Crowding in:

An advanced approach for measuring and disclosing private capital mobilisation

Publish What You Fund
The Global Campaign for Aid and Development Transparency

WHO WE ARE

Publish What You Fund is the global campaign for aid and development transparency. We envisage a world where aid and development information is transparent, available, and used for effective and inclusive decision-making, public accountability, and lasting change for all citizens.

ABOUT OUR PROJECT

Publish What You Fund's 18-month programme on private capital mobilisation was initiated in April 2023. It aims to increase understanding around what works to mobilise private investment by creating an improved mobilisation reporting approach for leading MDBs and DFIs.

ABOUT THIS REPORT

Based on our research and consultations, Publish What You Fund have developed proposals for improving the measurement and disclosure of mobilisation. This report outlines both proposals.

Publish What You Fund will be consulting on the measurement and disclosure proposals in this report following its launch.

To submit feedback, please visit
https://www.publishwhatyoufund.org/projects/mobilisation-transparency/

Feedback will be accepted until June 14th 2024.

If you would like to provide in-text feedback on the document, please contact
paul.james@publishwhatyoufund.org

This report was written by Paul James and the executive summary was written by Sally Paxton.

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Please note that participation in our expert working group is for advisory purposes only and does not equate to endorsement of our findings or outputs.

Contents

Tables and Figures

Acronyms

AfDB	African Development Bank
BII	British International Investment
CAF	Capital Adequacy Framework
CDFS	Centre for Development Finance Studies
CGD	Center for Global Development
CIVs	collective investment vehicles
CRS	Creditor Reporting System
DAC	Development Assistance Committee
DFC	Development Finance Corporation
DFIs	development finance institutions
EDFI	European Development Finance Institution
EMDEs	emerging and developing economies
FMO	Dutch Entrepreneurial Development Bank
GEMS	Global Emerging Markets
GP	general partner
ICD	Islamic Corporation for the Development of the Private Sector
IDB	Inter-American Development Bank
IEG	Independent Expert Group
IFC	International Finance Corporation
IMF	International Monetary Fund
IsDB	Islamic Development Bank
LP	limited partner
MDBs	multilateral development banks
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
OOF	other official flows
OPIC	Overseas Private Investment Corporation
PCC	private capital catalysation
PCM	private capital mobilisation
PFD	private financing for development
SDGs	sustainable development goals
TOSSD	Total Official Support for Sustainable Development
URTs	unfunded risk transfers

Executive summary

Executive Summary

To face the global challenges of the COVID-19 pandemic, climate change, conflict, food insecurity, and poverty, there are calls for more resources for multilateral development banks (MDBs) and development finance institutions (DFIs). At the same time, there have been strong calls for reform of these development banks. These include efforts to increase the ways in which DFIs can significantly mobilise the private sector as well as to manage their assets/ accounts to free up more capital for investments in development.

One of the most urgent calls has been to increase private capital mobilisation (PCM) to close the ever-growing financing gap needed to meet the Sustainable Development Goals. In 2023, for example, the G20 Independent Expert Group recommended that PCM be increased to US$240 billion annually by 2030 – current PCM rates have stagnated at just under US$64 billion annually. DFIs recognised the need to refine the PCM measurement approach, harmonise metrics, and increase incentives to mobilise private capital in an agreed statement in 2023 at the Paris Summit for a New Global Financing Pact. This statement was endorsed by a range of shareholders, civil society, and experts.

The bottom line is that without significant change, current PCM practices will not deliver the scale of financing necessary to meet global demands.

It is against this backdrop that Publish What You Fund has undertaken an analysis of PCM and has produced this draft proposal that addresses both PCM measurement and disclosure. Through multistakeholder consultations, including with DFIs, shareholders, private sector representatives, and subject matter experts, Publish What You Fund's draft proposal builds upon the two current approaches of the MDBs and the OECD, existing research, and numerous expert meetings and bilateral interviews. The draft proposal presented here defines in detail both an improved measurement approach and the disaggregated project level disclosure that is a prerequisite to reaching PCM at scale.

In developing this proposal, Publish What You Fund was guided by two important principles. One, that measurement needs to be aligned with incentives to ensure that the most promising kinds of investments are prioritised. Two, that similar instruments are treated consistently.

The work also recognises the importance of private sector catalysation – downstream private investment caused by DFI activities that are separate from the DFI's own activity. It also needs to be properly measured, but this proposal is focused on mobilisation – both how it should be measured and what disclosure is essential.

Finally, this is a draft proposal which will be opened for consultation through the spring and summer. A final proposal will be published in the fall of 2024.

Measurement

In addition to building upon existing approaches and bodies of work on PCM reform, Publish What You Fund researched various instruments and practices, assessing the feasibility of including these in a new measure of PCM. In some instances, the proposal includes more than is currently being measured by either the MDB or the OECD approaches. It also addresses issues such as the time of investment, attribution, risk, DFI effort in mobilising the investment, and the definition of private capital. We also address issues of counting PCM – what should be counted and how, both to avoid double counting and to present as accurate a picture as possible.

This report contains detailed discussion of these issues, defining what should be included in PCM and how the various investment should be counted and when. In summary, the proposal sets out three main baskets for measuring PCM:

- Balance sheet mobilisation (including private DFI equity, hybrid capital, and bonds)
- Primary private capital mobilisation (including direct and indirect mobilisation through co-investment)
- Secondary private capital mobilisation (including secondary transactions distributing risk to the private sector)

Our proposal represents a broadened conceptualisation of the ways that DFIs mobilise private finance. As mobilisation will be captured across a range of timelines – through treasury activity, at the point of transactions, and in secondary transactions – the baskets should be treated as discrete forms of mobilisation and not aggregated (to avoid double counting). The proposal is likely to increase mobilisation figures, a fact that reinforces the need for disaggregated and detailed disclosure of PCM.

Disclosure

Improved measurement of PCM is the first important step. The second, and probably more critical, is disaggregated disclosure at a level that is sufficient to understand and analyse PCM. The current state of transparency is wholly inadequate to do either.

Generally, PCM disclosure is currently aggregated, with only limited levels of disaggregation. This is problematic for several reasons. Not all mobilised capital is equal – the amount of risk taken by private investors varies dramatically between instruments and contexts. Aggregation also masks outliers that can significantly skew the data and distort the overall picture. It also prevents serious analysis that can identify and explain trends.

We call for levels of disaggregation that will address the above concerns. We propose disclosure by investment, instrument, country, sector, amounts mobilised, and the typology of the mobilised party (e.g., whether the mobilised party is a domestic bank, or a regional private equity fund). In developing this proposal, we considered the concerns raised by DFIs about commercially sensitive information and potential breaches of client agreements. We believe that project-level disclosure by typology, and not client name, provides the needed balance between sufficient disclosure and protection of commercially sensitive information.

This last point is underscored by numerous discussions with private investors who have stated that they are comfortable with typology disclosure and believe it can easily be handled within existing agreements. Moreover, blanket non-disclosure ignores the fact that much of this information can be found through other sources. ODA-qualified investments, for example, can and do disclose this type of granular information. Much information is available on third-party sites.

Without disaggregated disclosure, the efforts to improve measurement of PCM will yield only marginal benefits. This data is essential to ensure strong analysis, accountability, learning – and ultimately – increasing the scale of PCM.

DFI reform efforts have been under active discussion by a range of stakeholders. Several serious proposals have pointed to the need to change the way business is done. PCM is a critical part of these reforms, and this is the moment to realise these changes. The proposal here balances the needs of shareholders, private sector institutions, and DFIs, and perhaps most importantly, the populations that DFIs seek to serve. This is not an opportunity that should be wasted.

Introduction

1. Introduction[a]

In the face of finance gaps in achieving the sustainable development goals (SDGs) and combating the climate crisis, stakeholders have called for multilateral development banks (MDBs) and bilateral development finance institutions (DFIs) to mobilise increasing amounts of private finance in pursuit of development goals.[b] Scaling private capital mobilisation (PCM) came to the fore in 2015 when a group of DFIs and the International Monetary Fund (IMF) announced how "the 'billions' of dollars of MDB and IMF shareholder capital and contributions can multiply to support the 'trillions' needed for financing development".[1] While this target was not originally limited to PCM, it quickly became shorthand for the need to increase PCM leverage ratios of DFI investments.[2]

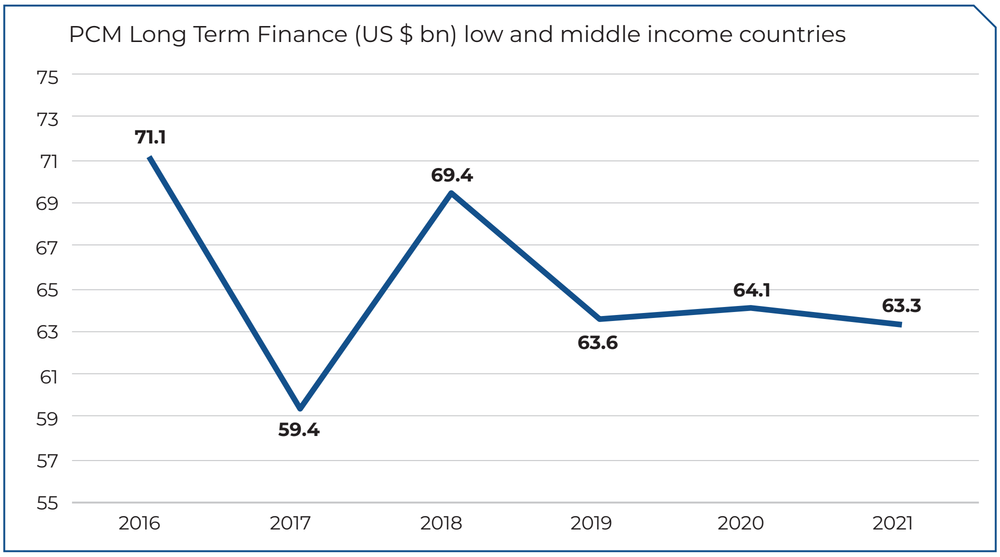
Despite growing recognition of the unrealistic nature of the "billions to trillions" narrative, there is increasing emphasis on the need to scale up PCM to meet the global challenges of today.[3] The G20 Independent Expert Group (IEG) has called for increased levels of PCM, arguing that:

> *MDBs should work systematically with the private sector to increase private financing by an additional $500 billion by 2030 including by increasing total private capital mobilization from $60 billion to $240 billion, and making concerted efforts to catalyze a significant volume of additional private finance.*[4]

However, even this more modest goal stands in stark comparison to current PCM rates that have largely stagnated in recent years. Having peaked at US $71.1 billion in 2016,[c] PCM volumes have hovered in the US $63 billion to US $64 billion range in recent years.[5] While the economic effects of the Covid-19 pandemic explain part of this trend, it is clear that DFIs are a long way from achieving anywhere near the leverage ratios required to mobilise $240 billion annually.

In addition to increasing mobilisation, DFIs have been urged to increase lending through a range of actions. A Capital Adequacy Framework (CAF) Panel report identified a series of actions that could lead to increased capital adequacy, lending, and mobilisation. These included utilising hybrid capital, scaling up risk transfer to the private sector, and increasing the transparency of the Global Emerging Markets (GEMS) risk database.[6] Meanwhile, there have been moves to scale up funding for the World Bank and other institutions.[7] Increased DFI lending will inevitably offset some of the need to increase PCM leverage ratios; if DFIs were to double lending, it follows that PCM would double even if leverage ratios remained the same. However, DFIs largely continue to pursue a business model that limits scope to increase lending. In short, DFIs need to transition from a "buy to hold" model towards an "originate to share model" in which they regularly transfer credit risk to the private sector, freeing up capital headroom for reinvestment.[8] The "originate to share" model also frees up operational capacity within DFIs, allowing them to enter new projects as they exit existing ones.

Figure 1: Private Capital Mobilisation Volumes 2017-2021 (Source: MDB Joint Reports)



a Publish What You Fund will be consulting on the measurement and disclosure proposals in this report following its launch. To submit feedback, please visit https://www.publishwhatyoufund.org/projects/mobilisation-transparency/
b Hereafter, we use the term "DFI" to signify MDBs and DFIs for the sake of brevity.
c These figures relate to PCM in low and middle-income countries only. PCM in high income countries is excluded.

Incentives and governance are key in ensuring these changes happen. However, we face two key problems. First, current approaches to measuring PCM fail to incorporate a range of tools that mobilise private finance and would allow DFIs to transfer risk or to increase lending capacity. Second, low levels of transparency of PCM data limit the ability of stakeholders, including DFI shareholders, to drive increased mobilisation at these institutions. Disclosure of PCM data is currently too aggregated to allow stakeholders to identify what tools work, where they work, and where further resources may be directed. Furthermore, a lack of transparency limits private sector confidence in investing in emerging and developing economies (EMDEs).

PCM has been measured and disclosed according to two prevailing methodologies; one from the OECD (the "OECD Approach")[9] and one developed by a group of leading MDBs and DFIs (the "MDB Approach").[10] However, we argue that both approaches have limitations in the manner that they conceptualise and measure mobilisation data, and in how they disclose that data.

It is within this context that Publish What You Fund has developed proposals for improving the measurement and disclosure of PCM. This report outlines both proposals. In discussions to date, DFIs recognise the need for a refined measurement approach and improved disclosure of mobilisation data. DFIs also recognised this fact at the Paris Summit for a New Global Financing Pact in 2023, through the "Multilateral Development Banks vision statement." This announcement called on DFIs to "develop relevant and harmonized metrics for private capital mobilization and set quantified targets that reflect their ambition, while also establishing incentives for staff to mobilise international and local private capital".[11] A range of other stakeholders including MDB shareholders, think tanks, and civil society has echoed these sentiments.

This paper draws heavily on a British International Investment (BII) publication authored by Wasim Tahir and Matt Robinson,[12] and a recent Center for Global Development (CGD) paper from Neil Gregory.[13] Both have made valuable contributions in proposing new ways to understand/conceptualise mobilisation, and to highlight innovative practices from DFIs that can mobilise capital from the private sector. The paper is also informed by numerous in-depth discussions with a range of stakeholders, including two multi-stakeholder roundtable discussions and four expert working group sessions.

The next section of the paper reviews the status of PCM measurement and disclosure through the prevailing MDB and OECD approaches. Following this, we present a proposal for a new way to measure PCM. Finally, we discuss the opportunities to improve the disclosure of PCM data. The report contains an annex that provides detailed guidance on the proposed measurement approach.

Current Approaches to Measuring and Disclosing Private Capital Mobilisation

2. Current Approaches to Measuring and Disclosing Private Capital Mobilisation

There are currently two prevailing methodologies used to measure and disclose PCM; one developed by a group of leading MDBs and DFIs (the "MDB approach") and one from the OECD (the "OECD approach"). This chapter provides an overview of the current measurement and disclosure of PCM by each. The chapter discusses four issues. First, it compares the mobilising instruments that are included in the methodologies. Second, it discusses the way in which each approach attributes PCM to DFIs. Third, it discusses the DFI coverage of each approach and finally, we present levels of data disclosure from each approach. In the case of the MDB approach, this focuses on disclosure in the MDB joint reports. For the OECD approach, we discuss both semi-regular reports as well as disclosure via the OECD data explorer.[14]

In general, we found that the OECD approach has a less persuasive method than the MDB approach to determining attribution, relying on assumptions that all private investment is attributable to the presence of public finance. On the other hand, the MDB approach distinguishes between direct and indirect PCM that reflects the strength of causality. However, the OECD approach discloses data in a significantly more disaggregated manner than the MDB approach, which has very limited levels of data disaggregation across sectors, instruments and geographies. The OECD approach is better in these regards, although neither approach systematically discloses fully disaggregated, project-level PCM data.

2.1 Measurement of PCM

The MDB approach to measuring mobilisation of private finance was developed by a group of MDBs and European DFIs (as EDFI). The approach has been used for joint reporting of mobilisation figures. The group has published a "reference guide" that explains the methodology.[15] The OECD approach is notable for having distinct methodologies for calculating mobilisation data for a range of investment products that have been expanded over the life of the approach.

2.1.1 Mobilising Instruments

The MDB approach measures private capital mobilisation at the point of commitment; in effect, it is a measurement of mobilisation through co-investment. It does not include balance sheet or portfolio level activities, or mobilisation at the level of sub-investments. The MDB approach varies significantly from the OECD approach as it can theoretically be applied to all instruments that result in co-investment. The reference guide provides further instructions on measurement approaches for a range of instruments including long-term loans, equity, guarantees, short-term finance and unfunded risk transfers.

The OECD approach currently covers seven mechanisms – guarantees, syndicated loans, shares in collective investment vehicles (CIVs), direct investment in companies, credit lines, simple co-financing arrangements and project finance schemes. Each instrument has an individual assumption that includes a description of the instrument, a key assumption that informs attribution, examples of how the instrument is used and reporting instruction. The methodologies are explained in detail in a document published by the OECD.[16] As with the MDB approach, the focus of the OECD approach is largely on mobilisation at the point of a transaction, not recognising balance sheet or post-transaction mobilisation.

2.1.2 Attribution

The MDB Approach separates private capital mobilisation into two forms – private direct mobilisation and private indirect mobilisation. These are defined as follows:

Private Direct Mobilisation: *"is financing from a private entity on commercial terms due to the active and direct involvement of a MDB leading to commitment. Evidence of active and direct involvement include mandate letters, fees linked to financial commitment or other validated or auditable evidence of a MDB's active and direct role leading to commitment of other private financiers. [Private direct mobilisation] does not include sponsor financing."*

Private Indirect Mobilisation: *"is financing from private entities provided in connection with a specific activity for which an MDB is providing financing, where no MDB is playing an active or direct role that leads to the commitment of the private entity's finance. [Private indirect mobilisation] includes sponsor financing, if the sponsor qualifies as a private entity."*[17]

This distinction is significant as it represents a step towards recognising the varying strength of attribution in mobilising private capital. By limiting private direct mobilisation to private investment that has been actively or directly arranged by the mobiliser, it establishes a strong degree of causality. Meanwhile, private investment without an active or direct role by the mobiliser is accounted for as private indirect mobilisation. This form of mobilisation effectively relies on an assumption of the role of MDBs in mobilising private capital. Across MDB joint reports to date, private indirect mobilisation has accounted for approximately two thirds of total private capital mobilisation.

In the MDB approach, all mobilised private capital is considered to be mobilised by the MDBs or DFIs present in an investment, according to share of MDB or DFI investment. No mobilisation is credited to other public sources of finance in an investment.

The OECD approach appears to be more lenient than the MDB approach rules regarding attribution. In particular, the OECD approach does not contain a concept comparable to private direct mobilisation and does not require any evidence of active or direct involvement of the DFI in mobilising private capital.

For each of the mechanisms outlined above, the OECD approach provides a "key assumption" for attributing mobilisation to DFIs. Below is an example of the key assumption for syndicated loans:

The implicit assumption is that the private investor would not have provided the loan without the official sector involvement as an arranger or as a participant. The amount mobilised is attributed to the arranger and the participant(s) as follows:

- *50% to the official arranger;*
- *The remainder 50% to all Participant(s), to all official participant(s), pro-rata to their respective financing share in the syndication.*[18]

In some cases, the key assumption appears to be overly generous to providers of public finance. For instance, for syndicated loans "the implicit assumption is that the private investor would not have provided the loan without the official sector involvement as an arranger or as a participant".[19] As the Centre for Development Finance Studies (CDFS) notes, "this is highly questionable and serves to highlight the risk of oversimplification for the credibility and the utility of mobilisation measurement and reporting".[20]

In essence, the assumptions assert that the primary public institution involved in an investment is responsible for most of the mobilisation. Remaining mobilisation is split between all participating public institutions on a pro rata basis. Unlike the MDB approach, the OECD approach includes other public investors as mobilisers of private capital.

2.2 Disclosure of PCM

The MDB approach has relied on the publication of periodic joint reports to disclose mobilisation data. These reports were originally intended to be published annually, with the first report published in 2017, covering 2016 data.[21] Three further reports were published covering data for 2017, 2018 and 2019 data.[22] The most recent report that covers both 2020 and 2021 was published in June 2023.[23]

Disclosure of PCM under the OECD approach is split into two components – the publication of semi-regular reports and the publication of a mobilisation database. As with the MDB approach, the disclosure through the OECD approach has grown in scope over time. Primarily, this has been through an increase in the number of instruments being measured and a growing number of institutions disclosing information. The first OECD approach report was published in 2013 and was limited to mobilisation via guarantees and included data from 11 Development Assistance Committee (DAC) member countries and multilateral institutions.[24] Further reports were published in 2015 and 2016.[25] The most recent OECD approach report was published in 2023 and includes data from over 318,000 activities from almost 100 countries and multilateral institutions.[26] The OECD database allows users to explore PCM data across a range of disaggregation levels.[27]

2.2.1 DFI Coverage

The institutional coverage of the MDB joint reports has increased over time. The initial 2016 joint report included data covering eleven multilateral institutions. The Inter-American Development Bank (IDB) Group published as a whole in 2016 but then began disaggregating reporting between the constituent institutions (IDB and IDB Invest) in the third (2018) joint report. The second (2017) joint report included twelve European Development Finance Institution (EDFI) bilateral institutions, which was then expanded to fifteen in the third (2018) report. As a result, since 2018 the joint report has included twelve multilaterals and fifteen bilateral institutions.

Despite the increase in coverage, there remain DFIs that only publish data at the group level rather than for their constituent institutions. Although fifteen bilateral institutions are covered, EDFI only reports one figure for all of them aggregated as a group. The Islamic Development Bank (IsDB) Group publishes as a group rather than individually for IsDB and Islamic Corporation for the Development of the Private Sector (ICD).

Amongst the MDBs and DFIs assessed in Publish What You Fund's DFI Transparency Index,[28] two still do not report private capital mobilisation in the MDB joint report – the Development Bank of Latin America (CAF) and the US International Development Finance Corporation (DFC). We understand that CAF will be included in the next (2022 data) joint report.

As noted above, the scope and institutional coverage of the OECD approach reports has increased significantly over time. In 2013, 41 countries and multilateral institutions were surveyed, with 11 providing data on private capital mobilisation. Of these, a number of the countries provided data that could not be disaggregated to individual institutions. For example, the US provided data for the United States Agency for International Development (USAID) and the Overseas Private Investment Corporation (OPIC) (the predecessor of DFC) combined.

Coverage grew significantly in 2015 with 71 countries and institutions surveyed, of which 56 responded. Of these, 29 countries and institutions provided comprehensive data, one provided partial data, and 26 provided no data. The 2023 report is based on OECD Creditor Reporting System (CRS)/Total Official Support for Sustainable Development (TOSSD)[d] data, marking further increases in coverage: "The latest TOSSD dataset on 2020 activities contains more than 318,000 activities (e.g., in the form of projects, budget support, technical co-operation) in support of sustainable development from almost 100 provider countries and multilateral organisations."[29]

2.2.2 Disclosure – Data Disaggregation

The MDB reports contain little disaggregated data. Instrument disaggregation has been limited to long-term finance and short-term finance across each of the MDB joint reports. Similarly, sectoral analysis has been limited to whole portfolio and infrastructure across the reports. Geographic disaggregation has improved slightly. The first report only contained disaggregation to country income levels, with no information about private capital mobilisation by region. However, reports since then have included disaggregation to the regional level. No report contains country-level analysis. We understand the forthcoming joint report on 2022 PCM will include disaggregation for climate finance, as well as income and region.

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d Total Official Support for Sustainable Development (TOSSD) is an international standard for measuring the full array of resources to promote sustainable development in developing countries. It is designed to monitor all official resources flowing into developing countries for their sustainable development, but also private resources mobilised through official means. https://www.tossd.org/

Disclosure via the OECD approach is more disaggregated than the MDB approach. Throughout the life of the OECD approach, reports have disaggregated PCM according to the instruments or leverage mechanisms used. This has grown as additional methodologies have been developed for new instruments.

With the OECD advocating for activity-level disclosure, disaggregation of data has progressively increased. The 2013 report included data for the top five sectors benefitting from guarantees. The 2015 report included disaggregated data for eight sectors and the 2016 report for eleven sectors. The 2023 report includes disaggregated data for five main sectors which are further disaggregated into fourteen sub-sectors.

Geographic data is also more disaggregated than in the MDB joint reports. Each report had data for regions and country income levels, while reports contain data for all recipient countries in annexes. Since 2015, these annexes have also listed the instruments used to mobilise in each recipient country.

The OECD has recently migrated PCM data disclosure to the OECD Data Explorer.[30] Data on this source is more disaggregated than either the MDB or OECD reports. Users can currently analyse providers' data by variables such as sector and instrument as well as recipient countries. However, it is not possible to link providers and recipient countries. This is mainly due to confidentiality concerns and limitations requested by MDBs when reporting to the OECD. DAC members agreed to disclose at activity level the amounts mobilised by official development assistance (ODA) activities, while mobilisation through other official flows follow the disclosure rules of the underlying activities.

OECD DAC rules governing disclosure are as follows:

228. Rules on data disclosure on amounts mobilised from the private sector are as follows:

- *For activities recorded as bilateral ODA, there are no restrictions on data disclosure.*
- *For activities recorded as bilateral OOF, there are no restrictions on data disclosure provided aggregates by sector category within a recipient from each donor combine at least three activities.*
- *For bilateral developmental guarantees, members should inform the Secretariat on whether their data can be disclosed in the same way as ODA flows or OOF.*[31]

While these rules establish the ability to fully disclose PCM from activities resulting from ODA, the large majority of bilateral DFI investment is classified as other official flows (OOF) and therefore only available in aggregates containing at least three activities.

A New Approach to Measuring Private Capital Mobilisation

3. A New Approach to Measuring Private Capital Mobilisation

The previous chapter outlined the contributions that the MDB and OECD approaches have made to measuring PCM, while also highlighting their limitations in terms of instruments of mobilisation covered, and the disclosure of data. In this chapter, we propose a new way of conceptualising and measuring PCM. The chapter reflects on the defining features of PCM and establishes some principles that shape our proposal. Following this, we introduce the proposed conceptualisation and measurement of PCM.

3.1 Defining Private Capital Mobilisation: Key Features

To define PCM, it is necessary to outline the key features of the concept. In a recent paper reviewing DFI innovation in mobilising private capital, Neil Gregory developed a useful conceptual framework for understanding how DFIs mobilise private capital.[32] Our expert working group discussed and agreed upon four key features of mobilisation:

Timeframes

PCM can occur across a range of timeframes within DFI activities. At the investment level, a DFI can mobilise private capital before an activity, at the point of DFI investment, or through the transfer of risk for single or multiple assets. We argue that mobilisation may also occur at the level of the balance sheet. Recognising the range of timeframes for PCM is important to understand how different activities interrelate and the extent to which individual events can be attributed to a DFI.

Risk

Facilitating private investors to take on credit risk is a key feature of PCM. Provision of capital with no risk involved is of less value. Therefore, when a DFI fully guarantees a private investment, it should not be counted as mobilising the private sector.

DFI effort

Broadly, we expect DFIs to take action in order to be considered to have mobilised private capital. The extent of that “effort” is important in determining what type of mobilisation has occurred.

We need to introduce a threshold to delineate the instances in which DFI activity might be considered mobilisation. For instance (and hypothetically), if a private investor was to organise an investment, and a DFI participated in a resulting loan syndication, it would be problematic to consider the DFI to have mobilised the private investor. The MDB approach attempts to deal with this attribution issue by splitting total private mobilisation into two types; private direct mobilisation and private indirect mobilisation. For mobilisation to be considered private direct mobilisation, the DFI involved has to have a formal arrangement in place with the mobilised private investor. Examples of formal arrangements would include loan syndication agreements and guarantee contracts. Private indirect mobilisation on the other hand, does not require a formal role to be played by the DFI. This approach gives recognition to the fact that private investors may be encouraged to participate in an investment simply due to the presence of one or more DFI.

On the other hand, the OECD approach considers all private investment to have occurred in an activity to have been mobilised by the presence of a DFI or other official development finance provider. As such, if a private investor was to organise an investment, and a DFI participated in a resulting loan syndication, the OECD approach would consider the DFI to have mobilised the private investor. We view this as problematic as the attribution is weaker and presents little in terms of incentive for DFIs to actively bring private investors into development activities.

Therefore, we propose maintaining the direct/indirect distinction. Moreover, when a private investor plays the direct role that would otherwise be attributed as mobilisation by a DFI, and the DFI does not have a direct role, no mobilisation is attributed.

Definition of private capital

It is necessary to clearly delimit which types of investors are considered private and public. While this may seem straightforward, some publicly owned institutions such as sovereign wealth funds operate in an almost completely commercial way. Tahir and Robinson propose the use of categories of "commercial capital" and "non-commercial capital" to recognise this fact.[33] This distinction is useful, although it does not appear to recognise the role of non-DFI public capital. As described in a case study later, public concessional capital can play an important role in DFI investments. This should be classified as non-commercial capital.

Table 1: Classification of Commercial/Non-Commercial Capital (adapted from Tahir & Robinson)

Non-Commercial Capital	Commercial Capital
DFIs and MDBs	Global pension funds
Philanthropic foundations (program capital)	In-market pension funds
Public concessional capital	Insurance companies
	Private banks and wealth managers
	Funds and funds of funds
	Impact investors
	Sovereign wealth funds
	Private offices
	Philanthropic foundations (endowment capital)
	Investment banks

3.2 Principles Informing the Proposal

We have adhered to three principles to develop our proposal on a new measurement of PCM.

Building on Existing Methods

The MDB and OECD approaches have contributed a lot to our understanding of how PCM functions. As such, when developing this proposal we have been mindful to retain the elements of these approaches where consensus existed that such elements contribute to improved measurement. This is most clearly identifiable in our "transaction private capital mobilisation" basket that is largely similar to the current MDB approach.

Incentives

We are proposing an updated method of measuring PCM because we believe that it can be used to encourage and then monitor changes to the business models of DFIs. In this sense, incentives are key to increasing PCM. In our view, changing the way in which PCM is measured can encourage DFIs to better leverage their capital, increase own-account lending and ultimately increase the amount of public *and* private capital flowing to activities with development impact. We have kept these incentives in mind when identifying what mechanisms should be included in a new measure of PCM.

Consistency

Not all DFIs use all of the methods we have included in our proposal. Indeed, some methods, such as private investment in DFI equity, are particularly rare and unlikely to be utilised on a regular basis. Regardless of frequency, as long as a mechanism or investment instrument is consistent with the features laid out above, and with other instruments included in our approach, it should be included in a measure of PCM. For example, some stakeholders expressed doubt about including securitisations in the proposal, while supporting the inclusion of unfunded risk transfers (insurance). In our view, it is consistent to include both.

As such, while our guidance to measuring PCM may not be exhaustive in terms of the tools it covers, we see scope for it to be adapted to include other consistent mechanisms and instruments.

3.3 Overview of the Approach

We propose a new framework for measuring and reporting the ways in which private capital can be mobilised and catalysed for development. Fundamentally, we argue that the conceptualisation of mobilisation needs to be expanded to include both balance sheet mobilisation and mobilisation that occurs in the secondary transaction market. These avenues of mobilisation are important to DFIs in terms of balance sheet management (generating and freeing up capital for investment) and in achieving mobilisation at scale. Simultaneously, there is increasing recognition that beyond mobilisation, DFIs can also catalyse private capital. We conceive of private capital catalysation as DFI activities that cause private investment downstream of the DFI activity.

We use private financing for development (PFD) as an umbrella term that encapsulates the multiple ways in which private finance can be catalysed or mobilised. Figure 2 below presents a schema of this conceptualisation. Under the PFD term, we propose four "baskets": one for private capital catalysation (PCC) and three for mobilisation: balance sheet PCM, primary PCM, and secondary PCM.

3.3.1 Avoiding Double Counting of PCM

There are some significant challenges in broadening the conception of mobilisation, and in incorporating private capital catalysation. Foremost amongst these is how to approach the issue of double counting of capital. There is a risk of double counting both between catalysation and PCM, and between the various baskets of PCM.

Under existing methodologies, all private capital invested in an activity are considered to be mobilised by DFIs or, in the case of the OECD approach, by sources of public finance. In effect, the methodologies capture total financing for an activity as official/DFI finance plus private finance. Expanding the definition of mobilisation to include private capital catalysation, balance sheet PCM, and secondary PCM complicates this picture. We run through two examples below to illustrate this issue.

Example One: Primary PCM only

A DFI arranges a syndicated loan of $100m for a client. As the lender of record, the DFI invests $50m as an A loan, while commercial investors invest $50m as B loans.

In this scenario, we can accurately say that the DFI investment plus the mobilised capital is equal to the total attributable financing for the activity.

Example Two: Primary and Secondary PCM

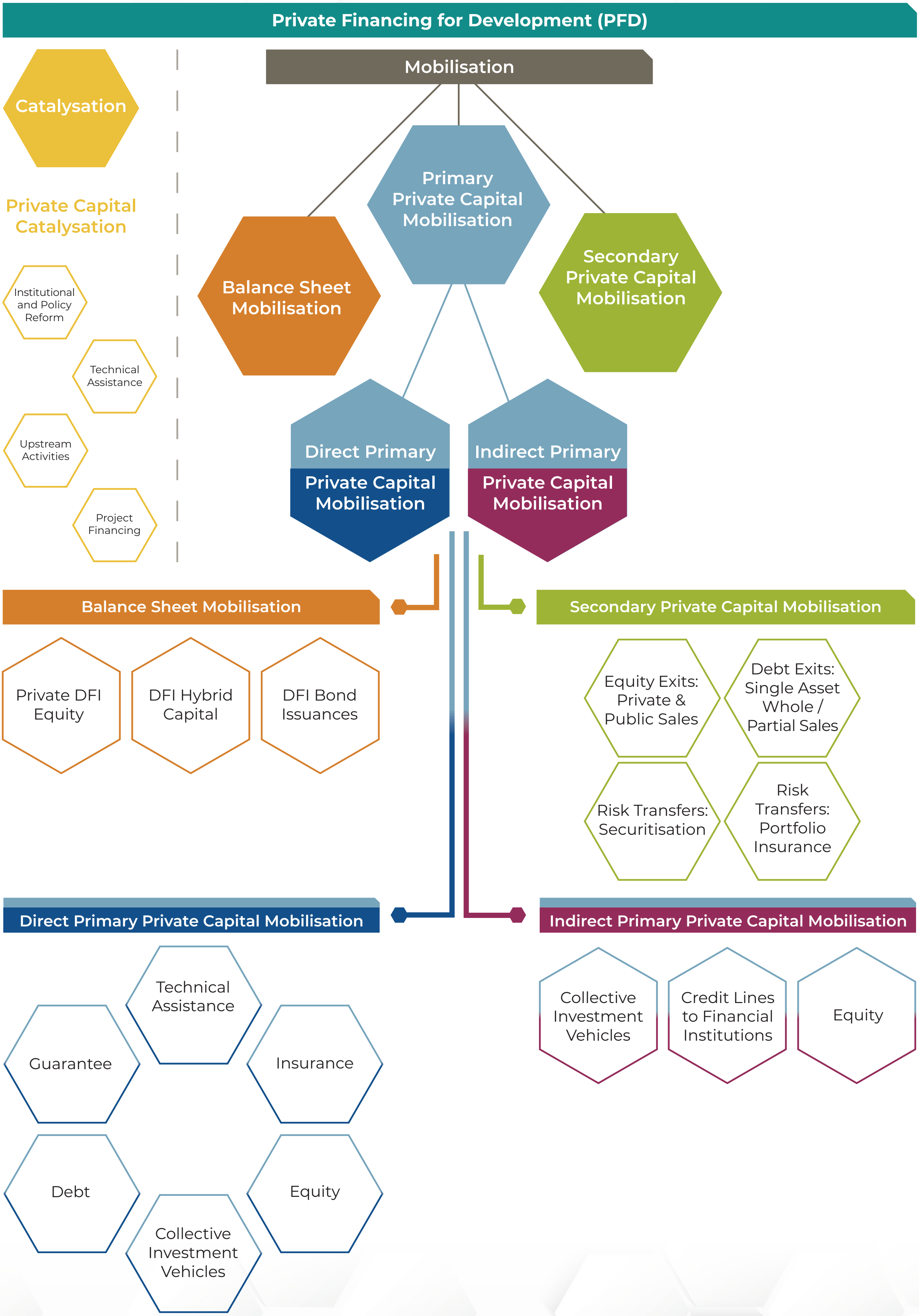
A DFI arranges a syndicated loan of $100m for a client. As the lender of record, the DFI invests $50m as an A loan, while commercial investors invest $50m as B loans. After 3 years, the DFI sells $25m of its loans to other commercial investors.

In this scenario, if we include secondary PCM, we can say that the DFI has mobilised $75m from the private sector. However, we can no longer say that the DFI investment plus the mobilised capital is equal to the total attributable financing for the activity as the client has still received $100m but the total of DFI commitment plus mobilised capital is $125m. In effect, $25m of DFI finance is double counted (as secondary PCM).

There have been attempts to address this issue by deducting the DFI commitment by the corresponding amount that is sold in the secondary transaction.[e] In the second example above, this would mean that the DFI would report its commitment as $25m, which in turn would restore the link between DFI investment, mobilised capital, and total financing received by the client. However, we argue that this approach holds the risk of masking as much as it illuminates. If one is to look at this hypothetical investment after the event, it would appear that the DFI has mobilised $75m through an investment of $25m. This is patently not accurate. It is reasonable to question whether the initial private investors would have been willing to purchase $50m of B loans if the DFI investment had actually been $25m. Further, the presence of the DFI at an early stage may be seen as de-risking the investment over time to the point that new private capital may participate. In this respect, the second tranche of private capital is understood to have invested only due to the earlier DFI investment. Moreover, the initial leverage ratio is of interest here, at a ratio of 1:1. If the DFI's commitment is reduced to $25m, it creates the impression that the DFI was mobilising in the initial transaction at a leverage ratio of 1:2.

e We were told during our expert working groups that this approach has been used by the OECD and an MDB to account for mobilisation in a secondary transaction.

Figure 2: Publish What You Fund's proposal for measuring private capital mobilisation



We propose a different approach to dealing with the above issue. Rather than attempting to reconcile mobilisation amounts with DFI commitments, we argue that the various stages of mobilisation should be treated as discrete events. Therefore, we propose the creation of distinct “baskets” of catalysation and mobilisation that cannot and should not be aggregated. By creating and maintaining a distinction between baskets of mobilisation, we recognise that the intentions behind different mobilisation events may vary (for instance, balance sheet management versus directing private capital to an activity) and that attributing effects across timeframes is likely not possible.

With the above in mind, we emphasise that PFD is an umbrella term that encapsulates the multiple ways in which private finance can be catalysed or mobilised. *Again, it is important that a single metric is not reported for this term as this would double, or even triple count finance*. Furthermore, attribution across baskets is simply unrealistic so we argue that it is better to understand how each basket functions in its own right.

The rest of this chapter describes the four baskets of catalysation and mobilisation, outlines why we consider them to be mobilising (or catalysing) and draws on some instrument-specific examples of mobilisation.

3.4 Private Capital Catalysation

Private capital catalysation (PCC) encompasses downstream private investment in EMDEs caused by DFI activities that are separate from the DFI’s own activity. These private investments are either (a) immediately downstream from a DFI activity, or (b) follow-on private investments after an initial DFI investment. There may be many types of DFI activity that lead to PCC including, but not limited to, institutional and policy reform, technical assistance, upstream activities, and project financing.

The concept of PCC emerged at around the same time as the increased focus on PCM. The 2016 MDB Joint Report on Mobilization committed to “continue to explore ways to measure and report on this broader private investment catalyzation”.[34] However, there has not been significant progress on this issue since. Recently, the World Bank began to develop the concept of “private capital enabled” which we understand to be broadly synonymous with PCC.

PCC is differentiated from mobilisation by the separation of activities. For example, if a DFI supports a company to issue a bond, private capital raised through the issuance may be considered mobilisation as the DFI activity and the private investment are linked in the same activity (the bond issuance). However, private investment in future bond issuances by the company, which are based on expertise and experience gained during the first issuance, may be considered catalysation as the DFI activity (first bond issuance) is not the same activity as the private investment (second bond issuance).

We have not focused on developing detailed guidance for PCC. Our expert working group sessions indicated that many DFIs do not prioritise PCC as part of their business models. As there is significantly less provable attribution with PCC than with PCM, it is difficult to measure PCC to the same standard of rigour. We understand that the World Bank and the MDB Mobilisation Task Force are currently examining ways to improve the prediction of PCC. We welcome these efforts and could explore the possibility of incorporating the results into our proposed framework. While we propose some general guidance on the prediction and monitoring of PCC below, our focus and proposals on measurement and disclosure are intended for mobilisation only.

Firstly, DFIs should predict the amount of PCC for an activity ex-ante. This prediction should be made for a specified timeframe and identify the types and scale of private investment that are expected. Predictions could be formed from modelling of past investments and the private investment that they catalysed. Ex-post evaluation of PCC at the end of the specified period should be conducted. These will allow DFIs and other stakeholders to monitor ex-post results, and to refine future ex-ante predictions. Initially, this could be done for select investments or groups of investments.

For institutions that do measure and disclose PCC, it should not be aggregated with measures of mobilisation. In some instances, PCC may occur at an early stage in an activity, that then leads to claims of mobilisation. It is arguably too complex to accurately attribute PCC and mobilisation simultaneously and as such, they should be treated as discrete mechanisms under the PFD umbrella.

3.5 Balance Sheet Private Capital Mobilisation

DFIs use a range of mechanisms to draw private capital into their institutions to pursue development investments. These range from equity and equity-like mechanisms that allow DFIs to leverage further private capital for lending, to the issuance of bonds to directly access private capital for investment. Balance sheet PCM is not included in the MDB and OECD approaches to measuring mobilisation. In this section, we present the three forms of balance sheet PCM that we propose for inclusion in our methodology.

The activities we describe as balance sheet PCM are DFI treasury activities. These have historically been considered outside the mobilisation remit of DFIs. Their inclusion will no doubt cause some debate, not least given the fact that the volumes of private capital involved will often be very high. Yet, the key characteristics of the activities we outline below are consistent with the features of PCM discussed earlier. Fundamentally, whether through hybrid capital or bond issuances, private investors accept a degree of risk (albeit typically at low risk rates) and provide capital for DFIs to use in a range of ways. They also align with our guiding principles around incentives and consistency. If we want DFIs to effectively leverage shareholder capital – and arguably to increase the proportion of leveraged debt from the private sector relative to the public sector – better data on balance sheet mobilisation is important. Further, if as we propose, we are to include secondary transactions in a measure of PCM, it is consistent to include balance sheet PCM. Many secondary transactions are pursued as a form of balance sheet management and, as such, have strong commonalities with balance sheet PCM.

Private DFI Equity

One potential, although arguably marginal, method of integrating private capital into DFI operations is through allowing private investors to purchase DFI equity. Notable examples of this are Proparco that has minority shareholdings from "public and private financial institutions, service companies and ethical funds and foundations"[35] and the Dutch Entrepreneurial Development Bank (FMO) where 49% of the shares "are held by private sector entities such as Dutch banks, employers' associations and trade unions".[36] Allowing private investors to purchase equity in DFIs offers a number of opportunities and challenges. As equity can be leveraged for debt financing, private investments in equity are larger, dollar for dollar, than equivalent debt investments. As such, private investments in DFI equity could dramatically increase the scale of DFI lending. However, there are risks involved. For instance, private investors may demand higher rates of return for their investment that could influence where and how DFIs invest. Moreover, there are arguably hard limits to the scale of private investments in equity if DFIs are to retain their identity as official development actors.

Hybrid Capital

Private investment in hybrid capital is a more realistic route to increasing the volume of DFI investment. CGD defines hybrid capital as

> *A fixed-income financial instrument with both equity and debt properties. It is sold to investors as a fixed-income instrument (like a bond), and it does not dilute the capital of the MDB. But the terms offered by the instrument make it look like a permanent investment in the institution: it has a perpetual maturity (i.e., the MDB never intends to pay off or redeem the loan).*[37]

The significance of hybrid capital lies in the fact that it is treated by ratings agencies as equity and, as such, can be used to leverage debt for lending. In this sense, it holds the benefits of private investments in DFI equity (increased capital adequacy and debt leverage), while avoiding the drawbacks (changing shareholder structure). That said, hybrid capital is not without drawbacks, with particular questions around pricing and whether or not it represents good value for DFIs relative to senior bonds. Further, its function as an equity-like product that can be leveraged for debt can arguably be replaced by increased capital from existing public shareholders.[38] However, recent trends suggest that hybrid capital will increasingly become a feature of DFI financing and, as such, it is worth including it in a measure of balance sheet PCM. Box One below demonstrates AfDB's hybrid capital issuance and how they would count that as mobilisation.

Box 1: African Development Bank (AfDB) Hybrid Capital Issuance

The AfDB became the first MDB to issue hybrid capital in the public sector bond market (the World Bank previously issued $300m in hybrid capital to the German government in a September 2023 private placement). Despite delays to the deal linked to pricing negotiations, the AfDB ultimately issued $750m of perpetual non-call 10.5-year sustainable hybrid capital to over 190 investors. Investor typologies included hedge funds and specialised funds (54.8%), asset managers (27.8%), central banks and official institutions (6.7%) and insurance and pension funds (6.6%), and banks/private banks (4.1%). Assuming these classifications correlate to a private/public dichotomy, it appears that 93.3% of the issuance was purchased by the private sector. Under our proposed methodology, this would equate to balance sheet PCM of $699.75m.

Source: African Development Bank[39]

Bonds

Many DFIs raise capital through the issuance of bonds. CDFS argues "the most surprising omission currently observable in mobilisation measurement frameworks is arguably the issuance of bonds by MDBs and DFIs".[40] Indeed, when we consider the key feature of a DFI bond issuance – the taking of credit risk (albeit often very low) by the private sector to finance development investments by DFIs – it is hard to justify their exclusion from a measure of PCM. Some stakeholders argued that as not all capital from general use bonds is directed towards investments, it would be misleading to compare them to primary PCM. However, we argue that as DFI investments are reliant on the operations of DFIs, we do not require all bond income to be invested to qualify. Moreover, our proposal explicitly treats balance sheet PCM as discrete from primary and secondary PCM, limiting the risk of inaccurate or misleading comparisons.

Incentivising the issuance of bonds by bilateral DFIs could significantly increase the volume of lending that they are able to do. A recent study by Samantha Attridge and Christian Novak found that if BII, DFC and Norfund collectively leveraged debt into their balance sheet at a leverage ratio of 1:1, an extra $13bn of investments could have been funded in 2020 alone.[41] If the intention of a new PCM measurement methodology is to incentivise an increase in lending volumes to EMDEs, it seems clear that mobilisation through bond issuances should be included.

3.6 Primary Private Capital Mobilisation

Primary PCM refers to private co-investment in EMDEs caused by, and that occurs within, the same timeframe as DFI investment or activity. Primary PCM is the sum of direct and indirect PCM. This basket is broadly analogous to the types of mobilisation that the MDB and OECD approaches to measuring mobilisation currently capture. Significantly, we retain the MDB approach's distinction between direct PCM and indirect PCM and hence use two "sub-baskets" to show this separation.

We define "occurs within the same timeframe" as being within 12 months of the DFI investment. This is in recognition that, occasionally, a DFI may intend to bring private capital into an investment although not at the point of DFI investment. As Paddy Carter notes, there is a degree of blurring in the distinction between primary and secondary transactions.[42] A 12-month timeframe mirrors that currently used by the MDB approach.

3.6.1 Direct Primary Private Capital Mobilisation

Direct primary PCM is the first subset of primary PCM. We define direct primary PCM as private co-investment in a specific activity where the DFI has an active and direct role in attracting co-financers. This may take the form of contracts or fees paid for investment arrangement. Direct primary PCM must occur within 12 months of the DFI investment.

Our proposal largely maintains the measurement methodology set out in the MDB approach for private direct mobilisation. Generally, DFIs are credited with mobilising the amount of credit risk taken by private investors for whom they have a direct role in mobilising.

One area of difference is in our treatment of CIVs. Under the MDB methodology, DFIs are able to claim private co-investment as direct primary PCM if they are a General Partner (GP) in a fund or if they play an active role in attracting private co-investment in the fund. By our understanding, in such circumstances, all private co-investment in the CIV would be credited to the DFI. In our proposal, this approach would be maintained when a DFI creates, manages, or is a GP in a fund. However, when a DFI plays a role attracting private co-investment, but is itself invested as a Limited Partner (LP), it may only claim the private co-investment that it attracted as direct primary PCM. The remaining co-investment is classified as indirect primary PCM and shared between all DFIs in the deal proportionally to the size of their investment.

Box 2: FMO SDG Loan Fund

FMO created the SDG Loan Fund CIV in November 2023. Using a blended finance structure with a $25m guarantee from the MacArthur Foundation and a $111m first loss (Class B shares) investment from FMO, the fund has mobilised $1bn (Class A shares) from institutional investors including Allianz GI and Skandia. The fund will finance “high-impact loans in emerging and frontier markets”. FMO are acting as portfolio managers for the fund with responsibility for originating and managing loans, with Allianz GI serving as fund manager. FMO has been warehousing suitable loan deals, with loans worth $100m available. Under our proposed methodology, as FMO plays a direct role in creating the fund and originating loans, this investment would be classed as direct primary PCM of $1bn.

Source: FMO[43]

3.6.2 Indirect Primary Private Capital Mobilisation

Indirect primary PCM is the second subset of primary PCM. We define indirect primary PCM as private co-investment where a DFI investment is likely to have caused the private investment but there is a lack of direct causality. As above, indirect primary PCM includes co-investment within a 12-month timeframe from the point of DFI investment.

As above, our methodology uses a similar measurement methodology for private indirect mobilisation as in the MDB approach.

The key difference between our approach and the MDB approach is our treatment of indirect mobilisation in CIVs. We argue that, given the lack of evidence of causality or attribution, leverage ratios for indirect primary PCM should be limited to 1:1. That is to say that, DFIs can only claim as much indirect primary PCM in a given CIV as the value of the investment they make. This will prevent inflating amounts claimed that are not supported by evidence.

3.7 Secondary Private Capital Mobilisation

We use the term secondary PCM to capture instances where a DFI transfers risk to the private sector. The transfer of risk can take many forms including public and private equity sales, true and synthetic securitisations, and portfolio insurance. Each of these mechanisms may be considered a DFI "exit". In a report for the UK Mobilist programme, Eighteen East argue:

Although exit-mobilisation should always have constituted the long-term objective of development finance policy, the reality is that it is today often misaligned with the operational cycles of the institutions tasked with its delivery. Its advent requires both a realisation of the inherent opportunity and a change of direction.[44]

In this section, we briefly explore why we should consider this type of activity to be mobilisation and what makes it distinct from the forms of mobilisation explored above. We discuss its emerging importance to DFI business models (in particular their ability to recycle capital by pursuing an "originate to share" model), and highlight some prominent examples of DFIs mobilising via secondary PCM.

Secondary PCM has commonalities and differences to both balance sheet PCM and primary PCM. Both secondary PCM and balance sheet PCM could be classed as a form of balance sheet management. In essence, they are activities that allow DFIs to leverage and invest higher volumes of capital. While secondary PCM is tied to specific assets (whether single or pooled), balance sheet PCM occurs before the point of investment. Secondary PCM occurs through the same assets as primary PCM. Yet, it occurs at a later timeframe and involves the (partial) exit of DFI investment in an activity. It is for these reasons that we view secondary PCM as distinct from both balance sheet PCM and primary PCM.

The ability of DFIs to transfer risk to private investors is significant for two main reasons. First, doing so frees up capital headroom for DFIs to invest in new development projects. This can happen in two ways. MDBs and certain bilateral DFIs, such as Proparco and FMO, are regulated as financial institutions and therefore their lending is limited by capital adequacy requirements. Offloading credit risk can improve their capital adequacy and allow them to lend more capital to new projects or investments. Other institutions such as BII do not face these regulatory constraints but typically have internal risk policies that mirror regulatory risk requirements. They may also face budgetary constraint related simply to the availability of capital to invest. In this case, the sale of assets may be seen more as a budgetary measure that, again, allows more investment. In both cases, these are instances of balance sheet management that provide capital relief resulting in potential for more investment.

The second reason secondary PCM is significant relates to scale. Transfers of risk, particularly when they relate to pooled or multiple assets, offers the opportunity to mobilise at a scale that is rarely achieved in primary PCM, and in doing so, to bring in investor classes (such as institutional investors) who would typically not engage in primary PCM due to the smaller ticket sizes and concentrated risk of single assets. In addition to larger ticket sizes, secondary PCM may unlock risk profiles that are more appealing to investors than the higher risks encountered at the point of DFI investment. Risk may be reduced by diversification of risk through the pooling and securitisation or insurance of assets, or as a result of maturation of underlying investments.

MOBILIST argues "public markets offer a route to accelerated capital velocity for official investors, increasing the total volume of capital available for deployment each year".[45] As discussed above, incentivising the ability to recycle DFI capital is a key reason for including secondary PCM in a new measure of mobilisation. Box Three below highlights an example of BII mobilising private capital through a public listing. The MOBILIST report also notes that public listings may also contribute to improved transparency and the maintenance of corporate governance standards established by DFIs.

Box 3: BII Public Market Exit

In 2013, BII invested $17.5m in Rainbow Children's Medicare, a hospital chain in India. The company completed its IPO in 2022, issuing new equity of US $35 million and allowing existing investors to sell down shares worth US $155 million. The sale of BII's stake for US $95 million and the new equity represents a mobilisation of US $130 million from the original equity injection.

Source: MOBILIST[46]

Our proposal includes securitisation in the secondary PCM basket. Securitisation involves the conversion of an asset, or group of assets, into a security that can be sold to other investors, thus transferring credit risk. Securitisation is a powerful mobilising tool that allows DFIs to diversify risk, and to transfer risk at scale at a range of different risk profiles. The CDFS argues that “securitisation essentially takes a portfolio of loans… originated by and sitting on the balance sheet of an MDB and transforms this portfolio into simple fixed income securities or bonds that institutional investors can easily buy.”[47] This arguably represents an important route to mobilisation as it allows MDBs to transfer credit risk to types of institutional investors including pension funds and insurers that do not normally participate in “typical” DFI activities such as loan syndications. This opens up large investor classes to mobilisation from DFIs and warrants inclusion in a new measurement process. Box Four below highlights the second Room2Run securitisation by the AfDB.

Box 4: African Development Bank (AfDB) Room2Run Securitisation

The AfDB completed the first synthetic securitisation of sovereign debt to private insurers in 2022. In a $2bn risk transfer deal, the UK Foreign, Commonwealth and Development Office (FCDO) guaranteed $1.6bn of sovereign debt with a second loss guarantee, while three commercial insurers insured $400m with first loss insurance. AfDB paid fees to both FCDO and the commercial insurers. In our proposal, the Room2Run deal would be counted as secondary PCM of $400m.

Room2Run October 2022		
AfDB	**Transaction**	**External Partners**
$2 billion reference portfolio of sovereign loans from 11 countries	$1.6 billion FCDO guarantee ← Guarantee fee →	UK’s FCDO Second loss guarantee $1.6 billion
	$400 million credit insurance ← Insurance premium (fee) →	Three commercial insurers First loss insurance $400 million

Source: Humphrey, 2022[48]

3.8 Interpreting PCM Data

The approach laid out above is likely to result in significantly larger mobilisation figures for some DFIs, particularly those that mobilise private capital at the balance sheet level (through bond issuances and other means). This underscores how critical it is for resulting PCM data to be both disclosed and interpreted appropriately. For disclosure, we have already explained the importance of DFIs not aggregating balance sheet, primary, and secondary mobilisation figures.

It is also worth emphasising that interpretation of the resulting PCM data needs to be framed correctly. In instances where targets have been set – such as the IEG recommendation that PCM increases to $240 billion annually – it would be a mistake to interpret the sum of various baskets of PCM as progress towards reaching that goal. While each of the baskets does represent an element of PCM, they are baskets that mobilise with different general goals. Broadly, balance sheet PCM raises private capital for DFI activities, primary PCM raises private capital for investees, and secondary PCM transfers risk from DFI accounts to the private sector, allowing DFIs to recycle capital more quickly. Existing targets have been set with a narrower conception in mind, generally focussed on what we capture in primary PCM. It would therefore be prudent for progress towards such goals to focus on primary PCM.

One option for easing the interpretation of PCM data would be for DFIs to apply a risk-weighted value to capital mobilised. Under this approach, private investment in a highly rated DFI bond issuance would be counted at less than face value, reflecting the relatively lower level of risk that the private sector is adopting than for riskier investments. As this would be a relatively complex undertaking we have not adopted this approach in this proposal. However, with improved disaggregated disclosure of PCM, analysis of this form should be possible. It may be desirable for DFIs to apply risk-weighted values to PCM data in the future. We discuss disclosure in more detail in the following chapter.

Recommendations for Improving the Transparency of Private Capital Mobilisation

4. Recommendations for Improving the Transparency of Private Capital Mobilisation

Currently, the transparency of PCM is too limited for stakeholders to undertake any meaningful analysis – to understand, for example, what methods of PCM work in what regions and with what tools. Furthermore, insufficient disclosure limits the ability to assess the extent to which DFIs are effectively leveraging their capital and recycling investments. If shareholders are to effectively govern DFIs, and other stakeholders are to hold the institutions to account, it is imperative that the extent and quality of reporting improves.

This chapter proposes a number of changes to disclosure practices to improve transparency of PCM. First, it argues that where possible PCM should be disclosed in a disaggregated and detailed manner. We argue that project level disclosure with a typology of the mobilised parties is possible. Following this, we highlight some of the opportunities for improved transparency in the new baskets of PCM (balance sheet PCM and secondary PCM). Finally, we provide guidance on the appropriate methods of disclosure. The recommendations included in this chapter are ambitious but achievable. They would mark a significant improvement in DFI transparency and ultimately incentivise a transition towards a more impactful business model.

It is important to note that while the recommendations in this chapter are aligned with our recommendations for reforming PCM measurement, our recommendations for disclosure of project level disaggregated data hold true for both the MDB and OECD approaches. We understand that the OECD is currently negotiating project level disaggregated disclosure with donors, and we wholly support this direction of travel.

4.1 Disaggregated data

While various levels of aggregation may be useful for some stakeholders, disaggregated PCM data is needed to fully understand how DFIs mobilise private capital. Data aggregation has limitations for a number of reasons, which we explore here.

First, not all mobilised capital is equal. A key feature of PCM is encouraging the private sector to take credit risk. The CDFS argues that “without some sort of recognition of risk, any attempt at measuring the extent to which the development finance system of institutions is successfully mobilising private capital to deliver sustainable development will paint a distorted picture”.[49] As different instruments and investment contexts have different levels of risk, disaggregated PCM data would help to understand these variations in risk. The current MDB approach to disclosure does not provide this opportunity. The disclosure of PCM through the OECD approach gives more insight but is still insufficient for this type of analysis. The CDFS argues that risk weightings should be built into a measurement methodology. However, this type of analysis could be done by data users if disaggregation was sufficient.

Second, aggregations have the tendency to mask outliers in data that can mislead data users. In some cases, data disclosers have highlighted this. For example, the latest MDB Joint Report disclosed that AfDB mobilised £12.9bn in a single investment in a liquefied natural gas project in Mozambique. This accounts for over 90% of AfDB’s PCM in 2020.[50] However, this is an exceptional case and clearly warranted special disclosure. More generally, there could be other individual investments that distort the overall picture that have not been explained.

Finally, it is important for data users to be able to analyse data to identify and explain trends in PCM. Taking data from the same 2020 to 2021 report, the International Finance Corporation’s (IFC’s) total PCM rose from approximately $12.3bn to approximately $23.3bn in two years. IDB Invest’s total PCM declined from approximately $4.3bn to approximately $4bn.[51] Despite these being very different trends in PCM for two non-sovereign DFIs, we are unable to discern the cause. Project level disaggregated data would allow analysts to identify the types of investments that potentially explain the trajectories.

Box 5: Private sector perspectives

As part of our research, we have spoken to a number of private investors regarding their views on DFI PCM and disclosure. Many of those we spoke to recognised the need for more information on PCM. It is also clear, from our conversations with mobilised parties (the funds, institutional investors and family offices that co-invest with DFIs), that while they don't wish to be named in investment level mobilisation disclosure they are happy to be referred to in the form of a typology e.g. "Regional PE Fund". They also believe that disclosure of this information should be allowable within the limits of existing NDAs and partnership agreements, noting that these often include specific clauses about how the DFIs will share mobilised party information both internally and externally.

Blanket non-disclosure of disaggregated mobilisation data is disproportionate given the few instances where total confidentiality of mobilised parties is required. Mobilisation data, in the form proposed in this report, is not de-facto commercially confidential in the markets where DFIs operate. As such, blanket presumption of confidentiality relating to PCM data should be changed to a presumption of disclosure and exceptions managed accordingly with accompanying justifications.

This report lays out an approach to disclosing PCM data that meets the needs of shareholders, private sector institutions and think tanks, yet is in line with the confidentiality expectations of mobilised parties.

Following consultation with a range of stakeholders, we recommend that DFIs disclose project-level disaggregated data that includes a typology of the mobilised parties. During our expert working group sessions it was broadly agreed that naming co-investees was largely unnecessary. DFIs have concerns that disaggregated disclosure would harm commercially confidential information and breach clients' agreements. We have also spoken to a number of private investors who regularly co-invest with DFIs in CIVs. To date, these investors have been unanimous in their agreement that disclosing their involvement as a typology of investor would not pose a problem, and should be manageable within existing business practises. To capture the benefits of disclosure while still protecting sensitive information, we propose project-level disclosure that provides the type of mobilised party but not the individual investor. The classification of non-commercial capital by Tahir and Robinson outlined in Section 3.1 may for the basis for developing a typology of mobilised parties. As part of our consultation process, we will seek to refine these categories and develop appropriate guidelines for applying a typology. In the table below, we set out a range of disaggregation levels. In it, we identify the level (Row 2) of recommended disclosure, as well as identifying the current levels of disclosure in the MDB and OECD approaches.

Table 2: Levels of disaggregated disclosure for private capital mobilisation

HIGHEST

LEVEL OF DISAGGREGATION

LOWEST

Disaggregated or aggregated	Investment	Investment value	Total mobilised amount	Geography	Investment instrument	Sector	Disaggregated mobilised amounts	Mobilised party typology	Mobilised party name	Notes
Disaggregated	Single investment: Kenya Cement	$6m	$5m	Kenya	Loan	Infrastructure	$2m & $3m	International Bank and Regional Bank	Standard Chartered Kenya & ABSA Bank	
Disaggregated	Single investment: Kenya Cement	$6m	$5m	Kenya	Loan	Infrastructure	$2m & $3m	International Bank and Regional Bank		This is the level of disaggregation recommended in our report for both MDBs and bilateral DFIs.
Disaggregated	Single investment: Kenya Cement	$6m	$5m	Kenya	Loan	Infrastructure		International Bank and Regional Bank		
Disaggregated	Single investment: Kenya Cement	$6m	$5m	Kenya	Loan	Infrastructure				This is the level of disaggregation currently provided by bilateral DFIs for their ODA-qualifying investments
Aggregated	Multiple investments	$100m	$75m	Kenya	Loan	Infrastructure		International Bank and Regional Bank		
Aggregated	Multiple investments	$100m	$75m	Kenya	Loan	Infrastructure				
Aggregated	Multiple investments	$100m	$75m	Kenya	Loan					
Aggregated	Multiple investments	$100m	$75m	Kenya		Infrastructure				This is the level of disaggregation currently provided by MDBs through the OECD
Aggregated	Multiple investments	$100m	$75m		Loan	Infrastructure				
Aggregated	Multiple investments	$100m	$75m		Loan					
Aggregated	Multiple investments	$100m	$75m	Kenya						
Aggregated	Multiple investments	$100m	$75m			Infrastructure				
Aggregated	Multiple investments	$500m	$300m	Africa						This is the level of disaggregation currently provided by MDBs through the MDB joint report

4.2 Disclosure in the new baskets of mobilisation

The new baskets of PCM that we propose in the previous chapter should also be disclosed in as disaggregated and detailed manner as possible. In most circumstances, this will involve disclosing PCM at the time of the mobilising event with a similar level of detail to that described above.

4.2.1 Balance sheet private capital mobilisation

Balance sheet PCM occurs less regularly than primary PCM. Private investments in DFI equity are extremely infrequent as is private investment in hybrid capital, although this may become more common in the future. While bond issuances are relatively more frequent, they still occur less often than the forms of mobilisation that occur at transaction level. Moreover, some institutions such as BII currently do not have a business model that would result in any balance sheet PCM in the manner our proposal outlines.

Barriers to disclosure of balance sheet PCM should be low. In the case of private investment in DFI equity, there is a strong case that the public should be told about private participation in publicly owned institutions. In the single example of DFIs selling hybrid capital to private investors to date, the AfDB disclosed a typology of investors and percentages of total allocation. Similar disclosures are made about bond issuances.

4.2.2 Secondary private capital mobilisation

A high level of transparency should also be possible with secondary PCM data. In some cases, transparency is in-built to the mechanism. Public listings of DFI assets on stock exchanges automatically confer a high degree of transparency on resulting mobilisation. Meanwhile the private investors involved in the landmark AfDB Room2Run securitisation were publicly identified, indicating the possibility of doing so.[52] As such, we expect the same levels of disaggregation for secondary PCM as for primary PCM.

4.3 Methods of Disclosure

The joint reporting produced by the MDB approach and OECD approach are of value in the sense that they allow easy comparison of headline aggregate PCM data across institutions. However, there is room for improvement in terms of the level of disaggregation of reported data. Furthermore, the joint reports are not the appropriate place for disclosure of transaction level data owing to the sheer number of transactions involved. We set out two methods of disclosure below.

4.3.1 MDB joint report

The MDB joint report remains a valuable resource for reporting comparative PCM data. This reporting should be expanded in line with the proposed changes to measuring PCM. Greater levels of disaggregation should also be disclosed. At a minimum, transaction PCM should be disaggregated by region, sector and instrument. Ideally, this data would be further disaggregated through the combination of at least two of these variables.

4.3.2 Transaction level data

DFIs should report transaction level data individually as institutions. This disclosure should adhere to accessibility best practices and hence be available in a machine readable and downloadable format. DFIs either could integrate this data into existing project level databases or create a specific PCM database. Ideally, this data would be updated at the time of investment commitment.

Box 6: A Note on General Transparency

This proposal deals primarily with the measurement and disclosure of PCM. However, it also illuminates the need to improve the transparency of DFIs more generally. Publish What You Fund's DFI Transparency Index is the leading measure of sovereign and non-sovereign DFI transparency. The 2023 Index found that levels of transparency were generally low, with too little information about development impact, mobilisation, and the assurance of community disclosure.

One essential area that requires greater transparency is the financial performance of DFI investments and products. The previous chapter highlighted mobilisation case studies for numerous instruments. A number of these case studies also highlight the need for greater financial performance transparency. The issuance of hybrid capital (Box One) and the securitisation of sovereign debt by the AfDB (Box Four) both raised questions regarding pricing. In the former, a lack of market data on the performance of hybrid capital made pricing of AfDB's issuance difficult, delaying the deal. In the latter, questions were raised about whether the fees paid by AfDB to FCDO and private insurers were too high, effectively subsidising the private sector. Similar questions may be asked about the FMO SDG Debt Fund. The mobilisation of private capital was reliant on the use of concessional or subordinated capital by both the MacArthur Foundation and FMO, in the form of a guarantee and a first loss investment respectively. Such concessional funds are scarce and the risk of them being used inefficiently (i.e. concessional investments being too large) is higher when there is little transparency around the credit risk of the investment.

One solution to this problem would be increasing the transparency of the Global Emerging Markets (GEMS) risk database. This is not a new ask; stakeholders have advocated for the opening up of the database for a number of years. Making GEMS data available to the private sector and other stakeholders would allow investors to better understand risk and price products appropriately.

Source: Publish What You Fund[53]

4.3.3 Caution on aggregating data

It should be noted that the individual baskets of catalysation and mobilisation cannot be aggregated. For example, private capital catalysation and primary PCM cannot be aggregated, neither can primary PCM and secondary PCM, in their current form. As such, DFIs should not seek to produce a total figure for private financing for development. In our approach, the furthest PCM figures can be accurately aggregated is to the level of each basket. An example of how this data could be recorded is displayed below in Diagram Two.

Figure 3: Private Financing for Development - Mobilisation Disclosure Template

Institution name:	
Reporting date:	
Period covered:	

Note: totals from boxes A, B, C, and D cannot be aggregated

A Private Capital Catalysation

Institutional and Policy Reform	
Technical Assistance	
Upstream Activities	
Project Financing	
Total:	

B Balance Sheet Modification

Private DFI Equity	
DFI Hybrid Capital	
DFI Bond Issuances	
Total:	

C1 Direct Primary Private Capital Mobilisation

Technical Assistance	
Guarantee	
Debt	
Insurance	
Equity	
Collective Investment Vehicles	
Sub-total:	

C2 Indirect Primary Private Capital Mobilisation

Equity	
Credit Lines to Financial Institutions	
Collective Investment Vehicles	
Sub-total:	

Primary Private Capital Mobilisation, Total:	

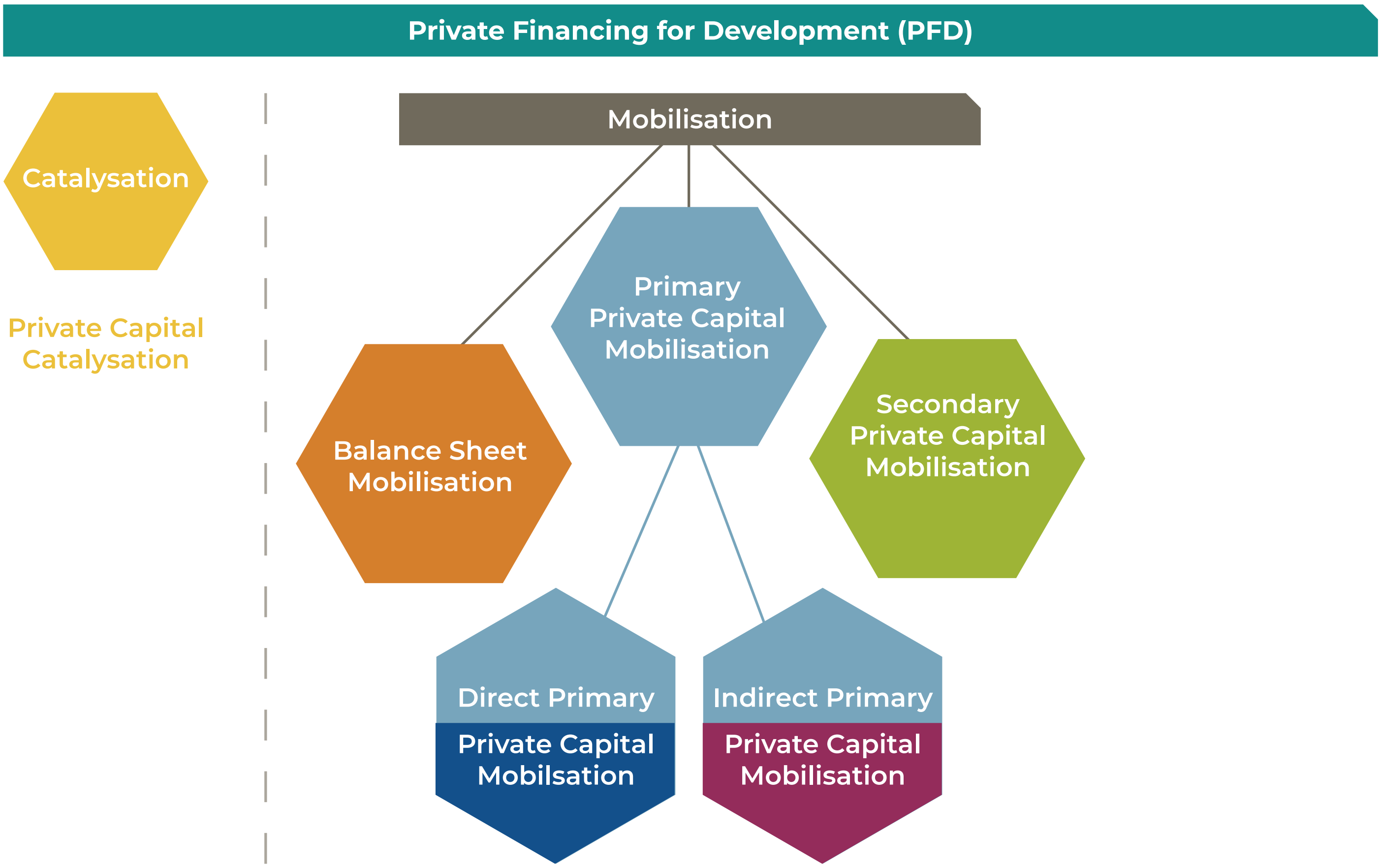
D Secondary Private Capital Mobilisation

Equity Exits: Private and Public Sales	
Debt Exits: Single Asset Whole/Partial Sales	
Risk Transfers: Securitisation	
Risk Transfers: Portfolio Insurance	
Total:	

Annex

Annex – Publish What You Fund's Private Capital Mobilisation Methodology

This annex details Publish What You Fund's approach to conceptualising and measuring private capital mobilisation (PCM). The methodology presents a series of schemas with definitions and detail regarding application for individual instruments and mobilisation mechanisms.



Private Financing for Development (PFD) Definition:

PFD incorporates the ways in which DFIs bring private capital into development activities. The constituent elements of PFD are separate and cannot be aggregated.

Private Financing for Development: General Guidance

Private financing for development (PFD) is a term that encapsulates the multiple ways in which private finance is mobilised, catalysed, and deployed for development outcomes. The above diagram captures the main baskets in which PFD occurs.

The diagram captures the integration of private finance into development finance across different timeframes, and at different scales. As such, the constituent parts cannot and should not be aggregated to produce a single metric.

The methodology presents a clear demarcation between private capital catalysed and private capital mobilised. This reflects the fact that many institutions do not embed catalysation into their business models and the causality between DFI activity and specified outcomes is weaker. As such, the methodology does not present instrument specific guidance on the prediction and measurement of private capital catalysation.

Catalysation

Private Capital Catalysation

Private Capital Catalysation Definition:

Downstream private investment in emerging and developing economies caused by DFI activities that are separate from the DFI’s own activity. These private investments are either a) immediately downstream from a DFI activity, or b) follow-on investments after an initial DFI investment.

Private Capital Catalysation: General Guidance

Private capital catalysation (PCC) encompasses downstream private investment in emerging and developing economies caused by DFI activities that are separate from the DFI’s own activity. These private investments are either (a) immediately downstream from a DFI activity, or (b) follow-on investments after an initial DFI investment.

PCC is differentiated from mobilisation by the separation of activities. For example, if a DFI supports a company to issue a bond, private capital raised through the issuance may be considered mobilisation as the DFI activity and the private investment are linked in the same activity (the bond issuance). However, private investment in future bond issuances by the company, which are based on expertise and experience gained during the first issuance, may be considered catalysation as the DFI activity (first bond issuance) is not the same activity as the private investment (second bond issuance).

There may be many types of DFI activity that lead to private capital catalysation including, but not limited to, institutional and policy reform, technical assistance, upstream activities, and project financing.

DFIs should predict the amount of PCC for an activity ex-ante. This prediction should be made for a specified timeframe and identify the types and scale of private investment that are expected. Ex-post evaluation of PCC at the end of the specified period should be conducted.

PCC should not be aggregated with measurements of mobilisation. In some instances, PCC may occur at an early stage in an activity, that then leads to claims of mobilisation. It is arguably too complex to accurately attribute PCC and mobilisation simultaneously and as such, they should be treated as discreet mechanisms under the PFD umbrella.

Balance Sheet Mobilisation

Balance Sheet Mobilisation Definition:

Activities that incorporate private finance in to the balance sheets of DFIs, including private purchase of equity, private participation in hybrid capital transactions, and DFI bond issuance.

Balance Sheet Mobilisation: General Guidance

Balance sheet mobilisation describes the ways in which DFIs bring private capital into their operations. This includes private capital brought into the equity structure of the institution (private equity in DFIs), private investment in hybrid capital issuances, and private investment in bond issuances.

DFIs may use balance sheet mobilisation to leverage further capital for investment. As such, while the mechanisms within balance sheet mobilisation may be aggregated, the mobilisation within this component should not be aggregated with other components of PFD.

Balance Sheet Mobilisation: Instrument Specific Guidance

Private Equity in DFIs

Definition: the capital that private investors have invested in return for an equity stake in a DFI. Examples of private equity in DFIs include private shareholdings in FMO and Proparco.

Private equity investment in a DFI is counted as balance sheet mobilisation, reported at the time of investment. Public equity holdings are not counted. Further private capital raised through leveraging equity with bond issuances should be counted as mobilisation in bond issuances. Otherwise it would result in the double counting of PFD.

Hybrid Capital

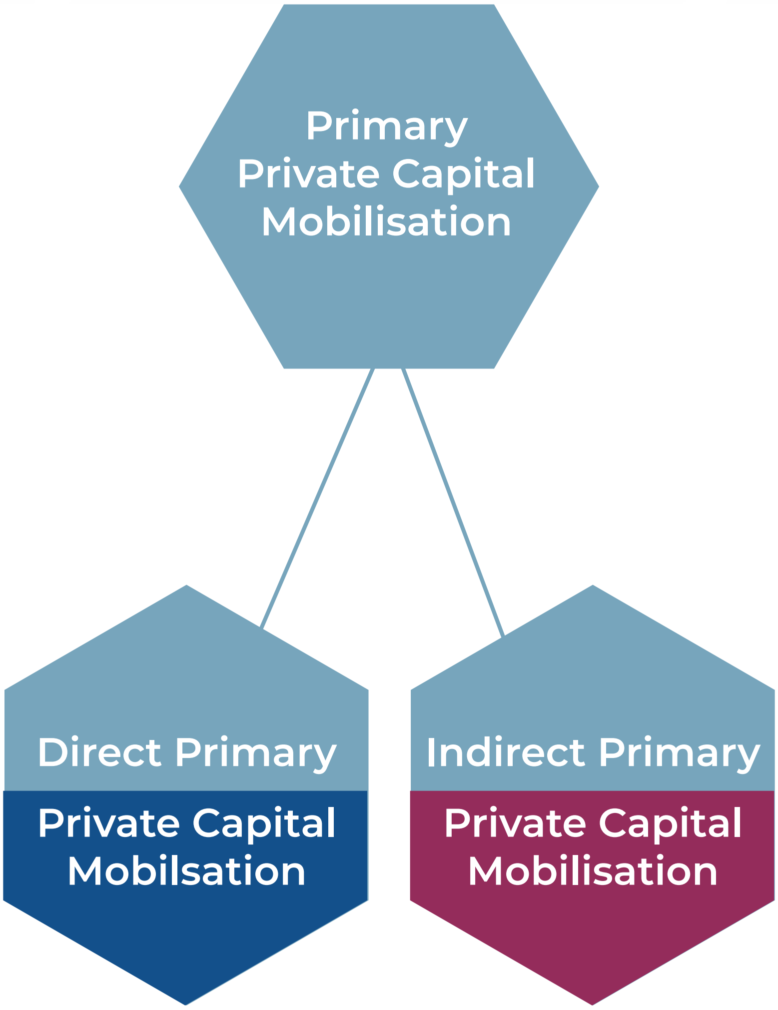
Definition: hybrid capital is a fixed-income financial instrument with both equity and debt properties. It is sold to investors as a fixed-income instrument, and it does not dilute the capital of the MDB.[54]

Private finance investment in hybrid capital is counted as balance sheet mobilisation, reported at the time of investment. Public participation in hybrid capital investments is not counted. Further private capital raised through leveraging hybrid capital with bond issuances should be counted as mobilisation in bond issuances.

DFI Bond Issuances

Definition: Bond issuances include all types of bonds issued by DFIs, including general bonds, green and sustainable bonds, and local currency bonds.

Private investment in DFI bond issuances is counted as balance sheet mobilisation, reported at the time of allocation. Public investment is not counted.



Primary Private Capital Mobilisation Definition:

Downstream private investment in emerging and developing economies caused by, and that occurs at the same time as, DFI investment or activity. Primary private capital mobilisation is the sum of direct and indirect private capital mobilisation.

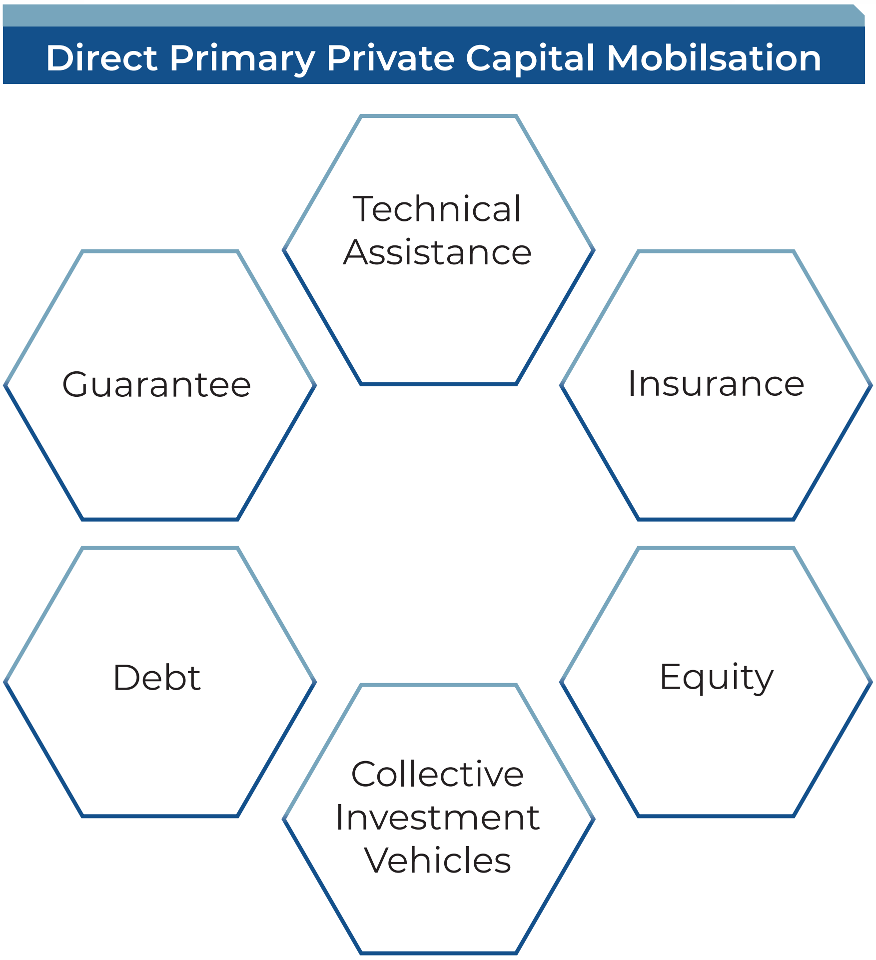
Primary Private Capital Mobilisation: General Guidance

Primary PCM is downstream private investment in emerging and developing economies caused by, and that occurs within the same timeframe as, DFI investment or activity. Primary PCM is the sum of direct primary PCM and indirect primary PCM.

The methodology recognises that some mobilisation may occur after the point of DFI investment, but having been specifically planned as part of a financing package at the time. It is therefore necessary to apply a timeframe in which mobilisation is considered to be part of the original transaction as opposed to a secondary transaction. We suggest a 12-month from investment timeframe, in keeping with the MDB joint methodology.[f]

Primary PCM is broadly analogous with PCM as defined and measured by the current MDB methodology. However, there are some changes applied within this methodology, particularly with respect to the treatment of investment in collective investment vehicles (CIVs) such as private equity funds.

f We use the term from investment generally. For most instruments, this means the point of DFI commitment. For collective investment vehicles, this means the point of financial close.



Direct Private Capital Mobilisation Definition:

Private capital mobilisation where a DFI has an active and direct role in attracting co-financers in a specific investment. This may take the form of contracts or fees paid for the investment arrangement.

Direct Primary Private Capital Mobilisation: General Guidance

Direct Primary PCM occurs where a DFI has an active and direct role in attracting co-financers in a specific investment. This may take the form of contracts or fees paid for investment arrangement. As laid out with Primary PCM more generally, Direct Primary PCM must occur within 12 months of the DFI investment.

This methodology provides guidance for instruments that DFIs commonly deploy, although Direct Primary PCM can be generated through any instrument as long as it satisfies all three criteria:

1. The DFI plays an ***active and direct role*** that is evidenced through contracts or fees paid for investment arrangement.
2. The private investor ***assumes credit risk*** for their investment (wholly guaranteed participation is not included).
3. The private investment ***occurs within a 12-month timeframe*** from the point of DFI investment.

Direct Primary Private Capital Mobilisation: Instrument-Specific Guidance

Direct Equity

Definition: investments where DFIs take a shareholding in investee companies.

For direct equity investments, a verifiable role that demonstrates a DFI playing an active and direct role must occur for private co-financing to be classified as Direct Primary PCM. Being an anchor investor is not sufficient justification and is classified as Indirect Primary PCM.

Debt

Definition: investments including loans and syndicated loans to investees.

Private co-financing is classified as Direct Primary PCM when there is a verifiable active and direct role played by a DFI in mobilising a private financier.

In the case of loans and Islamic finance, examples of Direct Primary PCM could include syndicated loans or any other case where a DFI plays a role similar to a mandated lead arranger. Collection of fees or memorandum of understandings are examples of auditable evidence.

Guarantees

Definition: a range of products that protect investors from the risks of non-payment. This includes, amongst others, political risk insurance.

In instances of political risk insurance 100% of the insured party's investment is classed as Direct Primary PCM as the investor retains 100% of the credit risk.

Where a DFI guarantees third party investment, the portion of investment guaranteed by the DFI is counted as Direct Primary PCM.

Insurance/Unfunded Risk Transfer

Definition: DFI credit risk that is protected by a third party, typically an insurance company, who does not invest to assume the risk. Typically, the DFI pays a fee/premium for unfunded risk transfers (URTs).

Where a DFI insures part or all of its exposure to a particular investment, the amount of credit risk insured is counted as Direct Primary PCM. The DFI's net commitment is reduced by the corresponding amount.

Collective Investment Vehicles

Definition: CIVs are pooled assets including private equity funds, venture capital funds, and debt funds.

Private investment in CIVs is counted as either direct primary mobilisation or indirect primary mobilisation depending on the nature of the DFI's investment and involvement in the fund.

If the DFI is a General Partner (GP), designs or structures a fund, or, as a Limited Partner (LP) has an active and direct role in bringing in other LPs, other private investments in the fund committed at the same financial close are considered Direct Primary PCM.

If the DFI is an LP, other private investments in the fund committed at the same financial close are considered Indirect Primary PCM (see more in guidance below).

Each funding round in a CIV is treated as a discreet investment event and no Direct Primary PCM is claimed for private investment in future rounds, unless the DFI also makes a new investment.

Technical Assistance

Definition: advisory services that support an investment. These can occur at a range of timeframes including pre-project support and project/investment creation.

Where a DFI provides technical assistance to a project, and no other DFI plays a direct mobilising role in the project, any private investment occurring within a 12-month timeframe is counted as Direct Primary PCM. Technical assistance is subsumed to other forms of Direct Primary PCM.

Indirect Primary Private Capital Mobilsation

Indirect Private Capital Mobilisation Definition:

Private capital mobilisation where a DFI does not have a direct relationship with co-financers in a specific investment but where the DFI investment is a contributing factor to the private investment occurring.

Indirect Primary Private Capital Mobilisation: General Guidance

Indirect Primary PCM occurs when a DFI's investment is likely to have caused private co-investment but there is a lack of direct causality.

As with Primary PCM generally, Indirect Primary PCM includes co-investment within a 12-month timeframe from the point of DFI investment.

Indirect Primary PCM can occur alongside Direct Primary PCM in certain circumstances, including in investment in CIVs.

Indirect Primary Private Capital Mobilisation: Instrument-Specific Guidance

Collective Investment Vehicles

Definition: CIVs are pooled assets including private equity funds, venture capital funds, and debt funds.

Private investment in CIVs is counted as either Direct Primary PCM or Indirect Primary PCM depending on the nature of the DFI's investment and involvement in the fund.

Where DFIs are LPs or invested in CIVs pari passu with private investors, private investment that is not accounted for by another DFI's Direct Primary PCM can be counted as Indirect Primary PCM. Indirect Primary PCM is calculated proportionally to the size of DFI investments in the CIV. Where another DFI claims all private investment as Direct Primary PCM, no Indirect Primary PCM can be claimed. Where a DFI claims a portion of total private investment, the remainder is claimed as Indirect Primary PCM split proportionally between all DFIs in the fund, including the DFI claiming Direct Primary PCM. No DFI can claim more Indirect Primary PCM than a 1:1 Indirect Primary PCM mobilisation ratio Any private investment unclaimed outside this ratio is not re-allocated.

Illustrative examples:

1. If DFI1 invests $20 million as an LP, DFI2 invests $10 million as an LP, and private investors invest $15 million, DFI1 would claim $10 million Indirect Primary PCM and DFI2 would claim $5 million Indirect Primary PCM.
2. If DFI1 invests $20 million as a GP, DFI2 invests $10 million as an LP and private investors invest $15 million, DFI1 would claim $15 million as Direct Primary PCM and neither DFI would claim Indirect Primary PCM.
3. IF DFI1 invests $20 million as an LP, DFI2 invests $10 million as an LP and private investors invest $30 million, of which $15 million was arranged by DFI2, DFI2 would claim $15 million as Direct Primary PCM and $5 million as Indirect Primary PCM, while DFI1 would claim $10 million as Indirect Primary PCM.
4. If DFI1 invests $20 million as an LP, DFI2 invests $10 million as an LP and private investors invest $50 million, DFI1 would claim $20 million as Indirect Primary PCM and DFI2 would claim $10 million as Indirect Primary PCM.

As with Direct Primary PCM, each funding round in a CIV is treated as a discrete investment event and no Indirect Primary PCM is claimed for private investment in future rounds, unless the DFI also makes a new investment.

Credit Lines to Financial Institutions

Definition: lines of credit are loans from a DFI to financial intermediaries for on-lending to investment projects undertaken by final beneficiary companies.

The lending by the private intermediary, as governed by the credit line agreement signed with the DFI, is classified as Indirect Primary PCM. Any private sponsors' own funds at beneficiary project level would be reported as Indirect Primary PCM.

Direct Equity

Definition: investments where DFIs take a shareholding in investee companies.

DFIs can claim Indirect Primary PCM where they make an equity investment but do not play an active and direct role in attracting private investment.

Secondary Private Capital Mobilisation

Secondary Private Capital Mobilisation: General Guidance

Secondary PCM occurs when a DFI transfers credit risk from assets that it holds to the private sector. These transfers can take place under a range of instruments including, but not limited to, sales (public and private) of equity holdings, partial or whole sales of single debt assets, securitisation of pooled assets, and insurance of pooled assets or portfolio segments.

Secondary PCM should not include private investment that has been mobilised within 12 months of a DFI investment as part of an investment package. This should be reported as Direct Primary PCM.

For all secondary transaction risk transfer activities, Secondary PCM should be reported as the value of credit risk transferred to the private sector. Reporting should occur at the time of transfer.

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