

Financial Intermediaries

Findings from work stream 5 of the
DFI Transparency Initiative

Wednesday 11th August 2021



Publish WhatYouFund
The Global Campaign for Aid Transparency

Contents

1. Introduction
2. Methodology
3. Findings
4. What does the research tell us?
5. Next steps
6. Q&A

1. Introduction



Publish WhatYouFund
The Global Campaign for Aid Transparency

DFI Transparency Initiative

2 ½ year project looking at the use of public money by Development Finance Institutions (DFIs) to meet global development goals.

Our objective is to work collaboratively with DFIs and other stakeholders to increase the transparency of DFIs.

Our approach is evidenced-based and multi-stakeholder in two main phases; research and advocacy.

Notes:

Anonymisation of results is purposeful and intended to highlight the opportunity for sector reform, rather than institutional reform.

Work streams

1. Basic Project Information
2. Impact Management - Objectives, Theories of Change and Impacts
3. Environmental, Social and Governance (ESG) and Accountability to Communities
4. Value of Investment: Mobilisation and Structure of Deal
5. Financial Intermediaries

Expert Working Group

- Alex Cobham, Tax Justice Network
- Aubrey Hruby, Africa Expert Network and Inside PR
- Charles Kenny, CGD
- Christian Donaldson, Oxfam US
- David Pred, Inclusive Development International
- Henri Boullier de Branche, AIIB
- Joe Athialy, Centre for Financial Accountability
- Kate Geary, Re-Course
- Maya Hennerkes, EBRD
- Michael Barth, EMPEA
- Thom Townsend, Open Ownership

Financial intermediary transparency

This work stream assesses the current state of transparency in DFI financial intermediary (FI) investments.

Financial intermediaries: institutions in which DFIs invest that offer onward financial services. These include, but are not limited to, banks, private equity funds, insurance companies, and microfinance institutions.

Lending to FIs has become an increasingly important aspect of DFI activity in recent years. For example, FI investments represented 55.4% of IFC's portfolio and 52% of CDC's portfolio.

However, a lack of transparency means that it is unclear where a great deal of this development finance ends up, the development impacts that it has, and the environment and social risks that it holds for project affected communities.

2. Methodology



Publish WhatYouFund
The Global Campaign for Aid Transparency

Approach

The working paper was informed by:

- a landscape analysis of private equity fund and bank investments
- interviews with DFI employees, CSOs , private sector stakeholders and other experts
- two meetings of the Expert Working Group to discuss the landscape analysis and draft paper

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

3. Findings



Publish WhatYouFund
The Global Campaign for Aid Transparency

Basic Project Information - Bilaterals

Fields such as: project title, description, location, cost, partner details, E&S category, progress dates

FI level

Institution	Project identification			Project narrative			Location data			Project type			Financing details				Partner details		Contact details		ESG			Progress															
	Project title	Project ID no.	IATI identifier	Status	Project description	Project rationale	Expected outcome	Region	Country	Sub-national location	Domicile	Sector	Sub-sector	Instrument	Total cost	DFI contribution	Funding source	Cofinancers (Y/N)	Cofinancing details	Client name	Client description	Clientshareholders	DFI contact	Client contact	Project website	E&S category	E&S rationale	Green components	Gender components	Year	Disclosed date	Concept review	Signing/Approval Date	Start date	End date	Last update date			
Bilaterals																																							
DFI-1 – Funds																																							
DFI-1 – Banks																																							
DFI-2 – Funds																																							
DFI-2 – Banks																																							
DFI-3 – Funds																																							
DFI-3 – Banks																																							
DFI-4 – Funds																																							
DFI-4 – Banks																																							
DFI-5 – Funds																																							
DFI-5 – Banks																																							
DFI-6 – Funds																																							
DFI-6 – Banks																																							
DFI-7 – Funds																																							
DFI-7 – Banks																																							
DFI-8 – Funds																																							
DFI-8 – Banks																																							

Sub-investment level

Institution	Project identification			Project narrative			Location data			Project type			Financing details				Partner details		Contact details		ESG			Progress															
	Project title	Project ID no.	IATI identifier	Status	Project description	Project rationale	Expected outcome	Region	Country	Sub-national location	Domicile	Sector	Sub-sector	Instrument	Total cost	DFI contribution	Funding source	Cofinancers (Y/N)	Cofinancing details	Client name	Client description	Clientshareholders	DFI contact	Client contact	Project website	E&S category	E&S rationale	Green components	Gender components	Year	Disclosed date	Concept review	Signing/Approval Date	Start date	End date	Last update date			
Bilaterals																																							
DFI-1 – Funds SP																																							
DFI-1 – Banks SP																																							
DFI-2 – Funds SP																																							
DFI-2 – Banks SP																																							
DFI-3 – Funds SP																																							
DFI-3 – Banks SP																																							
DFI-4 – Funds SP																																							
DFI-4 – Banks SP																																							
DFI-5 – Funds SP																																							
DFI-5 – Banks SP																																							
DFI-6 – Funds SP																																							
DFI-6 – Banks SP																																							
DFI-7 – Funds SP																																							
DFI-7 – Banks SP																																							
DFI-8 – Funds SP																																							
DFI-8 – Banks SP																																							

Basic Project Information - Multilaterals

FI level

Institution	Project identification			Project narrative		Location data		Project type		Financing details				Partner details		Contact details		ESG		Progress																		
	Project title	Project ID no.	Int identifier	Status	Project description	Project rationale	Expected outcome	Region	Country	Sub-national location	Domicile	Sector	Sub-sector	Instrument	Total cost	DFI contribution	Funding source	Cofinancers (Y/N)	Cofinancing details	Client name	Client description	Client shareholders	DFI contact	Client contact	Project website	E&S category	E&S rationale	Green components	Gender components	Year	Disclosed date	Concept review	Signing/Approval Date	Start date	End date	Last update date		
Multilaterals (private)																																						
DFI-18 – Funds																																						
DFI-18 – Banks																																						
DFI-10 – Funds																																						
DFI-10 – Banks																																						
DFI-11 – Funds																																						
DFI-11 – Banks																																						
DFI-12 – Funds																																						
DFI-12 – Banks																																						
DFI-19 – Funds																																						
DFI-19 – Banks																																						
DFI-14 – Funds																																						
DFI-14 – Banks																																						
DFI-15 – Funds																																						
DFI-15 – Banks																																						
DFI-20 – Funds																																						
DFI-20 – Banks																																						
DFI-17 – Funds																																						
DFI-17 – Banks																																						

Sub-investment level

Institution	Project identification			Project narrative		Location data		Project type		Financing details				Partner details		Contact details		ESG		Progress																		
	Project title	Project ID no.	Int identifier	Status	Project description	Project rationale	Expected outcome	Region	Country	Sub-national location	Domicile	Sector	Sub-sector	Instrument	Total cost	DFI contribution	Funding source	Cofinancers (Y/N)	Cofinancing details	Client name	Client description	Client shareholders	DFI contact	Client contact	Project website	E&S category	E&S rationale	Green components	Gender components	Year	Disclosed date	Concept review	Signing/Approval Date	Start date	End date	Last update date		
Multilaterals (Private)																																						
DFI-18 – Funds SP																																						
DFI-18 – Banks SP																																						
DFI-10 – Funds SP																																						
DFI-10 – Banks SP																																						
DFI-11 – Funds SP																																						
DFI-11 – Banks SP																																						
DFI-12 – Funds SP																																						
DFI-12 – Banks SP																																						
DFI-19 – Funds SP																																						
DFI-19 – Banks SP																																						
DFI-14 – Funds SP																																						
DFI-14 – Banks SP																																						
DFI-15 – Funds SP																																						
DFI-15 – Banks SP																																						
DFI-20 – Funds SP																																						
DFI-20 – Banks SP																																						
DFI-17 – Funds SP																																						
DFI-17 – Banks SP																																						

Case studies - DFIs

Private equity funds –

CDC discloses: investment name, country, region, sector, and start date.

AsDB (Creador IV) discloses: investment name, country, sector, description, E&S categorisation, start date, and exit date.

Investments made by this fund

▼ ACTIVE ▼ EXITED

INVESTMENT NAME	COUNTRY	REGION	SECTOR	START DATE
+ Promamec	Morocco	Africa, North Africa	Health	February 2018
+ CFG Bank	Morocco	Africa, North Africa	Financial services	April 2018
+ Land'Or	Tunisia	Africa, North Africa	Food and agriculture	October 2018
+ Masria DP	Morocco	Africa, North Africa	Financial services	December 2019

CDC - Maghreb Private Equity Fund IV

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

Case studies - DFIs

IFC have committed to disclosing qualifying sub-investments of the majority of their investments in financial intermediaries. [1]

Included FI investments are:

new equity investments in commercial banks including with existing clients ... 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.

[1] https://financialservices.house.gov/uploadedfiles/malpass_ltr_mnuchin_3202020.pdf

Case studies - FIs

Silverlands I – annual impact and ESG report disaggregated to sub-investment level.

Baltcap – annual ESG report.

Equity Bank Kenya – disclosed outstanding balances, the type of loan, loan balance, security involved, currency, interest rate, maturity date, and finance cost in the year.



The Silverlands Funds - 2020 Annual Impact and ESG Report

<https://static1.squarespace.com/static/5ce287fecfd731b0001047515/t/602fca714425a376f204a30c/1613744781707/Annual+Impact+and+ESG+Report+2020.pdf>

4. What does the research tell us?



Publish WhatYouFund
The Global Campaign for Aid Transparency

Overview

The level of DFI FI transparency is low, particularly at the level of sub-investments, making it near-impossible to track the flow of development finance.

We identified numerous examples of disclosure via sources other than the DFI.

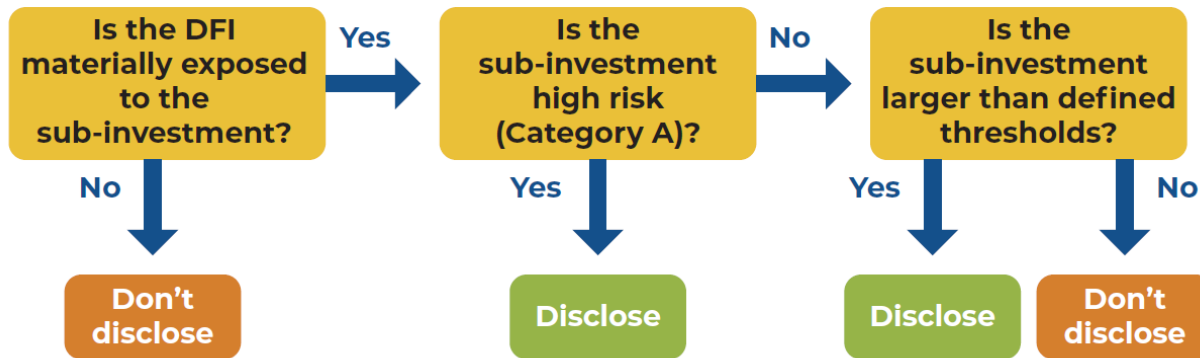
The Equator Principles offer an example of financial sector disclosure that can inform efforts to improve DFI FI disclosure.

National banking privacy regulations can act as a barrier to improving transparency. However, these can be partly addressed by financial institutions seeking consent to disclose from their clients.

Opportunities for increased transparency

Transparency at the FI-level can broadly be treated the same as direct lending.

A mechanism to increase the transparency of FI sub-investment lending while respecting concerns over feasibility and privacy is needed. A filter would identify which sub-investments should be subject to disclosure.



5. Next steps



Publish WhatYouFund
The Global Campaign for Aid Transparency

Next steps

We are concluding this work stream and the research and are open to feedback.

The DFI Transparency Tool will be launched in November 2021.

We are undertaking consultations on the development of the tool in August and September.

We will conduct a pilot phase assessment using the tool in 2022.



Publish WhatYouFund
The Global Campaign for Aid Transparency

[#DFITransparency](#)