

**REPORT TO CONGRESS ON  
BENEFICIAL OWNERSHIP INFORMATION  
PRACTICES AT THE MULTILATERAL  
DEVELOPMENT BANKS**



**A Report to Congress**

*in response to*

**SEC. 7029(f) of the Further Consolidated Appropriations  
Act, 2020**

**United States Department of the Treasury**

**June 2020**

**Report on Beneficial Ownership Information Practices at the  
Multilateral Development Banks  
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**Introduction**

The Treasury Department presents this report on Beneficial Ownership Information Practices at the Multilateral Development Banks (MDBs) in compliance with section 7029(f) of the Further Consolidated Appropriations Act, 2020, P.L. 116-94. This report provides an update to the policies and practices that the MDBs have implemented over the past fiscal year to enhance disclosure of beneficial ownership information in their respective institutional operations.

*SEC. 7029(f) BENEFICIAL OWNERSHIP INFORMATION. — The Secretary of the Treasury shall instruct the United States executive director of each international financial institution to use the voice and vote of the United States to encourage such institution to collect, verify, and publish, to the maximum extent practicable, beneficial ownership information (excluding proprietary information) for any corporation or limited liability company, other than a publicly listed company, that receives funds from any such financial institution: Provided, That not later than 45 days after enactment of this Act, the Secretary shall submit a report to the Committees on Appropriations on steps taken in fiscal year 2019 by the United States executive directors and the international financial institutions consistent with this subsection compared to the previous fiscal year.*

Below are brief descriptions of the beneficial ownership information practices at each of the MDBs, emphasizing recent updates and recent efforts by the United States' Executive Directors.<sup>1</sup> All the MDBs recognize the importance of the legislation and are striving to respond to the legislation. The MDBs are strong proponents of disclosure and access to information, largely as a result of strong U.S. encouragement to do so.

**Developments in Beneficial Ownership Information Practices in the Multilateral Development Banks (MDBs)**

***International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA)***

The World Bank (referring to IBRD and IDA) continues to monitor implementation of its Beneficial Ownership pilot launched on November 1, 2017. The pilot covers the World Bank's fiscal years 2018 through 2020<sup>2</sup> and publishes beneficial ownership data for the winning bidders of procurements over certain thresholds (subject to review by the Operational Procurement Review Committee) financed by World Bank projects. These procurements are expected to represent approximately 40 percent of all Bank-financed procurements by value. World Bank

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<sup>1</sup> Please see the *2018 Report on Beneficial Ownership Practices at the Multilateral Development Banks* for greater context about beneficial ownership: [https://www.treasury.gov/resource-center/international/development-banks/Documents/Report to Congress on Beneficial Ownership at MDBs August 2018.pdf](https://www.treasury.gov/resource-center/international/development-banks/Documents/Report%20to%20Congress%20on%20Beneficial%20Ownership%20at%20MDBs%20August%202018.pdf)

<sup>2</sup> The World Bank's fiscal year runs from July 1-June 30.

Management will review and report to the Board of Directors on implementation progress, including any lessons learned, during the World Bank's fiscal year 2021.

Under the pilot program, the World Bank's standard procurement documents require winning bidders to identify beneficial owners using thresholds for determining ownership and other definitions of control developed by the Financial Action Task Force (FATF). Borrowers are required to publish beneficial ownership information, along with other contract award information, on their websites, and the information is published on the World Bank's website. One of the objectives of this pilot is to contribute to a level playing field for companies with sound corporate governance structures and high integrity standards. To date, the World Bank indicates that the response to the pilot has been positive.

The pilot's beneficial ownership requirements began to be applied to contracts awarded in projects approved after November 1, 2017. As of January 2020, beneficial ownership information has been disclosed for two eligible, awarded contracts with a combined value of approximately \$1.21 billion. Beneficial ownership information for these contracts was published in United Nations Development Business (UNDB, URL: [www.devbusiness.com](http://www.devbusiness.com)) and the World Bank's external website ([www.worldbank.org](http://www.worldbank.org)). The procurement processes for additional contracts are currently under way and beneficial ownership information will be published when the processes are completed.

The World Bank may conduct verification of beneficial ownership when integrity red flags are triggered or in other cases when extended due diligence is warranted. Misrepresentation of beneficial ownership information by the winning bidder may constitute a sanctionable offense under the Bank's Anti-Corruption Guidelines and will be reported to the Bank's Integrity Vice Presidency which may conduct a fraud investigation potentially leading to the company's debarment.

The Beneficial Ownership pilot is part of the Bank's strategy to enhance transparency and open contracting. The Office of the U.S. Executive Director has supported this effort and sought regular briefings to remain aware of the pilot's status. The Office of the U.S. Executive Director continues to advance United States policy in this area and consistently presses for integrity, high due diligence standards, and robust information disclosure in all projects. The World Bank has shared information about this pilot with other Multilateral Development Banks interested in launching a similar program and has actively discussed it with a broad range of stakeholders, including the U.S. Treasury and U.S. companies. As noted later in this report, other MDBs are starting to pursue similar processes.

### ***International Finance Corporation (IFC)***

The International Finance Corporation (IFC) is the part of the World Bank Group that invests in private sector entities conducting business in emerging markets and developing countries. Before it makes an investment, IFC identifies all parties with a substantial interest in the entity. Generally, IFC identifies and conducts integrity due diligence (IDD) on those entities and individuals who own or control ten percent or more of an entity (where possible, IFC identifies and conducts IDD on those who own or control five percent of an entity), including indirect and

ultimate beneficial owners, as well as the top five direct owners as applicable. If the company is a fund, IFC also conducts IDD on the general partner or fund manager, even if the general partner/fund manager does not meet those thresholds, as well as the general partner/fund manager's direct owners down to the five percent level and top five owners.

IFC staff conducts IDD, using various sources, to identify whether there are any integrity risks in the project. It conducts IDD on key entities and individuals involved in the project; IDD is not limited just to the contracting party. IFC defines "integrity risk" as any risk involved in engaging with entities or persons whose background or activities may create a risk of adverse reputational and, often, financial impact on IFC. All clients in the portfolio are screened daily by a computerized screening system against various enforcement lists. IFC's compliance team periodically reviews certain projects to ensure that the IDD processes have been properly followed.

IFC posts project descriptions on its website, which may also include the names of sponsors and major shareholders in the project company and other key entities, including beneficial ownership information where relevant or appropriate. In the most recent fiscal year, IFC has also strengthened periodic reporting of integrity risk issues to management, the Audit Committee and the Board as part of improvements to strengthen its IDD processes. The Office of the United States Executive Director has encouraged these efforts and the U.S. Treasury staff has also emphasized to IFC management the importance of increased transparency, particularly with regard to IFC's investments in financial intermediaries.

### ***The Multilateral Insurance Guarantee Agency (MIGA)***

There are no significant changes to report since last year's report. The Multilateral Insurance Guarantee Agency (MIGA) is the part of the World Bank Group that provides political risk insurance and credit enhancement guarantees to protect foreign direct investments against political and non-commercial risks in developing countries. Like the IFC, MIGA identifies beneficial owners and conducts integrity due diligence on project entities and individuals with a substantial interest (i.e. five percent threshold). MIGA continues to use computerized screening systems for efficient and timely project monitoring for emerging integrity risks. The Office of the U.S. Executive Director continues to review the results of MIGA's integrity due diligence as individual projects are considered for Board approval and stays closely engaged with MIGA staff.

### ***European Bank for Reconstruction and Development***

The European Bank for Reconstruction and Development (EBRD) invests in private sector entities and provides loans to sovereign governments. Its approach towards beneficial ownership remains largely consistent with last year's report. Awareness of beneficial ownership is the first of the EBRD Integrity Due Diligence (IDD) guidelines. All staff involved in EBRD projects undergo in-person training on these guidelines. Like the other MDBs operating in the private sector, the EBRD conducts risk-based IDD on the companies in which it invests. EBRD staff is responsible for collecting and vetting beneficial ownership information based on information

gathered through site visits, discussions with the client, and general knowledge of the region/sector, as well as Bank for International Settlements searches.

In more complex cases the EBRD will commission a confidential external due diligence report. The EBRD will not proceed with a transaction without knowing who the beneficial owners are. Additionally, investments that involve politically exposed persons, clients with poor past business practices, or other high-risk clients will trigger enhanced IDD. The EBRD publishes information on its project partners. The EBRD publishes beneficial ownership information where practicable. The EBRD identifies all the beneficial owners in projects being considered for Bank involvement (unless the number of small shareholders makes this impractical, or where a company's ownership is identified as being very fluid). The EBRD uses the FATF definition of beneficial ownership:

*“Beneficial owner refers to the natural person(s) who ultimately own(s) or control(s) a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement.”*

In addition, the EBRD has carried out additional activities to help support efforts to improve collection, verification, and publication of beneficial ownership information. This includes serving as an observer at the FATF, the Eurasian Group (or “EAG” which is the Eurasian FATF-style regional body), and Moneyval Plenaries (a Council of Europe permanent monitoring body referred to as “the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism.”). The EBRD has applied to become an observer at MENAFATF (the MENA region's FATF-style regional body) and is part of the FATF working group to enhance MENAFATF's development. EBRD has organized donor-sponsored capacity building in their countries of operation, and engaged in high-level events to further the importance understanding of the concept of beneficial ownership.

In 2018, the U.S. Executive Director's office pushed EBRD to add language on contract disclosure to its new Access to Information Policy (due to replace the Bank's Public Information Policy), the final version of which was approved in 2019 and came into effect on January 1, 2020. The U.S. Executive Director's office continues to monitor this topic and engage with EBRD Management on requirements regarding accountability and transparency, including the collection, verification, and publication of beneficial ownership information related to extractive industries and on-site project monitoring.

### ***African Development Bank***

The African Development Bank (AfDB) provides both sovereign and private sector lending. The AfDB is now implementing its revised procurement policy (updated in 2015) that improves its approach to the collection and publication of beneficial ownership information in the procurement process for sovereign operations. The new AfDB Operations Procurement Manual, which is publicly available, includes a section on beneficial ownership. In addition, the AfDB has developed a guidance note on beneficial ownership and politically exposed persons, which is part of the Procurement Toolkit that complements the revised procurement policy.

The new Operations Procurement Manual and the accompanying guidance note were prepared in close partnership with the World Bank, and the approaches followed by the two MDBs are closely aligned. Like the World Bank, the AfDB now requires that a successful bidder under an AfDB-financed contract above a specified monetary threshold disclose publicly its beneficial owners. Beneficial owners are defined as any individual—or closely related individuals—who own or control 25 percent or more of the voting shares of the firm. This information will then be published by the AfDB and the borrower. The AfDB will consider the failure to provide this information or the provision of incorrect information as a potential misrepresentation that may result in disqualification or other appropriate sanctions.

For private sector projects, like the other MDBs, the AfDB conducts standard integrity due diligence and enhanced due diligence, as appropriate, for all clients and their ultimate beneficial owners, as guided by its Integrity Due Diligence Policy on non-sovereign operations and other applicable Bank policies and procedures. The AfDB screens all clients and all beneficial owners on all non-sovereign operations against all relevant lists. The Bank collects this information and discloses that which is practicable and that which is allowed under its disclosure policy.

The Office of the U.S. Executive Director continues to advance United States policy in this area and consistently presses for integrity, high due diligence standards, and robust information disclosure in all projects. The Office has worked closely with AfDB management in the development of the Operations Procurement Manual and is continuing to work with AfDB management during the roll out and implementation of the manual. The Office of the U.S. Executive Director has also promoted greater upstream involvement of the AfDB's Integrity and Anti-Corruption Department in the Integrity Due Diligence in individual projects.

### ***Asian Development Bank***

The Asian Development Bank (AsDB) provides both sovereign and private sector lending. The AsDB's requirements related to beneficial ownership information focus on its private sector operations. AsDB rules require staff to carry out Integrity Due Diligence (IDD) and identify one hundred percent of the beneficial ownership of a company. AsDB staff then verifies these owners through a desk review of the potential client using corporate registries, open and closed source databases and various search engines. Like other MDBs, AsDB staff screen potential counterparties and their beneficial owners against relevant lists.

Where there are shareholdings of five percent or more that are not identified or the owners of which remain unknown, or where shareholdings in publicly listed companies of ten percent or more are not identified, the Board is informed. Beneficial ownership information is published, to the extent practicable, whenever the beneficial owner's shareholdings are discussed in the documents that are approved by the Board (referred to as the Report and Recommendation of the President).

In sovereign projects where the executing agency or implementing agency is not a government ministry or agency, the borrower must identify any beneficial owner that is not state-owned. For the procurement for sovereign projects, the bidding process is governed by the AsDB's

procurement guidelines, which adopt international standards on bidding, focusing on bidder eligibility, technical qualifications and financial proposals. Bidders are checked against AsDB's debarment list before being awarded a contract, as is done in other MDBs. Similar to other MDBs, the AsDB's debarment list includes firms that have been cross-debarred in accordance with the "Agreement on Mutual Enforcement of Debarment Decisions" among AsDB, EBRD, World Bank, IADB and AfDB. AsDB is monitoring the World Bank's ongoing pilot on the disclosure of beneficial ownership in high value procurement.

The Office of the U.S. Executive Director continues to advance United States policy in this area and consistently presses for integrity, high due diligence standards, and robust information disclosure in all projects. In late 2018, the Office of the U.S. Executive Director requested that AsDB's Office of Anti-Corruption and Integrity and Private Sector Operations Department update the Board of Directors on Integrity Due Diligence (IDD) for non-sovereign operations and the implementation of AsDB's tax integrity policy – a key component of transparent beneficial ownership.

### ***Inter-American Development Bank***

For the Inter-American Development Bank's (IDB) sovereign operations, governments borrow the funds and then enter into procurement contracts with companies to carry out the development activities. Procurement arrangements are conducted by the borrowing governments in accordance with IDB procurement policies. The IDB publishes procurement data on its website for contract award winners (for public works, goods and services procured through international competitive bidding or amounting to US\$25,000 or more, as well as for all consulting contracts). Information published includes the name of the firm, its location and the value of the contract.

With respect to beneficial ownership, there has been significant progress since last year's report. The new procurement policies of the IDB were approved in 2019 and took effect January 1, 2020. They require that in international competitive bidding processes, executing agencies request beneficial ownership information from each company being recommended for award before the publication of the award of the contract. Per these new procurement policies, the information that shall be requested includes the names of "Beneficial Owners" defined as individuals who directly or indirectly: (i) hold 25 percent or more of the shares of the company; (ii) hold 25 percent or more of the voting rights; or (iii) have the right to appoint a majority of the board of directors or equivalent governing body of the company selected for the contract award. This information will be published by the borrower on the United Nations Development Business (UNDB) website and will be forwarded for publication on the website of the Bank.

### ***IDB Invest***

The Inter-American Investment Corporation (IDB Invest) is a member of the IDB Group. It lends to and invests in private sector companies that conduct business in its regional developing member countries. Like other MDBs investing in private sector entities, IDB Invest identifies

and conducts integrity due diligence (IDD) on entities and individuals related to IDB Invest projects.

The IDD process is established in its Integrity Framework which states:

*“A cornerstone of integrity risk management is to ‘know your customer’. This requires the [IDB Invest] to conduct and regularly update, with the support of [the Office of Institutional Integrity], appropriate due diligence on its potential clients, existing clients and projects, as well as associated individuals and relevant related parties. Core elements of this review shall include . . . identifying and screening ultimate beneficial owners.”*

IDB Invest has also established internal Integrity Due Diligence Guidelines which govern the IDD process at a more granular level, and which define “Beneficial Owner” as follows:

*“A ‘Beneficial Owner’ is a natural person or legal entity that ultimately owns or controls a legal entity. Determining beneficial ownership requires that ownership be traced back through all intermediate corporate owners, until ownership is determined to reside in either an individual or a publicly traded company.”*

Those Guidelines require the identification and screening of all Beneficial Owners holding, directly or indirectly, five percent or more of the IDB Invest Counterparty. If the IDB Invest Counterparty or a Beneficial Owner of the IDB Invest Counterparty is publicly traded, the names of those owners of the publicly traded company holding a ten percent or greater interest in the publicly traded company are identified and screened.

IDB Invest screens the ultimate beneficial owners of proposed counterparties through relevant databases to identify integrity risk indicators. These include being considered a politically exposed person, being subject to economic or administrative sanctions, or being under criminal investigation or involved in administrative or civil proceedings that allege serious ethical or financial misconduct. Failure to provide information on beneficial owners disqualifies a company from receiving funding from IDB Invest (although there is an exception under the guidelines for clear mitigating circumstances, IDB Invest in practice has never granted an exception). IDB Invest also posts project descriptions on its website, which may include the names of sponsors and major shareholders in the company, including some beneficial ownership information.

The Integrity Due Diligence relevant to beneficial ownership may also include additional elements. Such additional elements could include: (i) if a company or its controlling shareholders use cross-border corporate structures, IDB Invest may conduct “structural due diligence”, which includes assessment of certain tax-related risks (*e.g.*, risks presented by the use of offshore financial centers); and (ii) if the company is a fund, IDB Invest also conducts IDD on the general partner/fund manager—even if the general partner does not meet the five percent ownership threshold—and the general partner/fund manager’s direct and indirect owners to the five percent level.



The Office of the U.S. Executive Director for the IDB and IDB Invest continues to advance United States policy in this area and consistently presses for integrity, high due diligence standards and information disclosure in all projects.

## **Conclusion**

In the past fiscal year, the MDBs have made progress in advancing efforts to increase transparency and to ensure the integrity of their institutions through the collection and analysis of beneficial ownership information. As outlined in this report, the United States strongly encourages and supports these efforts. Through obtaining this information, the MDBs augment their ability to screen and monitor the recipients of MDB financing. In the process, the MDBs lead by example and encourage greater integrity, due diligence, and accountability in other international financial institutions. The Treasury Department and the respective Offices of the U.S. Executive Director in each MDB will continue to encourage the MDBs to collect and verify pertinent information about beneficial ownership.