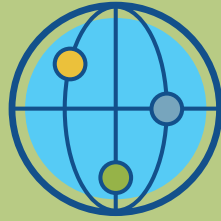


**DFI
Transparency
Initiative**

Driving transparency for
better development results



Taking stock of the 2X Challenge: The transparency of gender lens investments

September 2023

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

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In November 2019, we launched the DFI Transparency Initiative, aimed at increasing the transparency of development finance institutions (DFIs). We engaged with relevant stakeholders, including DFIs, NGOs, civil society, the private sector, think tanks and governments. We examined the current levels of transparency among the world's leading DFIs and advocated for specific and achievable improvements. This report builds on the learnings from the DFI Transparency Initiative.

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Introduction

The importance – and benefits – of investing in women and girls has been long established and has been the rationale behind many efforts to support gender lens investing (GLI). On a global level, SDG 5 set a goal of reaching gender equality by 2030 and, while some improvements in equality have been made, the damage wrought by COVID-19 was especially hard on women and girls.¹ Currently, the world is off track to meet this global goal.

If we are to be serious about achieving the gender equality goals that we have collectively set, we need to match our ambition with effective, catalytic investments that offer significant advancement to women and girls. We need to ensure, for example, that they can meaningfully participate in, and benefit from, economic opportunities and prosperity. One of the leading efforts to do this is the 2X Challenge, an initiative by Development Finance Institutions (DFIs) and institutional investors which started in 2018 to mobilize billions to invest in women and girls. Five years on, it's fair to ask what progress has been made? Is it possible to understand how much money has been mobilised and, more importantly, do we know which are the catalytic investments? What has worked and what hasn't and how do we ensure more of the former?

What is the 2X Challenge and what do we know about leading DFI investments in gender?

Since its launch in 2018 at the G7 in Canada, the 2X Challenge has sought to galvanise support for gender lens investing across DFIs and institutional investors. According to [2X Global](#) (formerly 2X Collaborative and Gender Smart) – the entity that houses the 2X Challenge – the 2X Challenge raised US\$11.4 billion during the first round (2018-2020) and US\$16.3 billion during the second round (2021-2022), for a total mobilised to date of USD\$27.7 billion for women and girls.^{2,3}

Today, many of the leading bilateral DFIs and Multilateral Development Banks (MDBs) are members of the initiative. This includes the US International Development Finance Corporation (DFC) and the UK's British International Investment (BII), European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD) and International Finance Corporation (IFC).

Developed initially as a screening tool, investments qualify as 2X-eligible if they meet one of the 2X Criteria (see below). These Criteria have quickly become the global standard for GLI and are harmonised with multiple impact investing metrics.⁴ A broad range of investors and investee companies are now adopting the 2X Criteria and the next round of the 2X Challenge will be open to a wider range of investors.⁵

¹ United Nations Sustainable Development Goals, Goal 5: achieve gender equality and empower all women and girls, <https://www.un.org/sustainabledevelopment/gender-equality/>

² Initially 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. A new US\$15 billion target was announced at the 2021 G7 summit for the second round of the challenge and surpassed with US\$16.3 billion invested from 2021-2022. This brings investment under the 2X Challenge to US\$27.7 billion to date, supporting 473 businesses across global emerging markets.

³ 2X Global, 2X Challenge webpage, <https://www.2xglobal.org/what-we-do/#2xc>

⁴ The 2X criteria and metrics are aligned with the GIIN's IRIS+ indicators, HIPSQ, UN Women WEPs, OECD DAC Gender Marker.

⁵ 2X Challenge, 'Global gender finance initiative exceeds target, raising USD \$16.3 billion in two years, press release, 23 May 2023, <https://www.2xchallenge.org/press-news/2xchallenge-raises-16billion-in-2-years>

The 2X Challenge is at an important decision point. Not only are large sums that are claimed to be 2X eligible going into 2X, but the initiative is now planning to open the Challenge to a wider range of investors. It is also planning to certify 2X investments going forward. With 2X looking to expand to such a degree, it is appropriate to take stock of the Challenge. We know from our [DFI Transparency Initiative](#) and [Index](#), as well as our [women's economic empowerment work](#), that poor visibility of individual DFI investments makes it difficult to understand DFIs' contribution to gender equality and the impact of this funding. With this background, we wanted to take a closer look at DFIs to understand how DFIs are disclosing their 2X investments to better understand both where this funding is going and what impact it is having.

Disclosure and Transparency – Why?

Before digging into the details of what is disclosed and where, it is fair to ask why more disclosure, especially at the investment level, is needed. Transparency should not be an exercise in itself; instead, it should call out the need for relevant data. There needs to be, for example, sufficient data to measure the value and progress of these investments. Our work on DFI Transparency, including our Index, as well as our work on women's economic empowerment, however, has shown how little transparency accompanies these investments.

For many reasons, the state of transparency needs to improve. First, some of this is public money and there needs to be a level of accountability for how it is spent. Second, if there is little information on where and how money is being invested, it is difficult to measure whether the approach is effectively addressing equality. Third, without better disaggregation, it cannot be ascertained how much is being invested by DFIs and how much is the private sectors' funds being mobilised. Without the data and the evidence to ensure we are being responsible fiscal custodians, investments may be haphazard or, worse, doing harm.^{6,7} And finally, unless there is robust impact data, the ability to learn – both within DFIs and across all investors – is extremely challenging.

This paper starts with an overview of the 2X Challenge and current reporting practices. We then look at what DFIs disclose of their 2X investments and why there is need for greater transparency going forward. We close with detailed recommendations of how disclosure of 2X investments can be improved and how the Challenge can drive greater transparency in the field of GLI.

⁶ Oxfam International, 'Sick Development: How rich-country government and World Bank funding to for-profit private hospitals causes harm, and why it should be stopped', 26 June 2023, [Sick Development | Oxfam International](#)

⁷ Emma Rumney et al, 'Rich nations say they're spending billions to fight climate change. Some money is going to strange places', Reuters, 1 June 2023, <https://www.reuters.com/investigates/special-report/climate-change-finance/>

What is the 2X Challenge?

The 2X Challenge is based on the 2X Criteria which has quickly become the global standard for gender lens investing. To qualify as 2X eligible, investments must fulfil at least one of the [2X Criteria](#). The table below provides an overview of the areas covered by the criteria:

2X CRITERIA⁸

1. Entrepreneurship	1A. Share of women ownership (51%) OR
	1B. Business founded by a woman Y/N
2. Leadership	2A. Share of women in senior management (30%) OR
	2B. Share of women on the Board or Investment Committee (30%)
3. Employment	3A. Share of women in the workforce (30 - 50%*) AND
	3B. One "quality" indicator beyond compliance Y/N
4. Consumption	4. Product or service specifically or disproportionately benefits women Y/N
5. Investments through financial intermediaries (FIs)	5A. <i>On-Lending facilities</i> : Percent of the Investor/FI loan proceeds or percent of FI's portfolio supporting businesses that meet direct criteria (30%)
	5B. <i>Funds</i> : Percent of portfolio companies that meet the direct criteria (30%)

* sector-specific thresholds

DFIs participating in the 2X Challenge report their investments annually to 2X Global who in turn generate global insights into 2X Challenge investments.⁹ This offers useful insights into aggregate trends in 2X eligible funding. The latest report in 2022 included a breakdown of total private investment in 2X-qualified deals, total direct investment versus mobilisation data, sector and regional distribution, as well as a breakdown of investments by criteria. While this information provides helpful insights into global GLI trends, the report does not attribute funding to specific institutions or provide transaction/investment level information. The lack of disaggregated information makes it almost impossible to get the granular insights that are needed to measure value, impact, and progress.

Although transparency was not prioritised in the first two rounds of the 2X Challenge, the 2022 report offered some important reflections on the need for greater transparency going forward. Reflections of note included:¹⁰

- 'External stakeholders sometimes complain about a lack of transparency of the Challenge (i.e., limited information on 2X investees) and a lack of focus on impact.'
- 'External stakeholders have pointed out that the function of 2X has been lost in translation as the Challenge has gained popularity. Stakeholders are particularly concerned about the 2X Criteria being interpreted as an impact measurement mechanism, rather than being used simply as a starting point for looking at gender.'
- 'Without this focus on impact and increased transparency, the 2X Challenge is at risk of being exposed to criticisms.'

⁸ Criteria as of 2X Global's website July 2023. The criteria are currently under review.

⁹ 2X Challenge, Shared Insights Report, 2022, <https://www.2xchallenge.org/shared-insights-report-2022>

¹⁰ Ibid.

Recognising the need for greater transparency and credibility, 2X Global is also currently working to develop a certification mechanism in response to demand from GLI industry players to move beyond self-assessment towards third party verification, with the aim of improving transparency and accountability.¹¹

It's important to note that limited disclosure of 2X Challenge investments mirrors broader disclosure practices among DFIs, although some progress has been made.¹² The timely introduction of a 2X Certification mechanism and widening of the 2X Challenge to the full spectrum of investors offers an important moment to consider how we can improve transparency of 2X investments, and GLI more broadly. As the industry leading body for GLI, 2X Global, with time, has the potential to drive greater transparency and understanding of the impact of GLI investments which is so critically needed.

What is the current state of 2X Challenge investment disclosure among DFIs?

OUR RESEARCH APPROACH

We reviewed the non-sovereign portfolios¹³ of 14 institutions (10 bilateral DFIs and four multilateral development banks)¹⁴ who participate in the 2X Challenge, to determine how they disclose their 2X investments.¹⁵ We did this through a two-stage review. First, we sought to determine how each institution discloses their 2X investments by assessing publicly available information.¹⁶ We reviewed each institution's website list/database, downloadable database, investment page, project sheet, interactive map, and annual reports (including impact and gender reports), as appropriate.¹⁷

Based on the initial review we were able to identify institutions that disclose their 2X investments at investment level and those that do not. Institutions that disclosed 2X investments publicly at an investment level were included in the second stage of our review. We identified investments using a '2X' code, tag, marker, or word search. Then we looked at which institutions disclose what 2X Criteria an investment meets. For institutions where projects were not disclosed at investment level, no further analysis was carried out.

¹¹ 2X Global, 'New 2X Certification Mechanism to Enhance Transparency, Credibility & Impact in Gender Lens Investing, press release, 27 June 2022, <https://www.2xchallenge.org/press-news/2022/6/27/new-2x-certification-mechanism-to-enhance-transparency-credibility-amp-impact-in-gender-lens-investing>

¹² Publish What You Fund, DFI Transparency Index 2023, https://www.publishwhatyoufund.org/app/uploads/dlm_uploads/2023/02/DFI-Transparency-Index-Report-January-2023.pdf

¹³ 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. Here we look at purely non-sovereign operations.

¹⁴ Bilateral DFIs: British International Investment (BII), German Investment and Development Company (DEG), US International Development Finance Corporation (DFC), Dutch Entrepreneurial Development Bank (FMO), Swiss Investment Fund for Emerging Markets (SIFEM) [Switzerland], Norwegian Investment Fund for Developing Countries (Norfund), Swedfund International AB (Swedfund) [Sweden], FinDev Canada, Finnish Fund for Industrial Cooperation Ltd (Finnfund), Promotion and Participation Company for Economic Cooperation (Proparco). MDBs: Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), and International Finance Corporation (IFC).

¹⁵ This review was conducted between 19th June 2023 and 7th August 2023 and utilised publicly available information at the time.

¹⁶ Only investments with an explicit reference to 2X in codes, tags or project descriptions were included in this review. Projects that referenced support for women's economic empowerment or gender equality but did not reference 2X were excluded from this review.

¹⁷ Review findings were shared with DFI teams to confirm disclosure practices around 2X investments. We received responses from 11 of the 14 institutions.

We selected a sample of 10 2X qualified investments per institution for stage two.¹⁸ In reviewing the disclosure of 2X Criteria,¹⁹ we wanted to identify investments where DFIs explicitly reference one of the five 2X Criteria by number or category (see [2X Criteria](#) table on page 5). We noted if the criteria were explicitly disclosed for all investments, for some investments or none.

Insights

VARIED REPORTING BETWEEN DFIS

While DFIs participating in the 2X Challenge report their investments annually to 2X Global, public disclosure is broadly lacking and varies considerably between DFIs. Three of the 14 institutions²⁰ reviewed did not disclose anything about their 2X investments on their website list/database, downloadable database, investment page, project sheet, interactive map, or annual reports (including impact and gender reports). Eleven of the 14 DFIs disclosed their 2X contribution in some form but this varied considerably from aggregate total contributions (annual or to date since 2018)²¹ to investment level disclosure.

For some DFIs, the 2X Challenge and Criteria has been central to their GLI approach and the way they disclose their gender investments. For others, the 2X Criteria is an additional layer of screening to their existing investment processes.²² For example, the Asian Development Bank, like several of the MDBs, prioritises its internal four-tier gender categorisation system in scoring and disclosing gender investments, using the 2X Criteria primarily for reporting to 2X Global. The way in which internal GLI approaches are reconciled with the 2X Criteria can affect whether a DFI discloses their 2X investments or discloses their 2X investments through annual reporting to 2X Global.

INVESTMENT-LEVEL DISCLOSURE

Only six of the 14 DFIs included in our review disclosed their 2X investments at investment level. These institutions were BII, DFC, FinDev Canada, Proparco, EIB and SIFEM.

Ten of the DFIs disclosed the aggregate total of their 2X eligible investment or the percentage of annual investments that qualified as 2X in their annual reports (including gender reports). For example, in addition to investment-level disclosure, BII reported in their 2022 Annual Review that the institution had invested £640 million in 2X qualified businesses and as such 50% of 2022 investments qualified as 2X.²³

We identified only a few DFIs that disclose the number of 2X investments that they have made. BII, DFC, Proparco, and FinDev Canada each disclosed the number of investments in their annual reports. For example, in their 2022 report, Proparco reported to spend €203m on 18 2X eligible projects.²⁴

In some cases, the DFI provided examples of 2X investments in their annual reports, but it was unclear whether this was a comprehensive list of their 2X investments or examples of leading 2X investments.

¹⁸ Where DFIs had less than 10 projects to sample we included a shorter list.

¹⁹ See page 5 for [2X Criteria](#) table. Additional Reference guide available here: <https://static1.squarespace.com/static/5b180402c3c16a6fe0001e45/t/60bfe754201d3d2a8e51745c/1623189333660/2X+Challenge+Criteria+%28Final+June+2021%29.pdf>

²⁰ Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD) and International Finance Corporation (IFC).

²¹ The initial 2X Challenge was launched in 2018.

²² 2X Challenge, Shared Insights Report, 2022, <https://www.2xchallenge.org/shared-insights-report-2022>

²³ British International Investment, Annual Review 2022, <https://www.bii.co.uk/annual-review-2022/publication/contents/templates/British-International-Investment-Annual-Review-2022.pdf>

²⁴ Proparco, 'Impact Report 2022, <https://www.proparco.fr/en/ressources/impact-report-2022>

DIRECT CONTRIBUTIONS VERSUS MOBILISED 2X FUNDING

DFIs report their total direct contribution and capital mobilised separately to 2X Global. These figures are presented in 2X Challenge's Shared Insights Report as aggregate anonymised sums.²⁵ While this provides a helpful overview of direct contributions compared to mobilised, the report presents this information in anonymised aggregates making it difficult both to attribute DFIs individual contribution to the 2X Challenge and to hold institutions accountable for their commitments.

Distinguishing between direct contributions and mobilised funding is challenging when looking at DFIs individual websites because institutions disclose different figures, and few distinguish between total direct investment and mobilised investment. Reporting only mobilised investment figures or not distinguishing direct contributions runs the risk of inflating the amount of 2X investment. For example, DEG reported that since 2018 the institution has mobilised more than \$490 million of debt and equity financing for companies that meet the 2X criteria. With this example, it's not entirely clear what DEG's direct contribution is to the \$490 million.²⁶

DFIS LARGELY DO NOT PUBLICLY DISCLOSE HOW THEIR INVESTMENTS MEET 2X CRITERIA

Of the initial 14 DFIs we reviewed, six published investment level information on their 2X investments and were carried over to stage two of our review. For this stage, we looked at how DFIs disclose which of the five 2X Criteria their investments meet.

Of the six DFIs that publish 2X investments at investment level, we identified two DFIs that systematically disclose which of the 2X Criteria an investment meets. DFC recently introduced a 2X tag and breakdown of 2X Criteria to their downloadable transaction data (See [Box 1](#) example). And FinDev Canada discloses which of the 2X Criteria investments meet in PDF 'Summary of Transaction' sheets for each investment (See [Figure 1](#)).

DFC and FinDev Canada have taken an important step forward in systematically disclosing how investments meet the 2X Criteria at investment level. This allows us a better understanding of how each DFI is investing in women as entrepreneurs, leaders, employees or customers. It also gives us a clearer sense of where investments meet multiple 2X criteria, as is the case with the examples below.

BOX 1: Investment example extracted from DFC's downloadable transaction data on 23 August 2023.

Project ID: 9000083087

Fiscal Year: 2019

Country: Africa Regional

Project Name: One Acre Fund

NAICS Category/Sector: Finance and Insurance

Support Type: Direct Lending

Committed: USD\$10,000,000

Project Description: Expansion of social enterprise which provides small holder farm inputs

2X Identifier: 2X

2X Qualifying Criteria: 3 - Share of women in the workforce and quality indicator; 5A - Investment through on-lending facilities

Information Summary URL: <https://www.dfc.gov/sites/default/files/2019-08/9000083087.pdf>

²⁵ 2X Challenge, Shared Insights Report, 2022, <https://www.2xchallenge.org/shared-insights-report-2022>

²⁶ DEG Evaluation Results, Women at Work, Win Win Win: Good for Business, Good for Women & their Families, Good for Local Development 2020, [DEG_Gender-Lens-Investing-Paper_Final.pdf \(deginvest.de\)](https://www.deg.de/investing/Paper_Final.pdf)

FIGURE 1: Example from FinDev Canada's 'Banco Davivienda S.A' summary of transaction document, [2021_017_davivienda_en_1.pdf \(findevcanada.ca\)](#)

FINDEV CANADA TRANSACTION SUMMARY ¹																									
<h1>Banco Davivienda S.A.</h1> <h2>(Davivienda)</h2> <p><i>This document provides an overview of the FinDev Canada transaction, including a summary of the anticipated development impacts and of the environmental, social and governance (ESG) assessment performed, potential risks identified, and related mitigation measures to be implemented.</i></p> 																									
<h3>Transaction Description</h3> <p>As the second largest bank in Colombia based on lending portfolio, Davivienda is a key player in supporting market development, the economy and financial inclusion in Colombia. Davivienda also plays an important role in the region, serving more than 16.8 million clients across five countries in Latin America.</p>																									
<h3>Transaction Details</h3> <table border="1"> <tbody> <tr> <td>COUNTERPARTY</td> <td>Davivienda</td> </tr> <tr> <td>DOMICILE OF INCORPORATION</td> <td>Colombia</td> </tr> <tr> <td>DOMICILE OF OPERATIONS</td> <td>Colombia</td> </tr> <tr> <td>TERM OF FINANCING</td> <td>10 years</td> </tr> <tr> <td>SECTOR</td> <td>Financial Services</td> </tr> <tr> <td>IFC PERFORMANCE STANDARDS TRANSACTION CATEGORY</td> <td>Category FI-3</td> </tr> <tr> <td>FINANCING PRODUCT</td> <td>Debt</td> </tr> <tr> <td>FINDEV CANADA TRANSACTION AMOUNT</td> <td>USD 20 million</td> </tr> <tr> <td>DATE OF TRANSACTION DISCLOSURE</td> <td>26 August 2020</td> </tr> <tr> <td>DATE OF TRANSACTION SIGNING</td> <td>17 December 2020</td> </tr> <tr> <td>DATE OF TRANSACTION SUMMARY PUBLICATION</td> <td>5 March 2021</td> </tr> <tr> <td>2X CHALLENGE QUALIFYING</td> <td>Yes, under Leadership</td> </tr> </tbody> </table>		COUNTERPARTY	Davivienda	DOMICILE OF INCORPORATION	Colombia	DOMICILE OF OPERATIONS	Colombia	TERM OF FINANCING	10 years	SECTOR	Financial Services	IFC PERFORMANCE STANDARDS TRANSACTION CATEGORY	Category FI-3	FINANCING PRODUCT	Debt	FINDEV CANADA TRANSACTION AMOUNT	USD 20 million	DATE OF TRANSACTION DISCLOSURE	26 August 2020	DATE OF TRANSACTION SIGNING	17 December 2020	DATE OF TRANSACTION SUMMARY PUBLICATION	5 March 2021	2X CHALLENGE QUALIFYING	Yes, under Leadership
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Proparco was the only other DFI we identified in our review that publicly disclosed which criteria an investment met. For one of the 10 investments we sampled, for example, Proparco explicitly indicated which eligibility criteria an investment met (see Figure 2 below).

FIGURE 2: Example from Proparco’s ‘Supporting Albanian small businesses with NOA’ investment, <https://www.proparco.fr/en/carte-des-projets/noa>

Founded in 1998 by the American agency USAID, NOA Sh.A (NOA) is one of the main microfinance institutions in Albania. NOA specifically supports small businesses, family-run enterprises and farmers and wants to develop its activity in Albania's rural regions. The institution already has 12,300 borrowers, 31% are women, with a portfolio of EUR 57m. It deploys its services via a network of 26 branches.

PROJECT DESCRIPTION

Proparco is supporting NOA's activity and development by allocating it a EUR 5m senior loan to develop its loan portfolio. Through this financing entirely dedicated to Albanian small businesses, NOA is contributing to the financial inclusion of local entrepreneurs.

PROJECT IMPACT

The main expected economic and social impacts include: support for 330 jobs, new or improved access to a microcredit for 450 beneficiaries and support for 165 MSMEs. In addition, with 80% of women in NOA's management team and 40% on the Board of Directors, 30% of the project qualifies under the 2X Challenge (Leadership criterion).

The project will thereby contribute to the achievement of SDG 1 ("No poverty"), SDG 5 ("Gender equality"), SDG 8 ("Decent work and economic growth") and SDG 10 ("Reduced inequalities").

Microfinance Sectors

ALBANIA Location

Loan Financing tool

5 000 000 Euros Amount of funding

EUR 5m loan Financing details

For the remaining investments sampled for BII, FMO, Swedfund, and EIB we did not identify any explicit reference to 2X criteria.²⁷

DFIs use the criteria to make assessments on the eligibility of investments for the 2X Challenge and they report this information annually to 2X Global. What is missing, however, is disclosure of the criteria and the accompanying data underlying the assessment. Without an explicit link to specific 2X criteria, it's difficult to tell whether an investment qualified for 2X because it drives funding to firms owned, managed, or staffed by women, or supporting firms which serve women as customers. Given that investments can qualify for multiple 2X criteria, this clarity is essential.

Figure 3 illustrates another investment example from Proparco where it is difficult to tell if an investment meets the 2X Criteria through category 5 (on-lending), in which case are these loans for consumption or entrepreneurship? Or through category 3 (employment) because the company employs women (66% of employees are women). Or both? Furthermore, the investment is intended to create an additional 1,500 new direct and indirect jobs over the next five years. The description acknowledges that women already make up the majority of the company's workforce but doesn't acknowledge what percentage of new roles are intended to go to women.

²⁷ Investments can qualify for more than one of the 2X criteria.

FIGURE 3: Example from Proparco's initiative: 'Senegal: Developing Financial Inclusion to Support Entrepreneurship and women', <https://www.proparco.fr/en/carte-des-projets/pamecas-efsd-covid>

By allocating loans totaling EUR 8m (FCFA 5.2bn) to PAMECAS, Proparco and Cassa depositi e prestiti (CDP) will allow it to expand its microcredit portfolio for Senegalese entrepreneurs.

This project is part of Proparco's and CDP's response plans to the crisis caused by Covid-19. As such, it benefits from guarantees from the European Union's External Investment Plan (EFSD) designed to support small businesses affected by the crisis and encourage local banks to finance them more.

PROJECT IMPACT

The main expected impacts are as follows:

- Over 3,800 additional clients should benefit from a micro-loan. The majority are women as they account for almost 60% of active borrowers, a proportion that PAMECAS wishes to maintain above 50%. In this respect, the project is eligible for the 2X Challenge.
- Support for nearly 1,500 direct and indirect jobs over the next 5 years. 66% of PAMECAS' employees are women.

The project will thereby contribute to the achievement of SDG 8 (Decent work and economic growth), SDG 5 (Gender equality) and SDG 10 (Reduced inequalities).

Loan
Financing tool

4 000 000 Euros
Amount of funding

EUR 4m loan
Financing details

UM PAMECAS
Client

Senegal
Head office country

FINANCIAL INTERMEDIARIES

Previous research as part of the DFI Transparency Initiative has highlighted the fact that the transparency of Financial Intermediary (FI) investments is lower than that of direct investments.²⁸ It is not possible to track on-lending for most FI investments, limiting the ability of stakeholders to monitor their impact. More investments meet the 2X indirect criteria (investing through financial intermediaries) than any other of the five criteria. The 2022 2X Challenge Insights Report shows that 43% of investments between June 2018 and December 2020 were done indirectly through FIs.²⁹ The fact that these investments are typically less transparent than direct investments compound the problems with transparency described in this paper.

Where investments flow through FIs, it's difficult to attribute specific funding amounts as a 2X Challenge investment. The 2021-2022 interpretation of the 2X Criteria explains that where investments are made through FIs (either on-lending facilities or funds), the FI must meet both direct and indirect criteria to count the full transaction amount. Where this requirement is not met, 30% of the investment may be counted towards the 2X target. The guidance also explains that where there is clear evidence or commitment to direct more than 30% of the proceeds to individual women or 2X eligible businesses, then that additional percentage may be counted towards the 2X target.³⁰

DFIs do not disclose their contribution amount (DFI commitment) in cases where the investment is made through a financial intermediary. This means that even in cases where it is possible to identify a 2X investment in a financial intermediary, ascertain that it qualifies via an indirect criteria, and know the commitment amount, it is not possible to determine how much of the commitment will be counted towards the 2X challenge.

²⁸ Publish What You Fund, Financial Intermediaries: Workstream 5 Working Paper, August 2021, <https://www.publishwhatyoufund.org/app/uploads/2021/08/DFI-Transparency-Initiative-W55-Financial-Intermediaries.pdf>

²⁹ 2X Challenge, Shared Insights Report, 2022, <https://www.2xchallenge.org/shared-insights-report-2022>

³⁰ 2X Challenge, 'Guide to the 2X Criteria Version 2.1', May 2023, <https://www.2xchallenge.org/s/2X-Criteria-Sept-2021.pptx>

Conclusion and recommendations

Since its launch, the 2X Challenge has galvanised considerable support for gender lens investing with 20 DFIs and MDBs now participating in the Challenge. But five years on, it is difficult to identify 2X qualifying investments and their impact. This review has identified large gaps in disclosure of 2X qualifying investments by DFIs. There is no consistency in the ways DFIs publish their 2X contribution, with less than half of the DFIs reviewed disclosing at the investment level and only two DFIs systematically identifying which of the 2X Criteria investments meet.

With the next round of the Challenge open to a wider range of investors this is a crucial time to address gaps in disclosure and instil a culture of transparency within the 2X Challenge. Without greater transparency it remains impossible for us to identify DFIs respective contributions to the US\$27.7billion figure of mobilised funding and to answer critical questions that determine the success of the 2X Challenge – including how investments support women as consumers, leaders, entrepreneurs or employees and critically, what the impact of these investments have in closing gender gaps.

RECOMMENDATIONS FOR IMPROVING THE DISCLOSURE OF 2X INVESTMENTS

Especially in light of both the forthcoming 2X Certification Mechanism and the expansion of the 2X Challenge to more investors, the need to integrate more substantial transparency is critical. This exercise involves both the 2X investment disclosure practices for 2X Global and individual DFIs. Given the political will for greater GLI investments as well as the critical need to address global inequality, there is a real opportunity for 2X investors and 2X Global to lead the way in investment transparency and demonstrate what impactful funding looks like.

Below are recommendations for improved disclosure by both DFIs and 2X Global. It is worth keeping in mind that much of this information is data that is already being collected and reported to 2X Global. To the extent that it is not, it should be – DFIs have an obligation to monitor their investments and ensure that resources are being deployed in the most efficient and effective manner. DFIs – especially if they want to increase their own resources – need to demonstrate that they are adding value to the goal of reaching gender equality.

Finally, one of the decisions going forward is to decide what information is disclosed where. With permission, 2X Global could publish much of this information in a central depository. While this would be quite useful, it is also useful for DFIs to publish their own data. Best practice would be to develop the data sets for disclosure and publish both on individual websites and through the common 2X site, providing important access to a range of stakeholders.

RECOMMENDATIONS FOR 2X GLOBAL:

1. Improve transparency and timely disclosure of 2X investments by making investments publicly accessible via a centralised reporting platform housed by 2X Global.
2. A centralised reporting platform should facilitate disclosure of both DFIs direct contributions and co-financing (as appropriate) at investment level, to avoid inflating reported figures.
3. Minimum disclosure of investments in a central repository should include:³¹
 - Description of the investee and the specific investment project including (project title and unique identifier) that is qualified under the 2X Challenge (activity, objective, expected outcomes)*
 - Underlying data 2X criteria eligibility*
 - Country and, if applicable, location within country of the investment project
 - Investment instrument
 - Status
 - Sector
 - Project costs
 - Client
 - Progress dates
 - 2X Challenge members' respective investment amount
 - Currency of investment
 - Environmental and Social (E&S) risk category including Gender Based Violence and Harassment (GBVH) risk (how the investor classified the investee based on the investor's Environmental and Social Management System (ESMS)
 - Impact Measurement and Management (IMM): Brief description of the investor's IMM approach for this investment
 - Activity indicators/metrics
 - Results

RECOMMENDATIONS FOR DFIS PARTICIPATING IN THE 2X CHALLENGE:

1. Provide 2X Global with quarterly information that meets the minimum disclosure requirements outlined above and consent to the public disclosure of this information.
2. Systematically disclose 2X investments at investment level, including the rationale and data for how 2X investments meet criteria. Where 2X is an additional layer to internal gender markers/tags, disclose both.
3. Report and disclose mandatory impact data for 2X investments, including gender specific indicators and sex-disaggregated data.

³¹ These recommendations are derived from the DFI Transparency Tool with 2X specific additions indicated with an asterisk

