

This paper outlines specific transparency steps that should be integral to future reforms at multilateral development banks (MDBs). Improving transparency is fundamental to monitoring and measuring the success of MDBs to deliver impact, mobilise private capital, and ensure adequate transparency and accountability to communities.

## Summary

The worsening climate crisis, increased public indebtedness, the Russian invasion of Ukraine, and the Covid 19 pandemic have all contributed to stagnating progress in meeting the sustainable development goals (SDGs) and plateauing (or reversing) progress in reducing the number of people living in extreme poverty. Global stakeholders have called for MDBs to play a central role in overcoming these crises, and there is broad recognition that MDBs are not fit for purpose, especially at the scale needed. Important to the necessary reforms are calls to optimise the capital adequacy frameworks of MDBs to maximise lending capabilities coupled with a renewed focus on the need for MDBs to increase private capital mobilisation.

***We call upon the G20 to ask that any future MDB reform is accompanied by improvements in the transparency of investment results and impacts, mobilisation of private finance, and independent accountability mechanisms (IAMs).***

***We also join the call to publish information from the Global Emerging Markets (GEMS) Risk Database data base at a sufficiently granular level that provides risk information at the country, regional, country income group, sectoral, and credit type instrument.***

## Embedding Transparency in MDB Reform

While MDB reform is both necessary and timely, the success of any reform efforts can only be ensured if there is sufficient transparency of MDBs' data to monitor progress in key areas. Increases in the quantity of funding from MDBs must be matched with increases in the quality of funding.

[Publish What You Fund's DFI Transparency Index](#) found that there were significant deficiencies in the transparency of all non-sovereign portfolios of MDBs including a critical lack of transparency around the results or impacts of investments, levels of private capital mobilisation, and in the transparency of Independent Accountability Mechanisms (IAMS).

To provide more specificity to the reforms, we propose the following ambitious yet achievable goals to accompany future MDB reforms:

### **1. Publish project level impact/results data for non-sovereign investments**

- a. baseline impact data/ex ante predictions using indicators drawn from internationally recognized impact standards such as HIPSO and IRIS+;
- b. midline impact data against baseline indicators; and
- c. endline impact data against baseline indicators (published at point of divestment or loan maturity)

### **2. Publish project level private capital mobilisation data for non-sovereign investments**

- a. sources and amounts of co-financed funds; and

- b. the nature of co-financed funds (e.g., equity, debt, mezzanine financing, senior debt)

### **3. Increase transparency of Independent Accountability Mechanisms**

- a. introduce policy requiring MDB borrowers and investees to inform project-affected people about the availability of IAMs
- b. provide assurance on an investment-by-investment basis that project-affected people have been informed about the availability of the IAM

### **4. Open the Global Emerging Markets (GEMS) Risk Database**

- a. publish data from the GEMs database at a level of disaggregation suitable for the private sector to make informed decisions about emerging market risk levels

## **Rationale**

The DFI Transparency Index demonstrates that MDBs do not publish impact/results data for most non-sovereign investments. This makes it difficult to determine if investments are delivering results in the manner expected. MDBs have developed advanced impact prediction and measuring systems such as IFC's [Anticipated Impact Measurement and Monitoring \(AIMM\)](#) system that provide the basis for ex-ante impact predictions and ex-post impact measurement. Additionally, significant work has been put into developing harmonized and standardized impact indicators such as the [Harmonized Indicators for Private Sector Operations \(HIPSO\)](#) and the [IRIS+ metrics](#). MDBs thus have the necessary tools for MDBs to disclose disaggregated (project-level) results data.

The need to mobilise private capital to fund the SDGs and to close the climate financing gap is well established. Yet MDBs do not publish disaggregated mobilisation data, making it impossible to assess which investments, sectors, or instruments are most effective at mobilisation. More granular mobilisation data would provide MDB shareholders with the information to effectively measure MDBs' mobilisation rates. Contrary to arguments that such information cannot be made public, some DFIs are currently exploring ways to disclose granular mobilisation data.

IAMs are important mechanisms that allow project-affected people to file complaints about the policy compliance of MDB investments. However, most IAMs do not have a requirement that borrowers or investees inform project-affected people about the presence of the IAM. This limits the utility of each mechanism as there is no guarantee that project-affected people are aware that they may access it. [An External Review of IFC/MIGA E&S Accountability, including CAO's Role and Effectiveness](#) noted that "a first requirement for any accountability mechanism to work is that there is knowledge of its existence by different stakeholders" and recommended "IFC/MIGA should ensure that clients (including FI sub-projects) that are required to establish grievance mechanisms provide information to affected communities both about the client's grievance mechanism and about CAO". The Inter-American Development Bank have enshrined similar requirements in its [Environmental and Social Policy Framework](#); "The Borrower will inform the project-affected parties about the grievance process, including access to the IDB's Independent Consultation and Investigation Mechanism, in the course of its community engagement activities".

In the absence of hard information about the performance of loans with development impact, potential lenders substitute perceptions that may or may not be accurate. DFIs are the custodians of

one of the largest emerging markets risk databases in the world; the GEMS Risk Database. The database is maintained by the European Investment Bank (EIB) and contains credit risk data from 25 DFIs and MDBs, making it the largest database of credit risk data for many low income and fragile countries. It contains data on over 17,000 contracts from 32 years of DFI activity. GEMS data offers the opportunity to bring real evidence of risks associated with investing in emerging and developing economies. However, despite repeated requests from the private sector that it needs this critical information, the GEMS database is largely not available to the private sector or other stakeholders. Given the potential to improve market information and potentially to increase private sector participation in developing economies, the DFIs that govern GEMS should seek to find ways to publish more data in increasingly disaggregated ways.

If you have feedback or would like to discuss any of the above proposal please contact Paul James via [paul.james@publishwhatyoufund.org](mailto:paul.james@publishwhatyoufund.org).