Ensuring Transparency and Accountability in Canada's Development Finance Institution

Canada is well placed to draw on the best practices of other development finance institutions (DFIs) to ensure transparency and accountability in the establishment of its DFI. The recommendations outlined below draw from the experiences and best practices of DFIs from around the world.

Transparency

The Canadian DFI transparency policy should include provisions for public disclosure on individual investments being considered by the Board of Directors and those which are supported. The US DFI takes this approach. Individual investment information would include: the purpose of the investment (description of where to whom and for what), total investment made by the DFI, term length, and expected results. Comments on potential and supported investments should be collated and made public, with appropriate lead time to inform board decision-making processes.

Provisions for periodic consultation with non-government stakeholders (civil society, academics, private sector, and beneficiary countries) one to two times per year should also be made to allow for inputs on current operations and forward direction. In addition, consultation with locally-affected communities, including the local language, is important for higher risk investments, particularly those which are highly likely to have an adverse social or environmental impact (or what the International Finance Corporation calls Category A projects).

Finally, information on DFI operations should be made available. This includes compliance protocols (anti-corruption provisions, environmental, social and governance guidelines and other international standards followed by the DFI), and reporting on aggregate investments according to sector, region and country type.

Accountability

The use of appropriate results indicators will be critical for ensuring DFI accountability for development outcomes. Existing DFIs have already agreed to a set of harmonized indicators for private sector operations. Rather than develop a new set of indicators, the Canadian DFI should adopt the DFI harmonized indicator set to ensure consistency and comparability with other DFIs, and alignment with best practice in terms of results measurement. In this regard, further efforts are underway to establish harmonized qualitative indicators, a process which the Canadian DFI can also tap into. Where possible, qualitative indicators should complement quantitative indicators.

In addition to the use of integrated reporting for annual reports, results should be reported at a whole-of-portfolio level (DFIs typically includes 2-3 main indicators for all investments, namely jobs created, taxes paid to local governments, and contribution to reduced greenhouse gas emissions). They should also be reported on a sector by sector basis, including through the use of 1-2 headline indicators measured for all investments in a given sector. This approach will allow for comparability between investments, and facilitate the articulation of an overall impact narrative. In addition, results should be made available for individual investments, including expected results vis-à-vis actual outcomes.

Regular systems for project monitoring and evaluation should be developed and transparently communicated to external stakeholders. In addition to internal systems, provisions for periodic external

/ independent evaluation are also important. For example, sector evaluations could be conducted every so many years or independent evaluations could be required for Category A investments.

Finally, a mechanism to ensure accountability for affected communities is needed. This could be in the form of an Ombudsman role or an Office of Accountability to which communities can submit complaints with appropriate follow-up.