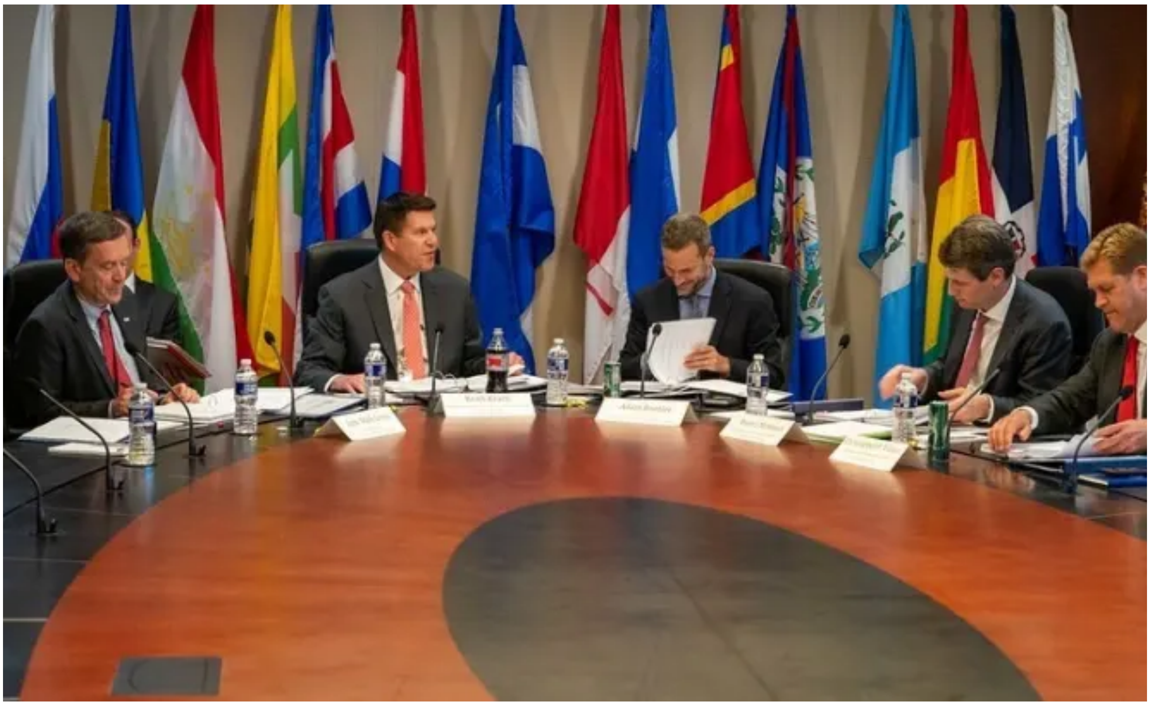
Global Views
The future of US aid

Opinion: DFC's public engagement and transparency policies fail communities

Unless it corrects course, DFC's current path runs the risk of jeopardizing U.S. leadership in transparency and accountability and is likely to fail communities — the intended beneficiaries of development.

*By **Ishita Petkar** // 25 November 2020*



U.S. International Development Finance Corporation board meeting at the U.S. Department of State. Photo by: Ronny Przysucha / Public Domain / U.S. State Department

The U.S. International Development Finance Corporation is headed in the wrong direction on transparency and accountability. On Nov. 4, the day after the U.S. presidential election, DFC quietly opened a 14-day window for public comments on draft transparency and public engagement policies that lack substance, codify grossly inadequate disclosure practices, and fail to meet existing minimum standards and good practice.

It's hard not to see the irony in the situation: two key policies on transparency and public engagement developed in a process with limited transparency and public engagement, their content further limiting the same. While the International Accountability Project and other civil society organizations have been engaging regularly with DFC on strengthening transparency over the past year, we were not informed about the consultation in which we were expected to participate, and its announcement and promotion have been virtually nonexistent.

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The proposed drafts and public consultation are a sharp departure from prior U.S. practice and leadership in advocating for the highest governance standards in development finance. They also fall far short of the requirement in DFC's enacting legislation, the BUILD Act, to "... us[e] best practices with respect to transparency and environmental and social safeguards."

At IAP, we have repeatedly witnessed the profound impact of development projects on the lives of communities they affect — and the devastation that can occur when the fundamental building blocks for transparency and accountability are absent. The upheaval in people's lives can be severe even if projects eventually stall — a situation fisherfolk communities in Sri Lanka are now confronting after a development bank abruptly dropped their funding for a major infrastructure project. With no explanation — to our knowledge — provided for this decision, communities are left to contend with the consequences to their lives and livelihoods for years to come.

DFC identifies its priorities in first development strategy

The U.S. International Development Finance Corporation released its first development strategy Thursday, outlining priority investment areas and setting targets for the organization through 2025.

These high stakes call for the policies and operations of development banks to be robust and reflect international best practices and human rights standards.

Serious shortcomings in process and substance

Firstly, a 14-day comment period is too short to be meaningful for a consultation on two new policies, and is out of step even with DFC's prior practice.

Recently, DFC held a 30-day public comment period for proposed changes to the nuclear provisions of its environmental and social policy. The new transparency and public engagement policies will govern DFC's disclosure and stakeholder engagement practices. Given their vital importance for communities affected by DFC's investments, these policies deserve scrutiny and input from those most affected by them.

Secondly, the substance of the draft policies do not remotely meet the recommended good practice and minimum standards, let alone fulfill the rights of communities affected by DFC's investments. As currently drafted, both policies merely codify DFC's existing flawed information disclosure practices.

For example, for projects considered by DFC to not have a high environmental and social risk rating, basic project information is disclosed only seven days before the board votes on the investment. In contrast, U.S. executive directors at multilateral development banks have abstained from voting in favor of proposals that have significant risks to the environment unless comprehensive assessments have been disclosed at least 120 days in advance of the funding decision date.

This inadequate timeframe precludes any opportunity for affected communities to participate in project design and identify previously overlooked impacts, and is made more troubling by the high percentage of DFC projects that fall into this category — in our recent assessment 90% of the portfolio was not considered high risk.

Other deficiencies in DFC's information disclosure practices are noticeably not addressed by the policies. Earlier this year, IAP shared an analysis with DFC, assessing its disclosure practices for information made available online for 158 projects, based on criteria aimed at maximizing community access to information. We highlighted several points that we found to be of concern, including:

• Despite investing heavily in non-English speaking contexts, DFC does not make translations of project information available.
• Only 38% of projects included information on specific environmental and social impacts.
• Only 5% of projects disclosed plans for stakeholder engagement, and only 8% disclosed the full text of environmental and social impact assessments.

Rather than correcting current processes and championing best practices that meet communities' rights, DFC has drafted weak policies that skirt its obligations as an institution operating with public resources. Adopting the current draft policies without substantial revision through this empty consultation process will set a dangerous precedent for transparency and accountability, and fail DFC's ultimate stakeholders — communities.

Access to information as the foundation for

sustainable development

The experiences of IAP and our partners in supporting communities and in monitoring, analyzing, and engaging with the disclosure practices of development finance institutions, have demonstrated that development cannot be truly sustainable without meaningful access to information and stakeholder engagement.

Further, DFIs miss the opportunity to ensure projects are designed to avoid adverse impacts and meet communities' development priorities, leveraging their local expertise, and deep understanding of their environment and context.

Although DFC's CEO Adam Boehler has publicly committed to "support[ing] sustainable, transparent and responsible investments," the proposed draft policies and so-called "consultation" point to the opposite in implementation.

For DFC to meet its obligations, it should pivot toward a people-centered approach that prioritizes community-led development. As affirmed by a letter submitted to DFC this week, endorsed by over 25 civil society organizations, this begins with hosting meaningful consultation periods and drafting an access to information policy that recognizes the right to information and adopts internationally endorsed principles to create robust access to information systems.

Unless it immediately corrects course, we believe DFC's current path is set to jeopardize U.S. leadership in transparency and accountability and fail communities, the intended beneficiaries of development.

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The views in this opinion piece do not necessarily reflect Devex's editorial views.

About the author

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Ishita Petkar is the policy director at the International Accountability Project. IAP is an international human and environmental rights organization that works with communities, civil society, and social movements to ensure development is community-led. Ishita leads IAP's advocacy to promote policies and practices at development banks that fulfill communities' rights to information and development.