

## **Recommendations for Improving Disclosure of 2X Investments through 2X Certification - Working Paper**

### **Overview**

Launched at the G7 Summit in 2018, the 2X Challenge was conceived as a bold commitment to inspire Development Finance Institutions (DFIs) and the broader private sector to invest in women<sup>1</sup>. The 2X Challenge has certainly galvanised support for gender lens investing across both DFIs and institutional investors, mobilising US\$11.4 billion for women and girls between 2018-2020. 2X Global (formerly 2X Collaborative and GenderSmart) recently announced their intention to develop a “2X Certification” for the investment industry. 2X Global kicked off a co-creation process to develop a certification mechanism in response to demand from industry players to move beyond self-assessment toward third party verification, with the intention to improve transparency and accountability.

The “2X Certification” co-creation process provides an opportunity to address the lack of transparency among 2X investments, outlined in our recent [blog](#). As we explain, many of the 2X investors don’t currently identify their qualifying 2X investments making it impossible to break down the US\$11.4 billion mobilised for women and girls between 2018-2020. For those which do, not all identify the criteria by which the investments qualify. As such it’s not clear whether 2X is driving funding to firms owned, managed, or staffed by women, or whether it’s driving funding to firms which serve female customers. And despite being aligned with multiple impact investing metrics<sup>2</sup> it’s not possible to see how 2X investments are utilising these. For example, we could not find any investments which showed which of these metrics were being used as indicators, and what the targets for these might be.

Building on work from our [DFI Transparency Initiative](#) and [gender](#) and [women’s economic empowerment projects](#) at Publish What You Fund, this working paper provides detailed and timely recommendations for 2X Global and industry players involved in the co-creation process to consider in the development of a certification tool. The “2X Certification” mechanism offers a real opportunity for 2X investments to lead the way in investment transparency and demonstrate what impactful investment looks like. As discussions around “2X Certification” advance we will review and revise these recommendations, and continue to contribute to the conversation on what 2X disclosure should look like.

### **What is the 2X Challenge?**

The G7 DFIs set themselves a target to invest US\$3 billion with a gender lens. This target was surpassed in 2020 with DFIs committing US\$6.9 billion while private capital and “other” capital provided another US\$4.5 billion. Leading bilateral DFIs are members of the initiative including the US Development Finance Corporation (DFC) and the UK’s British

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<sup>1</sup> The 2X Challenge Criteria includes: 1) Entrepreneurship – 51% women ownership or the business is founded by a woman, 2) Leadership – 30% women in senior leadership or 30% women on the Board or Investment Committee, 3) Employment – 30-50% share of women in the workforce (depending on sector) *and* one “quality” indicator beyond compliance, 4) Consumption – Product(s) or service(s) that specifically or disproportionately benefit women, 5) Investments through financial intermediaries – 30% of the DFI loan proceeds or portfolio companies meet the 2X criteria

<sup>2</sup> The 2X criteria and metrics are aligned with the GIIN’s IRIS+ indicators, HIPSO, UN Women Women’s Empowerment Principles (WEPs), OECD DAC Gender Equality Policy Marker.

International Investment (BII). In 2019 the European Investment Bank (EIB) adopted the 2X criteria; in 2021 the European Bank for Reconstruction and Development (EBRD) and International Finance Corporation (IFC) joined the initiative. The 2X Criteria have quickly become the global standard for gender lens investing. A broad range of investors and investee companies are now adopting the 2X criteria. A new US\$15 billion target was announced at the 2021 G7 summit.

### **What is 2X Certification?**

In June 2022, 2X Global announced their intention to develop a “2X Certification” for the investment industry. 2X Global kicked off a co-creation process to develop a certification mechanism that will help industry players move beyond self-assessment toward third party verification that is intended to improve transparency and accountability, providing a shared understanding of the required rigour for 2X investing. The certification mechanism is intended to provide a benchmarking framework with different levels of ambition, a comparative ability on how GLI is being done, and insight into where there is room for improvement.

Certification offers a unique opportunity to drive improvements in 2X investment disclosure. The mechanism can help raise disclosure expectations, provide standardised disclosure guidelines for industry stakeholders and incentivise change.

### **Recommendations for Improving Disclosure of 2X Investments through 2X Certification**

2X certified investments should provide data aligned to the requirements of the [DFI Transparency Tool](#) which is increasingly being adopted by leading DFIs to ensure transparency and accountability. The DFI Transparency Tool is the culmination of two years of in depth and collaborative research assessing the disclosure practices of the world’s leading multilateral and bilateral DFIs, including both sovereign and non-sovereign portfolios. The tool was developed to improve the systematic and timely disclosure of relevant information by DFIs. It provides detailed, granular guidance to DFIs on the information they should disclose to improve their transparency.

Disclosure as recommended by the DFI Transparency Tool includes fields critical for better understanding 2X investments. Below, we highlight some of these areas as well as additional disclosure recommendations that are key for 2X investments. Through its “2X Certification” 2X Global should establish clear disclosure guidelines for standardised reporting of 2X investments and include disclosure practice in accordance with these guidelines as a key criterion of certification.

While disclosure around indicators and other information on impact should be done with an eye toward how future criteria might be deepened/expanded, there are minimum disclosure requirements which should be incorporated into the certification mechanism. We outline these below and indicate how recommendations relate to relevant indicators in the DFI Transparency Tool. Without standardised guidance on reporting, where 2X investors disclose activities, this information is not comparable with other players.

Below are four overarching recommendations to improve the transparency of 2X investments.

- 1. Improve disclosure of 2X Investments by making investments accessible via centralised reporting platforms**

As it stands many of the 2X investors don't currently identify their qualifying 2X investments making it impossible to understand how individual investments contribute to the US\$11.4 billion figure. There is currently no central platform that houses a list of 2X investments meaning that one has to search DFI's websites or portals individually to find 2X investments. This makes it difficult to identify 2X investments in a timely and accessible manner.

Recommendations:

- 2X certified investments must be published on investor websites and a central repository should be housed by the 2X Global.
- Files published to investor websites should be available in a downloadable format to redress current challenges in accessibility (Indicator 2).
- For those publishing to the International Aid Transparency Initiative (IATI) Standard, these investments should also contain sufficient descriptions, referencing 2X, to be identifiable through their project descriptions so that users can find them in central repositories such as IATI (Indicator 6).
- As the globally agreed open data reporting standard for development activities, all DFIs should be working towards publishing investments to the IATI Standard. 2X should explore the feasibility of building their repository around the IATI standard.

**2. Investments made by 2X certified organisations need to disclose the rationale for their 2X investments and how investments meet criteria**

Where investors disclose their 2X investments they largely do not identify the criteria by which the investments qualify. As such it's not clear whether 2X is driving funding to firms owned, managed, or staffed by women, or whether it's driving funding to firms which serve female customers. Clarity on which criteria investments meet will be a critical aspect of establishing targets, indicators and impact measurement. DFC set a positive example in disclosing the criteria for most of their 2X investments. However, like most investors they do not provide the data to support the criteria.

Recommendations:

- 2X investments should at a project level identify the 2X criteria by which the investment qualified.
- 2X investments should at a project level provide data on how an investment qualified, i.e. specify the % of women in senior management positions or on the board or investment committee when stating that the investment meets the 'leadership' criteria.
- 2X investments should include project documentation which explains the gender assessments conducted/activities carries out to determine how an investment will contribute to a specific criterion. The IATI standard accommodates the publication of such assessments and evaluations.

**3. 2X Investors should disclose gender strategies and targets at an institutional level**

There may be others better placed to say what needs to go in the strategy or what the targets should look like but these guiding documents and objectives should be publicly available. This includes strategies, implementation plans, gender impact assessments, and gender related targets.

Recommendations:

- 2X investors should publish their gender strategies, implementation plans, assessments and targets on their websites.
- 2X Certification should reward the disclosure of this information in certification, alongside the quality of these policies and practices.

#### **4. Investments made by 2X certified organisations need to disclose impact data**

Publishing results and evaluations is critical to identifying what investments are catalytic and why, and – just as importantly – what didn't work and why. 2X certified investments should provide data aligned to the requirements of the [DFI Transparency Tool](#) which is increasingly being adopted by leading DFIs to ensure transparency and accountability.

##### Recommendations:

- Disclosing impact data should include identifying the investor's impact measurement approach and gender/sector/country strategy at the investor's organisational level (Indicator 19 & 20).
- Project-level information should contain additionality statements, activity indicators/metrics, and results and evaluation information. Where appropriate, these should be sex-disaggregated (Indicators 21-24).
- 2X investors should disclose which indicators they are using for specific investments and to disclose disaggregated data in line with these indicators.
- 2x investors should disclose which standards or initiatives they are aligned to<sup>3</sup>.

From our experience developing the DFI Transparency Tool, we know the importance of specificity and collaborative thinking in establishing disclosure guidance. There is work to be done in partnership thinking through how these disclosure principles and expectations relate to different organisations that 2X might certify (companies, funds, financial institutions), how we reconcile institutional level criteria with investment level disclosure, and the frequency of reporting, to name a few areas for further discussion.

As we work to develop a more comprehensive disclosure framework we welcome feedback and discussion with stakeholders. The "2X Certification" mechanism offers a real opportunity for 2X investments to lead the way in investment transparency and demonstrate what impactful investment looks like. As discussions advance we look forward to engaging with 2X Global and leading GLI stakeholders to advance the conversation on what good disclosure looks like for 2X investments and the role certification can play in moving towards this.

If you have feedback or would like to discuss any of the above proposals please contact Alex Farley via [alex.farley@publishwhatyoufund.org](mailto:alex.farley@publishwhatyoufund.org)

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