs also helps increase awareness of investments DFIs are making in an area. This is a way for an affected person to know that a specific DFI is financing an investment, which can often be challenging to discover without having the skills or resources to investigate projects and investments. AfDB, IDB, AIIB and DFC already have policies requiring their clients to disclose their IAMs and other DFIs should follow suit. Nevertheless, no DFI provides assurance that disclosure of the IAM has taken place. As mentioned above, it is typically not possible to verify that policies on community disclosure have been enacted in practice unless DFIs provide details of due diligence confirming it has happened. Providing assurance of disclosure about IAMs to potentially affected communities would be a big step forward for DFI accountability.

8 Financial Information

Non-sovereign DFIs – Financial Information



Sovereign DFIs – Financial Information



8.1 Non-sovereign results: Financial Information

The disclosure of data by non-sovereign DFIs in the Financial Information component of the index was the lowest of all of the five components. EBRD came first in our assessment, scoring 2.75 out of 15. EBRD scored points in four out of seven indicators, although except for financial reports/statements, they failed to score above 50% for any indicator due to either partial disclosure or disclosure in lower scoring formats. The other DFIs in the top five were DFC with 2.5, IFC with 2.5, AsDB with 2, and IDB Invest with 2. DFC significantly outperformed their overall position owing to their publication of investment currencies and loan tenors in bulk download format.

Eleven DFIs received the joint-lowest score of 0.75 in the Financial Information component. All of these DFIs only received points for publishing audited financial statements, with none of them disclosing sufficient disaggregated data to score points for project-level indicators.

8.2 Sovereign results: Financial Information

IDB topped our sovereign assessment of Financial Information with a score of 5.5. IDB scored points in all four indicators in the sovereign assessment of the component, scoring full marks in the currency of investment indicator. AsDB were second scoring 4.25 and AfDB rounded out the top three scoring 3.25. As with IDB, both AsDB and AfDB scored points in all indicators.

World Bank, AIIB and EIB came fourth, fifth and sixth, respectively. World Bank failed to score points for two indictors, currency of investment and instrument-specific disclosure, but had detailed co-financing data. AIIB scored points in all indicators other than instrument-specific disclosure, while EIB failed to score in currency of investment and instrument-specific disclosure.

EBRD, CAF and IsDB fill the bottom three spots in the Financial Information component. All three DFIs only scored for the financial reports/statements indicator, with EBRD receiving more points as the report was available via IATI.

8.3 Analysis: Financial Information

One of the key roles that non-sovereign DFIs play is mobilising private finance for investments with a development impact. As noted above, development finance alone is insufficient in volume to meet global needs and as such, it needs to encourage private capital investment. At the same time, it is important that DFIs are not investing in activities that the private sector would finance independently. In short, DFIs need to crowd in, rather than crowd out private finance. This section analyses the need for greater disclosure of financial information to ensure that DFIs are fulfilling their intended role. Disclosure in line with the DFI Transparency Tool would help stakeholders ensure finance is being mobilised efficiently and provide valuable information to the private sector.

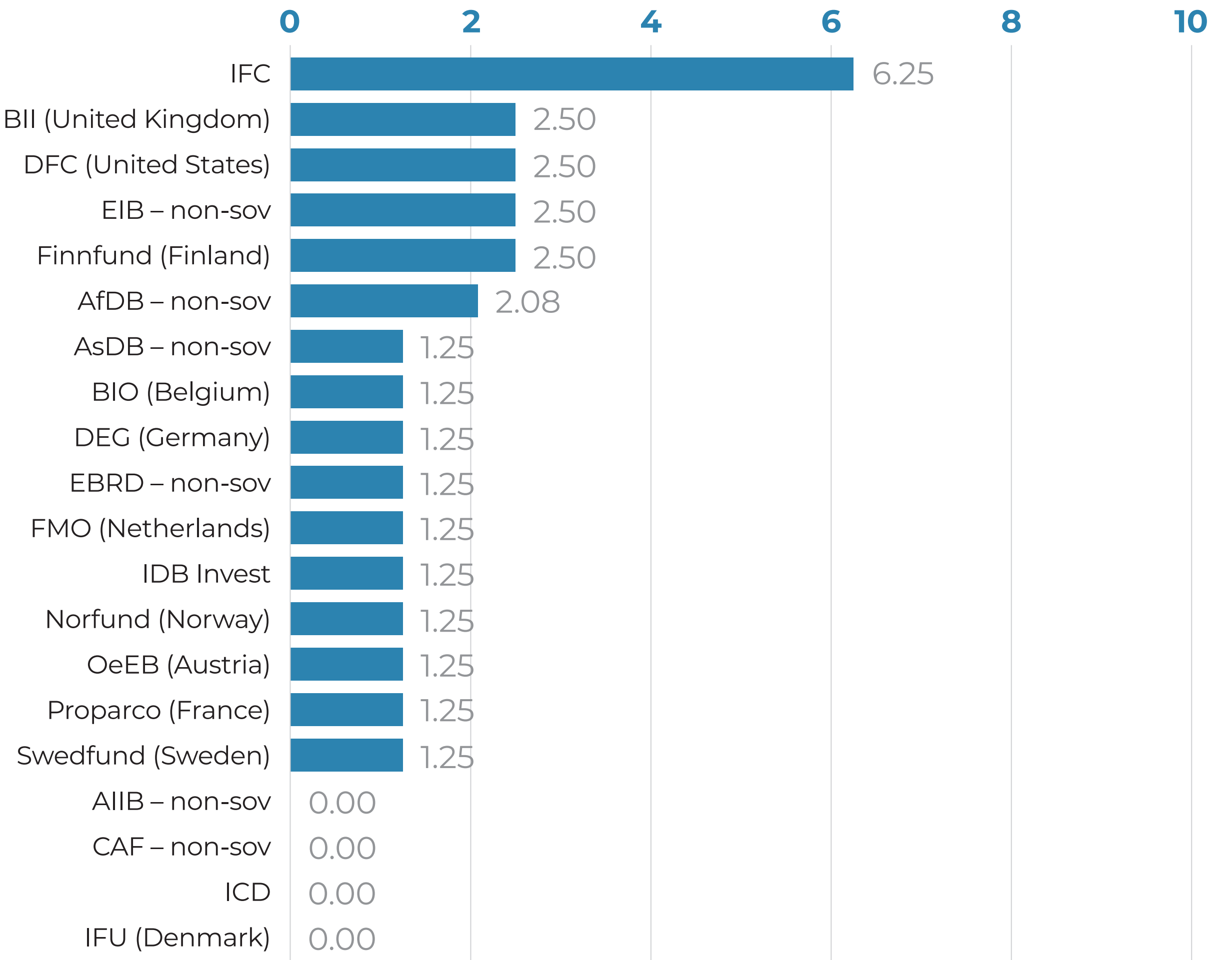
The demands on DFIs to mobilise increasing amounts of private finance towards development needs was crystallised when the World Bank announced the need to move from "billions to trillions" in funding to achieve the sustainable development goals.[39] A growing body of research has cast doubt on the feasibility of this target, noting that current levels of mobilisation fall far below those required.[40] However, while such targets may be unrealistic, it underscores the importance that DFI investments are seeking to maximise the capital that they are mobilising. For DFIs to be consistently held to account on this element of their mandates it is important that they are transparent about the ways they structure their investments.

Over recent years DFIs and other organisations have made progress in standardising methodologies for the reporting of the mobilisation of private finance. Two well established approaches currently exist, one from the Organisation for Economic Co-operation and Development (OECD) and the other developed by a consortium of multilateral DFIs.[41] The majority of multilateral DFIs in our index currently report to both systems while EDFI institutions report figures aggregated as a group. While these undertakings are important, the levels of aggregation in each report mask important information about the effectiveness of mobilisation. Disaggregated data would allow stakeholders to better understand who mobilises whom, and the balance between DFI capital, investor capital, and client capital. Furthermore, it would allow stakeholders, including shareholders of DFIs, to effectively benchmark mobilisation efforts to judge new and existing investments.

Our analysis has shown that when looking at non-sovereign investments we can tell far too little about the ways in which deals are structured. We found that no DFI in our analysis disclosed co-financers or the mobilisation of private finance in a systematic and standardised manner as there is a lack of standardisation. Although a number of DFIs disclose co-financing for some investments it is impossible to tell whether these are the only investments where co-financing is present. Disaggregated data on mobilisation was disclosed far less often. In recent years, progress has been made in disclosing the use of concessional finance, a field that was once considered too sensitive to disclose. In contrast to the deployment of concessional finance (that may be treated as an indication that an investment is high-risk) sensitivities around mobilisation data should be lower, particularly if the mobilised parties are not explicitly identified.

9 Financial Intermediary Sub-investments

Non-sovereign DFIs – Financial Intermediary Sub-investments



9.1 Non-sovereign results: Financial Intermediary Sub-investments

The results of the Financial Intermediary Sub-investments component of our assessment are notable for having the largest gap between the first placed DFI and the other DFIs in the index. IFC topped the component assessment with a score of 6.25. IFC was the only DFI to score points in every indicator of the component. Indicators in which they scored significantly more than other institutions include FI sub-investment policy and FI (bank) sub-investments. In the case of the former, IFC differentiates itself from other DFIs by having clearly defined sectors of activity for on-lending activities. In the case of the latter, IFC was the only DFI in our assessment who was found to disclose the identity of FI sub-investments from bank investments.

The remaining places in the top five were occupied by BII, DFC, EIB, and Finnfund who all scored 2.5. If BII had not had a points penalty applied to their score for late publication they would have come second with a score of 3.25. AfDB came sixth, although it only scored in one indicator. However, as AfDB had no fund investments during the sample timeframe, points for that indicator were pro-rated across other indicators, resulting in a higher score for the FI (bank) use of funds indicator.

Ten DFIs scored 1.25. In the case of eight of these DFIs, they scored points on the FI (bank) use of funds indicator. BIO scored points for the FI sub-investment policy indicator for policy directing the disclosure of private equity fund sub-investments. However, we found insufficient implementation of this policy in our sample for BIO to pass the private equity fund sub-investments indicator. Norfund scored points for the private equity fund sub-investments indicator, the only DFI outside the top-five in the component to do so.

Five institutions, AIIB, CAF, ICD, IFU, and SIFEM scored 0 for the component.

9.2 Analysis: Financial Intermediary Sub-investments

In March 2020 IFC made a significant commitment to improve the disclosure of information concerning its investments in FIs. In a letter from the President of the World Bank, David Malpass, to the Secretary of the US Treasury, Steven Mnuchin, IFC committed to disclosing higher-risk sub-investments made by their FI clients.[42] IFC include the following FI investments in the commitment:

> *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 all 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.*

Over the last two decades DFIs have increasingly oriented their financing towards indirect investments through a wide range of FIs including banks, funds, microfinance institutions, insurers, and mortgage or housing finance providers. Investing through FIs has allowed DFIs to significantly extend their reach as sub-investments are commonly much smaller than the minimum amounts of finance that they offer through direct lending.

As such, FI investments often represent an important opportunity to extend finance to sectors of developing economies that been underserved in the past, including the MSME sector and unbanked people.

However, alongside these valuable contributions to broadening access to finance, DFIs have been found to invest in FIs that subsequently on-lend finance to harmful activities. In some cases, these are activities that the DFI itself is barred from lending to. In the case of the IFC, the World Bank Group committed to end coal financing as early as 2013 yet, due to its investments in FIs, it has continued to invest indirectly in new coal investments.[43] The IFC launched the Green Equity Approach (GEA) in 2020 that precludes equity investments in FIs that do not have a plan to phase out investments in coal by 2030. However, Hana Indonesia, the first FI client included in the GEA through an investment in 2019, has since lent finance to a 2000 MW coal powered energy plant in Java, Indonesia.[44]

These examples highlight the need for DFIs to disclose their exposure to harmful and potentially risky on-lending activities. As well as holding DFIs to account over their commitments to issues such as climate change, disclosure of on-lending also creates a pathway for project-affected communities to seek recourse in the case of harms.

It is in this context that the IFC pledge to improve FI sub-investment disclosure marked a significant development in improving the level of information with which IFC stakeholders have access. In the time since the commitment, interested stakeholders have monitored IFC to track progress towards the commitment. Across the intervening two years IFC have identified nine FI investments that have the potential to make sub-investments that reach the threshold for disclosure. These include a ZAR 500 million anchor investment in a bond issuance by the major South African bank Nedbank,[45] and a US$ 10 million equity investment in TBC Uzbekistan.[46] For each of the nine investments IFC has made, a new section of their respective Summary of Investment Information webpages contains the following information:

> *IFC will periodically disclose the names, locations and sectors for Category A and/or other qualifying sub-projects that have been supported by this IFC investment through financial intermediaries, subject to regulatory constraints and market sensitivities. Any qualifying sub-project(s) will be disclosed during the annual reporting cycle established with the client.*

However, until recently, there were no sub-investments disclosed for any of the nine FI investments. On the surface, the lack of disclosed sub-investments raised concerns that IFC was not fulfilling the obligations of its prior commitments. However, there may be reasonable explanations for this apparent lack of disclosure. First, sub-investments are disclosed according to the annual reporting cycles of the FI clients and as such there are delays built into the current reporting system. Second, it is feasible that the FIs that IFC have identified as having the scope to make sub-investments that would qualify for disclosure simply have not made such investments to date. Indeed, conversations with IFC staff indicate that a combination of new rules such as the GEA and more risk-averse investments have significantly reduced the number of high-risk sub-investments to which IFC is exposed.

This picture changed when IFC disclosed three sub-investments made by one of their FI clients. IFC approved and signed a US$ 150 million senior loan to South African Bank ABSA in early 2021.[47] The recent disclosure reveals that ABSA has since made loans to three wind power projects developed in South Africa by renewable energy company Enel. For each sub-investment the project name, sector/industry, and location are disclosed. While this information is limited, it allows stakeholders to identify the linkages between IFC and the physical projects and to find additional information through further research.[48] IFC's investment in ABSA was the second investment disclosed under their commitment to enhance sub-investment disclosure. If these disclosures are indicative of the time delays involved then it is feasible that further disclosures for other FI clients may be forthcoming.

10 **Recommendations**

The following chapter looks at the path ahead by setting out a series of recommendations for DFIs and others to improve transparency.

Increase standardisation of data: through a combination of Publish What You Fund's DFI Transparency Tool and the IATI Standard the tools exist for DFIs to improve the standardisation of their data. Improving standardisation of disclosure is a critical step in improving the usability of data. The IATI Standard has the added benefit of centralising data which would make inter-institutional analysis simpler. There is scope for further standardisation and alignment with other initiatives, whether they are sectoral undertakings around standardised indicators or thematic areas such as alignment to climate and gender goals.

Reporting of impact data: non-sovereign DFIs should commit to publishing more information about the impact of their individual investments. Harmonised results indicators such as HIPSO have been developed and provide the framework through which such reporting could occur. The presumption of commercial confidentiality needs to be addressed and DFIs and their investees should agree on key metrics that can be reported. For existing investments, DFIs should examine whether it is possible to disclose additional information about ex-ante impacts, even if it is not possible to renegotiate the disclosure of actual results.

Improve transparency around assurance of disclosure to project-affected people: DFIs should take steps to provide evidence that their investees fulfil their ESG responsibilities. One option is standardising internal reporting around E&S due diligence. The disclosure of ESCONs by AfDB and publication of annual social monitoring reports by AsDB mark potential paths forward in this regard. Standardising disclosure of this information would help to ensure that clients comply with DFI policies and increase confidence from stakeholders that DFIs are actively seeking compliance.

Publication of disaggregated mobilisation data: mobilisation remains one of the most important remits of most DFIs' activities. Yet, there is insufficient data to identify if and where DFIs effectively mobilise and where they do not. DFIs should seek to improve disclosure around mobilisation of private finance so that stakeholders can verify that DFI resources are being directed to areas in the most efficient and effective manner possible.

Identification of high-risk FI sub-investments: IFC has demonstrated that it is possible to disclose high-risk on-lending activities by DFI FI clients. Other DFIs should follow IFC's lead on this issue, ideally in line with the thresholds established by the Equator Principles and set out in the DFI Transparency Tool.

Resourcing of transparency: during our engagement process a number of DFIs noted that improving transparency places a significant resource strain on institutions. It was argued that this is particularly the case in smaller DFIs. DFI shareholders should therefore ensure that their institutions are sufficiently resourced to be transparent. This includes resourcing of staffing and systems to improve disclosure.

Peer and internal learning: our engagement with DFIs during this assessment was constructive as institutions sought to improve their transparency practices. In particular, group sessions with EDFI highlighted the benefits of peer learning processes as DFIs identified best practice that could be adopted more widely. Additionally, a number of DFIs noted that making improvements in transparency proved to be internally beneficial as departments within institutions gained insights they previously did not have access to, and improved data usage.

DFI alignment with IATI: as noted above, there is currently partial alignment between the DFI Transparency Tool and the IATI Standard. Publish What You Fund will work with IATI to explore ways to improve the alignment, seeking to increase the amount of data that DFIs can publish in the data standard.

Notes

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Publish WhatYouFund

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