



TESTIMONY BEFORE THE US DEVELOPMENT FINANCE CORPORATION
Public Hearing
September 8, 2022

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On behalf of Publish What You Fund, the global campaign for aid and development transparency, and Friends of Publish What You Fund, the US-based sister organization, we submit the following testimony to the US Development Finance Corporation (DFC) regarding efforts to improve the transparency of the DFC at the organizational, and, more specifically, at the project level.

Our organizations were established with the objective of promoting better foreign assistance outcomes through better information. To achieve these goals, foreign aid and development data should be transparent, accessible to a range of stakeholders, and used for decision making. The benefits of transparency include more informed decision making, greater accountability, better learning (both across the DFC and among other DFIs), improved development outcomes, and increased trust and support from stakeholders and Congress. At its inception, the DFC made the commitment to set the gold standard for transparency among development finance institutions. The DFC is making progress, but more work remains to be done. Today we seek the Board's support to strengthen disclosure efforts. With the

requisite leadership and political will, DFC can become the leading bilateral DFI in terms of making available to stakeholders and the public information on its operations, demonstrating US commitment to robust transparency and accountability.

DFC is an important partner in the implementation of the [Partnership for Global Infrastructure and Investment \(PGII\)](#). The US intends to mobilize over \$200 million for the PGII over five years to tackle the climate crisis and global energy security, improve global ICT infrastructure, advance gender equality, and develop and upgrade health infrastructure. DFC will likely be involved in investments in each of these priority areas. Improvements in transparency through disclosure in line with the DFI Transparency Tool, described in more detail below, are essential to ensuring that DFC delivers impact in an efficient and accountable manner.

DFI Transparency Initiative

Publish What You Fund is undertaking a multi-year, multi-stakeholder collaborative research and advocacy effort. The aim is two-fold: one, to understand the level of disclosure – both in terms of disaggregated project data and organizational/policy disclosure – across a spectrum of DFIs, both multi-lateral and bi-lateral, for both sovereign and non-sovereign portfolios, and two, to define with specificity what granular transparency would entail.

In November 2021, the release of the [research results](#) revealed the low state of DFI transparency. The lack of information makes it difficult to know what DFIs are investing in, the impacts of their investments, whether they are adhering to their own accountability and environment, social, and governance responsibilities (ES&G), and the extent to which they are

mobilizing private sector finance. In all, it is very difficult to measure the value of DFIs' investments.

Based on extensive stakeholder consultations, including with a range of DFIs, we developed a [DFI Transparency Tool](#), a set of 52 indicators across a variety of information points, that provides both a guide to DFIs to achieve greater disclosure and a framework to assess DFI transparency. Using the indicators in the Tool – again in consultations with our stakeholders – Publish What You Fund developed a [methodology](#) that will serve as the basis for the first DFI Transparency Index. This Index will be a public ranking of 30 DFIs, including the DFC, to be released in early 2023. The Index will sample both organizational and project level information in four main categories:

- Core information: basic information about investments including project titles, descriptions, finance instruments and amounts, and key dates.
- Impact management: impact/results data from investments and the policies that shape how a DFI predicts, measures, and evaluates impact.
- ES&G and accountability to communities: environmental, social, and governance data alongside the policies governing information disclosure and accountability processes for project affected people.
- Financial information: information about the structure of investments including investment currencies, the use of concessional finance, and the mobilization of private finance.

Information about sub-investments made through financial intermediaries will also be assessed.

The first phase of data collection has been concluded and the assessment of the information has been shared with all DFIs, including the DFC. These assessments will provide DFIs with an opportunity both to understand the state of their own disclosure and an opportunity to improve. The individual results have also been shared with an independent evaluator for their assessment. The outcome of this first assessment does not count in the final assessment.

A second data collection, starting on a rolling basis in August 2022, will sample additional information. The outcome forms the basis for the final assessment and public ranking.

The aim of this public assessment is to raise the level of disclosure so that policy makers, civil society, and DFIs can better measure the value of these investments and provide a platform for improved learning. DFIs are increasingly playing an important role in the development sphere but the level of transparency – especially when compared to public sector aid – is a significant hurdle in achieving and demonstrating effective development outcomes.

The DFC has been constructively involved in the entire process, but, like other DFIs, it starts at a place of relatively low disclosure. The Index process comes at a time at which the DFC is reviewing its policies, processes, and systems to make them fit its mandate and purpose. If the DFC is to succeed in its transparency journey, it is important that these efforts be prioritized and supported by DFC senior leadership and the Board. We are asking for that support today. Specifically, we ask that DFC commit to continuing to improve transparency by assessing its practices against the Tool and identifying opportunities for improvement. Further, it is important that the DFC seek to build disclosure requirements into its investment practices to allow the future disclosure of new types of information, including ex-ante and ex-post results (in line with the DFC's Impact Quotient system) and more extensive ES&G data.

DFC Transparency and Disclosure Policies

A final point is the need for a transparency/disclosure policy. In November 2020, the DFC released draft transparency and disclosure policies. We submitted both commentary and testimony concerning both. No action has been taken on either issue. A policy on transparency and disclosure, that goes beyond the requirements of the Freedom of Information Act, is critical. We strongly encourage not only reactivating this policy process but doing so with active public consultations to ensure the best possible outcome. At a minimum, such policy should:

- Contain a presumption of proactive disclosure
- Contain limited and narrowly drawn exceptions.

Additionally, DFC is in the process of updating the Office of Accountability (OA) Procedures. We would encourage a full public consultation on the new procedures in the near future.

We appreciate the opportunity to provide this testimony.