October 2024

What works:

How to measure and disclose private capital mobilisation to increase private investment and close the SDG financing gap

Executive summary

Today's global needs are unprecedented, fuelled by food insecurity, conflicts, poverty, and a worsening climate – all exacerbated by the COVID-19 pandemic and the struggle to recover. To address these crises, donors are being asked to significantly increase resources; multilateral development banks (MDBs) and development finance institutions (DFIs) are viewed as critical players to meeting the ever-growing financing gap.

There is a clear recognition that public money alone cannot address the scale of financing that is needed; the private sector must be an active partner. In addition to the reforms needed to free up more capital for investments, DFIs need to mobilise significantly more private capital for development investments. The track record of private capital mobilisation (PCM), however, is underwhelming. The G20 Independent Expert Group recommended that, by 2030, PCM should be increased to US$240 billion annually. A recent MDB joint report noted PCM reached US$71 billion in 2022, following a period of PCM stagnation at under US$64 billion.

DFIs agree that more must be done to improve and harmonise the measurement of PCM and to increase incentives for private sector mobilisation. However, there is an urgency to achieving the change if we have any chance of reaching the scale of mobilisation that is required to close the SDG financing gap. This opportunity cannot be lost.

Without an approach that both measures newer, more innovative instruments and provides granular data, DFIs – and other stakeholders – have no opportunity to know what is effective, let alone what is optimal, for increasing PCM. The learnings that could be shared are lost, leaving DFIs with insufficient information to ensure they are investing in a way that maximises the ability to scale. Information that enables the private sector to learn and engage in co-investment is likewise lost. Finally, without this robust data, shareholders cannot adequately perform their oversight function.

Publish What You Fund has been analysing, researching, and most importantly, consulting with a range of stakeholders to identify and agree a way forward. In April 2024, we published a draft proposal in the *'Crowding In'* report that addresses two needs: (1) better and more harmonised measurement of PCM and (2) disaggregated project level disclosure. At the April launch, the message was clear: business as usual will not work.

Following the launch, we undertook an extensive public comment period with DFIs, experts, and shareholders. Additionally, at the request of DFIs, we conducted more in-depth research into private sector information needs, with a specific focus on commercial confidentiality and our proposal that investors be identified by typology.

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As a result of this work, we have made four modifications to the original proposal. The box below provides a summary of these changes, with further detail available in the full report.

Box 1: Summary of changes to final recommendations

Summary of changes from initial proposal:

- Removed 'balance sheet mobilisation' from PCM measurement; renamed as 'balance sheet operations';
- Changed treatment of collective investment vehicles; for consistency they will be measured like other indirect investments;
- Added 'identification of the type of mobilisation' to the disclosure fields; and
- Included a disclosure exception for certain commercially sensitive instruments.

MEASUREMENT

At the outset, our work has been guided by two principles: PCM measurement must be aligned with incentives to promote the investments most likely to maximise private capital, and similar instruments must be treated consistently.

In addressing both how PCM is currently measured (including the two main approaches by the MDB Task Force and the OECD DAC) and what improvements should be made, our research and multi-stakeholder engagements included discussions of new instruments and approaches. We also considered issues such as time of investment, attribution, risk, DFI efforts in mobilising investments, how private capital should be defined, and what and how PCM should be counted.

The final recommendation on measurement includes primary (both indirect and direct) investments as well as secondary investments. Balance sheet operations (formerly balance sheet mobilisation) are now treated akin to catalysation and this data should be reported but not counted as PCM. Importantly, data from all categories should be treated as discrete and not aggregated to avoid double counting. The new schema on the next page visualises this change.

DISCLOSURE

The changes we have proposed to the measurement of PCM are likely to boost overall mobilisation figures. The important flip side to this is that the new measurement approach must be accompanied by disaggregated and detailed disclosure. Without it, there can be no serious understanding or analysis of PCM, which is critical for smart and informed investing that increases mobilisation.

The current level of aggregated PCM data is a substantial barrier to scaling up private sector investments. There is little understanding of the efficacy of various instruments and approaches, outliers are masked and thus distort the data, and there can be little analysis of what works and what does not.

Our final recommendation calls for disaggregation by investment (value and total mobilised), geography, instrument, sector, disaggregated amounts mobilised, the typology of the mobilised party, and identification of the type of mobilisation. The new schema on the last page visualises this disclosure change.

COMMERCIAL CONFIDENTIALITY CLAIMS

Disaggregated disclosure is critical to scaling PCM. Our research and consultations, especially those after the release of our '*Crowding In*' report, provide solid evidence that our proposal for disclosure is achievable, in line with market standards, and reflects the type of information readily available on third party sites. Claims of commercial confidentiality are not only overused but are also contradicted by many in the private sector who support our disclosure proposal, including the identification of the mobilised party by typology. Further, the lack of disaggregated data discourages private sector investment, as critical missing information increases market inefficiencies and the cost of doing business with DFIs.

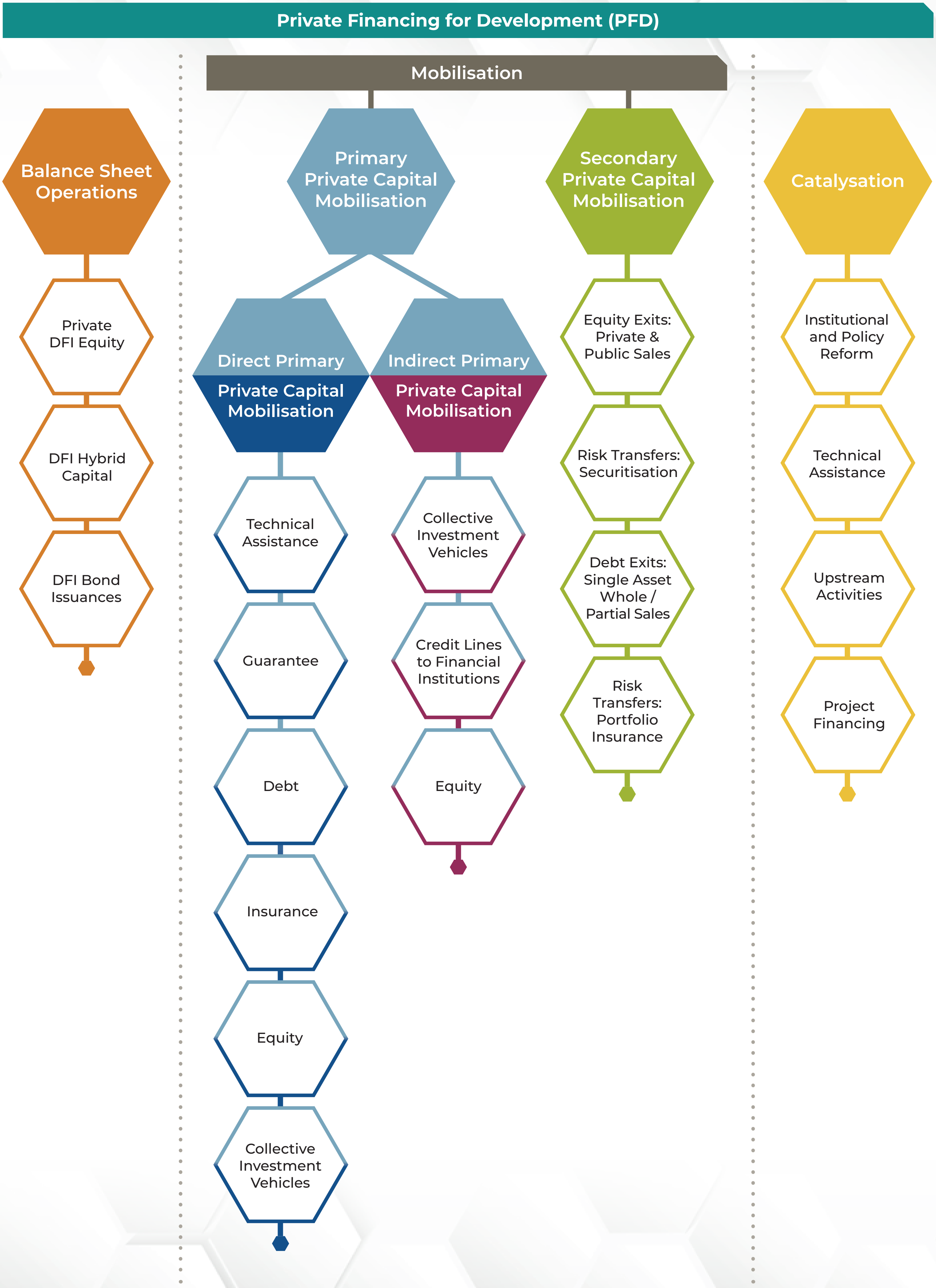
ALIGNMENT OF APPROACHES

Finally, the current situation whereby there are two different approaches to measuring PCM is untenable. It creates differing and at times contradictory data on the same investments, adds unnecessary reporting burdens, and prevents the clear advantage of better, more granular, and useful data. There is a way to reach a compromise between the two and our final recommendation lays out that path. Ultimately, however, the power to align PCM approaches lies with shareholders, and they must direct it.

CONCLUSION

The goal is to scale PCM to close the SDG financing gap. Achieving this requires a combination of the right incentives to improve measurement and the disclosure of relevant data to create the environment that leads to significantly more investments by the private sector.

Global needs have grown and the global development architecture to meet those needs has likewise changed. The critical missing piece is changes at the DFI level so that institutions can meet the challenge. This needs to be done with a sense of urgency.


Private Financing for Development (PFD)
Mobilisation
Balance Sheet Operations
Private DFI Equity
DFI Hybrid Capital
DFI Bond Issuances
Primary Private Capital Mobilisation
Direct Primary Private Capital Mobilisation
Technical Assistance
Guarantee
Debt
Insurance
Equity
Collective Investment Vehicles
Indirect Primary Private Capital Mobilisation
Collective Investment Vehicles
Credit Lines to Financial Institutions
Equity
Secondary Private Capital Mobilisation
Equity Exits: Private & Public Sales
Risk Transfers: Securitisation
Debt Exits: Single Asset Whole / Partial Sales
Risk Transfers: Portfolio Insurance
Catalysation
Institutional and Policy Reform
Technical Assistance
Upstream Activities
Project Financing

DISCLOSING MOBILISATION

Our proposal

Investment	Investment value	Total amount mobilised	Mobilisation type	Geography	Investment instrument	Sector	Disaggregated amounts mobilised	Mobilised party typology	Mobilised party name
Kenya Cement	$6m	$5m	Direct mobilisation	Kenya	Loan	Infrastructure	$2m & $3m	International Bank & Regional Bank	

Current disclosure practice

Bilateral DFIs ODA in OECD

Investment	Investment value	Total amount mobilised	Mobilisation type	Geography	Investment instrument	Sector	Disaggregated amounts mobilised	Mobilised party typology	Mobilised party name
Kenya Cement	$6m	$5m	Direct mobilisation	Kenya	Loan	Infrastructure			

MDBs in OECD

2 out of 3 disclosed

Investment	Investment value	Total amount mobilised	Mobilisation type	Geography	Investment instrument	Sector	Disaggregated amounts mobilised	Mobilised party typology	Mobilised party name
Multiple Investments	$100m	$75m		Kenya	Loan	Infrastructure			

MDBs in joint report

Investment	Investment value	Total amount mobilised	Mobilisation type	Geography	Investment instrument	Sector	Disaggregated amounts mobilised	Mobilised party typology	Mobilised party name
Multiple Investments	$500m	$300m		Africa					