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Development Finance Institutions and Digital Risks

One-page brief for policy-makers **November 2025**

Overview

Development Finance Institutions (DFIs) have mandates to support development and "do no harm." DFIs support an ever-increasing range of digitalization projects. While digitalization has many economic benefits, it can also create well-known risks for people and the planet. In some cases, well-intentioned digital solutions can be weaponized against the very people they are designed to help. While DFIs are paying more attention to these issues, identification and management of digital risks is still not systematic or transparent, and lacks standards that provide guidance to DFIs, borrowers, and stakeholders. DFIs should proactively and systematically address digital risks to reduce the likelihood of harms.

How do DFIs support digitalization?

DFIs provide financing and advisory support that includes 1) large-scale digital transformations through digital public infrastructure (i.e., digitalizing governance and public service delivery and payments, including digital identification systems), and 2) digitization across sectors (i.e., agriculture, education, finance, health, infrastructure, urban development).

What are digital risks?

Digital risks are the potential adverse environmental and social (E&S) impacts associated with the design, development, and deployment of digital products and services. Examples include privacy risks (i.e., excessive/unnecessary data collection, retention, or misuse, such as for surveillance), exclusion risks (i.e., no internet/mobile phones results in no access), bias and discrimination risks (i.e., decision-making algorithms may reinforce underlying inequalities), freedom of expression/association risks (i.e., misuse of data/systems to intimidate or threaten opponents), safety risks (i.e., technology-facilitated violence), data security risks (i.e., identity theft resulting from improper disclosure/misuse of data), data accuracy risks (i.e., inaccurate data block access to services), and environmental risks (i.e., high energy/water consumption of data centers). As compared to traditional E&S harms, digital harms are often far more pervasive in scope, amplify inequalities, spread quickly, are easily magnified, may exist perpetually with long-lasting effects, are often invisible to those affected, are out of the control of the individual, and may be unpredictable and difficult to remedy.

Recommendations for DFIs to systematically and transparently address digital risk exposure

1. **Conduct a baseline assessment** of digital risks in project portfolios and assess the effectiveness of existing policies and practices in anticipating and managing digital risks.
2. **Be clear on risk appetite**. Update DFI digital strategies that balance digital opportunities and risks to signal that the DFIs take these risks seriously and require them to be addressed.
3. **Develop clear decision criteria/processes for approving digital projects**, including digital alternatives analysis, red flags, exclusions (i.e., if severe digital risks cannot be mitigated), and escalation criteria.
4. **Update E&S Safeguards**. Integrate digital risk considerations into sustainability policies for DFIs and existing performance standards and/or develop a new digital-specific performance standard for clients.
5. **Manage risks appropriately, including by exercising leverage.** Develop tools for digital risk impact assessment and management that operate alongside updated E&S Safeguards and use all forms of leverage consistently.
6. **Strengthen transparency** at all levels, including by disclosing risk management at project levels.
7. **Adapt and strengthen stakeholder engagement.** Develop or adapt new approaches and formats to identify and engage with stakeholders, including international civil society and technology experts.
8. **Update accountability mechanisms**, including expanding eligibility criteria and complaint submission time frames, to address the pervasive and long-lasting impacts of digital harms.
9. **Build the capacity, expertise, and mandate of DFI E&S teams** to identify and manage digital risks, and work collaboratively with digital and investment teams.
10. **Build on existing systems** to manage digital risks (E&S Safeguards, teams, and accountability mechanisms) rather than develop whole new, parallel systems.

For more information see Development Finance Institutions and Digital Risks (September 2025)