



MOBILIZATION OF PRIVATE FINANCE

by
Multilateral
Development
Banks

and
Development
Finance
Institutions

2019

REPORT PUBLISHED JANUARY 2021



WORLD BANK GROUP

THE WORLD BANK
IBRD - IDA

IFC International
Finance Corporation

MIGA Multilateral Investment
Guarantee Agency



CONTENTS

- Acronyms and Abbreviations 2
- EXECUTIVE SUMMARY** 4
- REPORTING MOBILIZATION FOR 2019** 8
 - What Is Reported 12
 - About the Data 12
 - Methodology Changes of Note in 2019 14
 - Looking Forward to 2020: The Impact of COVID-19 15
- 2019 MDB MOBILIZATION RESULTS** 18
 - Long-Term Finance 20
 - Short-Term Finance 20
 - Infrastructure 20
- UNLOCKING PRIVATE INVESTMENT FOUR YEARS ON: AN ASSESSMENT** 22
 - The Challenge of Unlocking Private Investors: Pension Funds 25
 - The Challenge of Unlocking Private Investors: Impact Investors 27
 - The Challenge of Unlocking Private Investors: Insurance Companies 31
 - Development Impact of Mobilization 35
 - Some Observations 37
- APPENDIX: DISAGGREGATED DATA** 38
 - All Countries of Operation 40
 - By Income Classification 44
 - By Region 52
 - Endnotes 57

This report was prepared by a group of multilateral development banks (MDBs), collectively known as the "MDB Task Force on Mobilization," composed of the African Development Bank (AfDB), the Asian Development Bank (ADB), the Asian Infrastructure Investment Bank (AIIB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Islamic Corporation for the Development of the Private Sector (ICD), the Inter-American Development Bank (IDB) and IDB Invest, the International Finance Corporation (IFC), the Islamic Development Bank (IsDB), the Multilateral Investment Guarantee Agency (MIGA), the New Development Bank (NDB), and the World Bank (WB). The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the official views of the MDBs' Boards of Executive Directors or the governments they represent.

ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
AfDB	African Development Bank
AIIB	Asian Infrastructure Investment Bank
AUM	Assets under management
CAGR	Compound annual growth rate
DEG	Deutsche Investitions- und Entwicklungsgesellschaft
DFIs	Development finance institutions
EBRD	European Bank for Reconstruction and Development
EDFI	European Development Finance Institution
EIB	European Investment Bank
ESG	Environmental, social, and governance
FDI	Foreign direct investment
FINNFUND	Finnish Fund for Industrial Cooperation Ltd
FMO	Netherlands Development Finance Company
HIC	High-income country
ICD	Islamic Corporation for the Development of the Private Sector
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IFI	International Financial Institution
IFU	Investeringsfonden for Udviklingslande
IMF	International Monetary Fund
IsDB	Islamic Development Bank
LDC	Least developed country
LIC	Low-income country
MDB	Multilateral development bank
MIC	Middle-income country
MIGA	Multilateral Investment Guarantee Agency
Norfund	Norwegian Investment Fund for Developing Countries
OECD	Organisation for Economic Co-operation and Development
PCf	Private co-financing
PDM	Private direct mobilization
PIM	Private indirect mobilization
SBI-BMI	Belgian Corporation for International Investment
SDGs	Sustainable development goals
SIFEM	Swiss Investment Fund for Emerging Markets
SIMEST	Società Italiana per le Imprese all'Estero
SME	Small and medium enterprise
SOFID	Sociedade para o Financiamento do Desenvolvimento
STF	Short-term financing
TPM	Total private mobilization
WB	World Bank
WBG	World Bank Group

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EXECUTIVE SUMMARY



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THE AMBITIOUS AGENDA OUTLINED AT THE ADDIS ABABA Conference in 2015 and reinforced by subsequent forums recognized the importance of private investment to meeting the financing needs of the sustainable development goals (SDGs). Multilateral development banks and development finance institutions (MDBs and DFIs; for brevity in the report, “MDBs”) play a critical role in helping mobilize this investment through their operations in developing countries. Since 2016, MDBs and DFIs have reported on their mobilization annually in this *Joint Report*.

This reporting year, MDBs continued to operate in a challenging investment environment—total investment flows declined by 6 percent worldwide in 2019—and that environment promises to become even more challenging in 2020 and 2021 with the COVID-19 pandemic, which calls for close MDB cooperation on mobilization of private investments.

In 2019, MDBs mobilized \$63.6 billion of private finance in operations in middle- and low-income countries. While this amount represents an overall decline from 2018 of 8 percent, it includes \$6.7 billion mobilized for low-income countries, a significant increase of 21 percent. Mobilization in high income countries also increased 22 percent from 2018 levels.

Private investment is critical for development, and MDBs’ research shows that greater mobilization is consistent with greater reductions in poverty and improvements in living standards, and MDBs remain resolute in their commitment to increase these flows.

In this context, MDBs are committed to exploring new ideas and insights in mobilization, some of which are highlighted in the market trend essays in this report. These ideas can help scale up mobilization and will be crucial in efforts to recover from the COVID-19 pandemic.

In these mobilization trend essays, a number of key observations are made, including that:

- there is early data to confirm that increased mobilization from private sector investors matters for development—with more developmental impact from projects that have more mobilization;
- new products seem to be driving new areas of growth in mobilization, and innovations here seem successful at expanding the universe of investors, including products such as unfunded risk transfers;
- impact investing has moved from a boutique product to a mainstream option for investors, with standardized definitions, and growth in both funds dedicated to impact and impact-oriented allocations from institutional investors.

The joint report documents that MDBs are significant financing partners in efforts to mobilize private capital toward emerging markets to help countries achieve the SDGs and that MDBs will continue to play this important role during the COVID-19 pandemic and beyond.

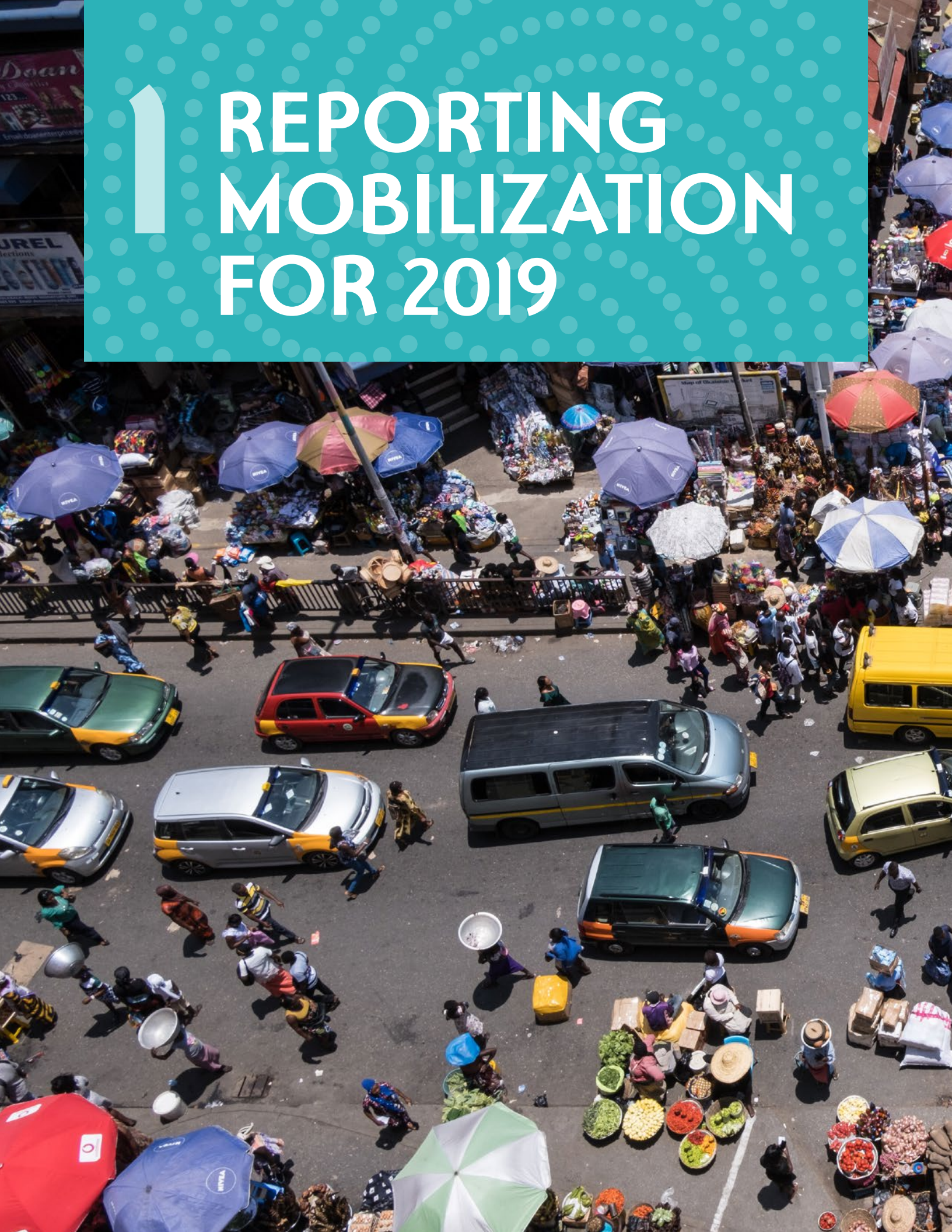
MDBs mobilized
\$63.6B
of private finance in middle-
and low-income countries

This includes
\$6.7B
mobilized in LICs

LIC mobilization
↑21%
over 2018



REPORTING MOBILIZATION FOR 2019





IN 2015, THE GLOBAL COMMUNITY ADOPTED THE 2030 SUSTAINABLE Development Agenda and the sustainable development goals (SDGs) that underpin it, and countries made commitments at the 21st Conference of the Parties to the United Nations (UN) Framework Convention on Climate Change. In July of the same year, the Third International Conference on Financing for Development in Addis Ababa recognized that the financial resources needed to achieve the SDGs far exceeded current financial flows.

Those mandates have created a critical role for multilateral development banks (MDBs) and other development finance institutions (DFIs) in helping attract or “mobilize” private investment to development projects. In adopting the Hamburg Principles in 2016, the G-20 nations welcomed the role of the MDBs¹ in mobilizing² and catalyzing³ private capital and endorsed a target of increasing mobilization by 25–35 percent by 2020 from the levels reported in 2016.

In response, MDBs have launched initiatives designed to mobilize private investment at the scale required to meet the SDGs. These initiatives span project inception to execution, including those that (a) support reform efforts to promote private sector activity and investment; (b) help client

sources of commercial financing for development, such as institutional or impact investors, to structure and deliver private investment to leverage MDB resources; and (e) develop new financial products to help unlock additional flows. This *Joint Report on Mobilization of Private Finance*, written by the MDB Task Force on Mobilization,⁴ documents the sum of the private investment mobilized in 2019 through those and similar channels.

The reporting methodology used in this report, adopted in 2016,⁵ makes it possible to measure private investment mobilized over time on a consistent basis using common definitions and methodologies. It also enables MDBs to report more fully on contributions to a range of development priorities, including climate change and infrastructure development.⁶ And it allows MDBs to track progress toward meeting the goals to which they committed in the Hamburg Principles.

Research from a task force member shows the positive impact that MDBs can have on financial flows from mobilization as well as the development benefits from those flows. An economic analysis by the IDB Group has shown that MDBs have generated positive and significant direct and indirect private mobilization.⁷ MDB mobilization can increase the total amount of available private financing beyond the mobilized amount in a country and improve the terms for debt financing and available sources of financing. The results are also shown to be economically significant, developmentally meaningful, and long lasting.

The global economic recession and financial turmoil from COVID-19, however, are slowing implementation of the Addis Agenda and achievement of the SDGs. The Financing for Sustainable Development Report 2020, from the UN's

The results of MDB mobilization are economically significant, developmentally meaningful, and long lasting.

governments and the private sector evaluate and structure more “bankable” investment projects; (c) use concessional financing to mitigate real and perceived risks associated with investments that have a positive development impact; (d) actively engage with traditional investors as well as new

Inter-agency Task Force on Financing for Development, noted that “the economic and financial shocks associated with COVID-19—such as disruptions to industrial production, falling commodity prices, financial market volatility, and rising insecurity—are derailing the already tepid economic growth and compounding heightened risks from other factors.”⁸ This situation further underlines the need for scaling private sector solutions and MDB efforts to mobilize private capital for developing countries as part of “building back better” from the crisis.

For 2019, the report finds that long-term private investment mobilized for all income groups increased from 2018 by 9 percent, and in the case of private direct mobilization, the increase was larger, at 18 percent.⁹ Much of this increase was due to a 22 percent increase in mobilization in high income countries (HIC). **For middle and low income countries (MIC and LIC), which constitute the core focus countries of MDB development operations, long-term private investment mobilized decreased by 8 percent.** However, the amount of private investment mobilized in the lowest income group—**lower-income countries (LICs)—increased from 2018 by 21 percent**, and for least developed countries (a broader measure used by the UN), by 35 percent. These increases are the largest year on year for these critical groups since reporting began in 2016.

Table 1.1 summarizes the change in total private mobilization (or TPM; see definitions in section 2) at the various income levels discussed above.

The decline in MIC and LIC mobilization reflects the challenging investment environment in 2019 faced by developing countries. The United Nations Conference on Trade and Development (UNCTAD)¹⁰ reported that total foreign direct investment (FDI) in 2019 flowing into all countries

declined 6 percent, including a 1 percent decline of FDI flows into developing countries.¹¹ Further research from the consulting firm Bain & Company showed that the total number of investment opportunities declined, most dramatically in emerging markets.¹² In this context, MDBs’ increase in total and LIC mobilization for 2019 is significant.

While the growth this year in mobilization in LIC is an important development, the continuing decline in mobilization in MIC and LIC combined underlines the need to develop new ways of scaling up mobilization and increasing focus on developing a pipeline of bankable projects, a need that is only further deepened by the COVID-19 pandemic and the global economic slowdown. To meet this challenge the MDBs are increasing the number of products that are offered to investors and redoubling efforts to address the lack of bankable transactions by working more closely together upstream on policy reforms that support private investment in strategic sectors and project development to attract investment into areas that will bring sustainable solutions to development challenges. However, this is a long-term effort that requires MDBs to continue to innovate and collaborate closely at the country level, in dialogue with policy makers and the private sector.

As 2019 drew to a close, most observers were cautiously optimistic about improved economic performance in 2020 and even expected increased investment flows as global gross domestic product began to climb back upward. As is clear now, 2020 in fact found the world facing a deep economic recession. This situation calls for close cooperation among MDBs to reverse decreased private investment in developing countries. MDBs have continued working to meet their private sector mobilization targets, while also responding urgently to the critical needs the COVID-19 pandemic

TABLE 1.1 Change in Total Mobilization by Income Level, 2019

TPM at ...	All income levels	HIC	MIC + LIC	MIC only	LIC only
Change from 2018	+9%	+22%	-8%	-11%	+21%
Total (billions)	\$175.2	\$111.4	\$63.6	\$56.9	\$6.7

has created. Moving forward, MDBs remain committed to meeting both the long-term goals of the Addis Agenda and the current urgent needs to respond to the crisis, as they are uniquely positioned to do.

WHAT IS REPORTED

This report contains results for private investment mobilized by financial products and investments of MDBs, as well as results of direct transaction advisory services, for 2019.¹³ Total private mobilization is split into private

Long-term finance is essential for financing fixed-capital investment in infrastructure and other sectors, and short-term finance is important for supporting the expansion of trade and value chains.

direct mobilization and private indirect mobilization, per the harmonized definitions.

For financial products, the report also distinguishes between long-term finance, with tenors of one year or more, and short-term finance, which is typically offered through revolving facilities such as trade finance and working capital facilities. Both types of finance are important to support economic growth, with long-term finance essential for financing fixed-capital investment in infrastructure and other sectors and short-term finance important for supporting the expansion of trade and value chains.

The report provides a disaggregation of the results by income level. This includes a distinction between low-income countries—with a gross national income (GNI) per

capita below a defined threshold—and least developed countries (LDCs), which are low- and middle-income countries confronting severe structural impediments to sustainable development.¹⁴ The data are also disaggregated by region and by infrastructure and other sectors. As last year, the 2019 report continues to concentrate on mobilization for low- and middle-income countries, which are the focus of MDB development operations. All income group information is contained in the appendix.¹⁵

Please see table 1.2 for the list of participants from MDBs this year. As last year, all member institutions of the MDB Task Force on Mobilization participate in the development of this annual *Joint Report*.

ABOUT THE DATA

This report uses two primary indicators: *private direct mobilization* (PDM) and *private indirect mobilization* (PIM). PDM involves a transactional relationship between an MDB and a client or investor relating to financing an MDB-supported project or activity, and it measures the financial flows that result from that relationship. PIM estimates the investment flows into that project that are not directly arranged by the MDB. See the definitions, drawn from the *MDB Reference Guide*,¹⁶ in table 1.3.

The distinction between “direct” and “indirect” mobilization is important, and readers should understand the level of accuracy represented by each indicator. Because direct mobilization is a result of the “active and direct” involvement of an MDB, the causality is much clearer for these flows; they are more obviously the result of the intervention of the MDB doing the mobilizing. Indirect mobilization, on the other hand, counts the remainder of the private financing for a project, which typically flows in following the initial own account investment and direct mobilization; the attribution to the MDB is made because the project design, de-risking, and initial financing are viewed as paving the way for this additional investment. This “first mover” attribution is less concrete than the connection to MDB efforts for direct mobilization, so it’s important to keep the distinction in mind when comparing these indicators.¹⁷

The report uses attribution rules proportional to MDB commitments to a project to **avoid double counting** of private mobilization where more than one MDB is involved in a

TABLE 1.2 Participation by Multilateral Development Banks (MDBs) and European Development Finance Institutions (EDFIs) in the *Joint Report*

Participating Members	
African Development Bank (AfDB)	Inter-American Investment Corporation (IDB Invest)
Asian Development Bank (ADB)	International Finance Corporation (IFC)
Asian Infrastructure Investment Bank (AIIB)	Islamic Corporation for the Development of the Private Sector (ICD)
Belgian Corporation for International Investment (SBI-BMI)	Islamic Development Bank (IsDB)
Belgian Investment Company for Developing Countries (BIO)	Multilateral Investment Guarantee Agency (MIGA)
CDC Group PLC	Netherlands Development Finance Company (FMO)
COFIDES	Norwegian Investment Fund for Developing Countries (Norfund)
Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG)	Oesterreichische Entwicklungsbank AG (OeEB)
European Bank for Reconstruction and Development (EBRD)	Proparco
European Investment Bank (EIB)	Sociedade para o Financiamento do Desenvolvimento (SOFID)
Finnish Fund for Industrial Cooperation Ltd (FINNFUND)	Società Italiana per le Imprese all'Estero (SIMEST)
Investeringsfonden for Udviklingslande (IFU)	Swedfund
Inter-American Development Bank (IDB)	Swiss Investment Fund for Emerging Markets (SIFEM)
	The World Bank (WB)

transaction. The MDBs exchange information on mobilized projects to enable appropriate attribution and avoid double counting, but limitations on data systems mean that some double counting may remain in annual data.

For 2019, MDBs have identified jointly mobilized projects to minimize double counting as much as possible. As in past years, the task force believes that any potential double-counting amounts involved are not significant relative to the overall mobilization amounts.

METHODOLOGY CHANGES OF NOTE IN 2019

The mobilization data in the report are collected and reported directly by member MDBs and DFIs. Although most data are collected manually after year close, MDBs continue to make advances in the completeness and thoroughness of their **data collection practices**, with many now having measured mobilization for four or more years. The effort is particularly prevalent in direct mobilization, for which some MDBs even release annual audited mobilization data.

TABLE 1.3 Definitions

Private Co-Financing/Mobilization	Private Direct Mobilization
<p>The investment made by a private entity, which is defined as a legal entity that is</p> <ul style="list-style-type: none"> • Carrying out or established for business purposes and • Financially and managerially autonomous from national or local government. <p>Some public entities that are organized with financial and managerial autonomy are counted as private entities. Other examples include registered commercial banks, insurance companies, sovereign wealth funds, and other institutional investors investing primarily on a commercial basis.</p>	<p>Financing from a private entity on commercial terms due to the active and direct involvement of an MDB leading to commitment. Evidence of active and direct involvement includes mandate letters, fees linked to financial commitment, or other validated or auditable evidence of an MDB's active and direct role leading to commitment of other private financiers. PDM does not include sponsor financing.</p>
	<p>Private Indirect Mobilization</p> <p>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. PIM includes sponsor financing, if the sponsor qualifies as a private entity.¹⁹</p>
<p>Private Direct Mobilization + Private Indirect Mobilization = Private Co-Financing/Mobilization</p>	

Members continue to make improvements in automating the data collection that underpins the MDB reporting. As noted last year, in 2018 the World Bank upgraded its data collection system to include private mobilization. That information, which in the past had been collected manually after the end of the fiscal year, is now entered directly by the task team leader involved in the operation. Other MDBs have announced plans to follow suit and upgrade their collection of mobilization data as well.

Members also continued to enhance **the product coverage** of their mobilization estimates this year. They used the same definition as in previous years but added more complex or smaller-volume instruments that they had not included

in their estimates in the past but that have grown in volume. For example, IFC is reporting a greater amount of unfunded risk transfers than in previous years. Although these flows have been reported in the past, the amount of unfunded risk transfers in IFC reporting grew from negligible amounts in 2016 to over 10 percent this year. These products transfer the risk on a certain amount of IFC own-account investment, and increase mobilization from a relatively untapped investor pool: commercial insurers. Our reporting deducts the amount of the unfunded transfer from the own-account amount that is being reported to remove any double counting. Other MDBs report this growth as well. (See section 3 for an in-depth discussion of this new product.)

Finally, MDBs have focused on increasing the amount of time and resources devoted to developing the conditions that improve the bankability of projects for future financing.¹⁸ These operations generally do not include direct financing from own accounts, and would thus be considered “catalyzation.” The group continues to work on developing an extension to the joint mobilization measurement methodology to estimate the downstream impact of upstream activities, many of which are carried out through trust funds financed by the group’s shareholders, with greater urgency given to these developments.

The main report presents these numbers all as reported, so readers should be aware of the incomparability of year-to-year data due to factors such as greater coverage and accuracy in data collection. However, because reporting has improved, the more recent year reports are more comparable and trends more reliable.

LOOKING FORWARD TO THE 2020 JOINT REPORT

The COVID-19 pandemic and global economic slowdown that has resulted have disrupted billions of lives and

The MDBs are committed to seeking effective outcomes for people in emerging markets and developing economies.

threatened decades of international development progress. A successful recovery will depend on the effectiveness of the support programs the international stakeholders put in place to respond to the crisis in the short term, and on the actions of policy makers moving forward. The MDBs are committed to seeking effective outcomes for people in emerging markets and developing economies, especially the most vulnerable populations. In that context, while developing countries are devoting more public resources to critical health care and support for livelihoods during the global economic slowdown, the need to attract and

BLENDING CONCESSIONAL FINANCE: AN APPROACH GROWING IN IMPACT ON MOBILIZATION

Lower-income countries have seen a significant rise in mobilization this year. To some extent, as mentioned in the main text, this is due to a renewed emphasis of MDBs on this most needy segment of countries served. Part of that increased focus is reflected in the increased number of new tools and methodologies MDBs have developed to mobilize funds to these countries, such as blended concessional finance. This approach creates a comprehensive financing plan for projects targeting higher-risk countries and/or sectors, leveraging concessional finance alongside MDB own account investment to reduce risks to a level that private investors have indicated is necessary for them to participate. In so doing, blended concessional finance explicitly uses scarce concessional financing to

enable mobilization of private investment into areas it would not have otherwise gone.

As MDBs have gained experience in blended concessional finance, this has translated into more effective use and is allowing MDBs to grow this channel for mobilizing funds. For example, last year the IFC began to move from ad hoc use of this approach to offer a facility designed to partner with local banks to finance SMEs, leveraging concessional finance to bring the financing costs down to affordable levels. Such innovation has helped drive growth in private mobilization from blended finance, which has gone from \$1.7 billion in 2018 to \$3.1 billion in 2019. Since the majority (approximately 2/3) of this volume is in low or lower middle-income countries, this growth is reflected in the higher numbers of mobilization MDBs report here.



mobilize increased private sector investment to them is more urgent than ever.

That said, the emergency nature of the COVID-19 pandemic has required MDBs to act immediately, and many responded in 2020 with special facilities to provide financing directly to counteract the pandemic, with accelerated approvals for projects and dedicated technical assistance on global health or other crisis response measures to help fight the virus and its associated economic impact. Although the effect of those changes will not be felt until the next *Joint Report* that covers 2020, MDBs can advise that the results may very well include lower mobilization than in previous years.

Some potential drivers of this lower mobilization include:

- The trends for investment through all channels for the year: UNCTAD predicted a 30–40 percent drop in FDI flows in 2020 globally from 2019 levels due to the pandemic, at minimum, in a special March 2020 edition of its *Global Investment Monitor*.
- The fact that MDBs are the only investor with the means, risk tolerance, and ability to invest in the poorest countries during global crisis situations such as this, and they must do so with or without mobilizing the private sector.

MDBs often remain the only investor with the means, risk tolerance, and ability to invest in the poorest countries during global crisis situations such as this.

- Accelerated, fast-track approvals can be a challenge in terms of time and capacity for MDBs to work on bringing in additional investors directly, a situation which in the short run can add to the challenge of mobilization.

Given the length of the pandemic, the reduced private investment in emerging markets, and the challenges of raising capital in a countercyclical environment, MDBs will face significant headwinds in mobilizing new investment going forward.

2019 MDB 2 MOBILIZATION RESULTS





LONG-TERM FINANCE

The 2019 commitment data indicate that the **total long-term finance mobilized by the MDBs** from private investors and other institutional investors (including insurance companies, pension funds, and sovereign wealth funds) in all **low- and middle-income countries of operation was \$63.6 billion**, compared with \$69.4 billion in 2018. Of this amount, 32 percent was direct mobilization and 68 percent was indirect (see figure 2.1).²⁰

In 2019 in LICs alone, \$6.7 billion was mobilized, versus \$5.5 billion in 2018. The reporting also measures mobilization in all LDCs, a broader measure that includes all LICs and other vulnerable countries; total private mobilization was \$9.7 billion.²¹

For both income classifications, \$18.4 billion in total private mobilization was for projects in Asia; \$14.6 billion for projects in Latin America and the Caribbean; \$14.4 billion for projects in Africa; and \$6.9 billion for projects in the Middle East (figure 2.2).²²

The majority of total private mobilization, 92 percent, was mobilized by MDBs, with 8 percent mobilized by DFIs.

SHORT-TERM FINANCE MOBILIZATION

In 2019, short-term finance (STF) mobilization for all income levels reached \$4.8 billion. This figure represents trade finance, small and medium enterprise (SME) finance, and other instruments with terms generally less than one year. STF mobilization has steadily increased from the first year of recording in 2016, when the amount was \$3.7 billion, to \$4.2 billion in 2017 and \$5.0 billion in 2018.

STF often mobilizes funding for SMEs and other businesses, thus allowing those companies to perform activities essential to development—most typically hiring labor, adding manufacturing capacity, and purchasing raw materials to fulfill international and regional contracts. STF facilities also enable local companies to manage currency and payment risk on cross-border transactions. Without drawing on those facilities, many companies could not participate as fully in international supply chains.

The trade finance programs of MDBs mobilize private sector funding that otherwise would not be spent in the places that need it most. These programs take on some

of the risks that banks are unable or unwilling to accept. In countries where the financial sector is not fully developed, the growth of trade may be hampered by a lack of financial instruments that guarantee and support the delivery of, and payment for, goods being traded. Local banks willing to support trade may not have the knowledge or track record to work with international financial partners, who may be hampered by regulations that limit their operations in developing markets. Trade finance programs bridge the gap so that financial institutions can support trade that otherwise would not be possible. STF interventions also can take the form of guarantees, funded or unfunded, and loans.

Short-term financing is, by its nature, particularly suited to help MDBs effectively target assistance in times of crisis. COVID-19 has demonstrated that STF can provide focused and nimble responses so that funds go where they are most needed. For example, STF has been used this year to promote trade in medical and pharmaceutical goods critical to the fight against the virus.

Note that STF is measured for all income groups because data are not collected for this indicator by income.

INFRASTRUCTURE MOBILIZATION

The amount of total private mobilization for infrastructure (including power, water, transportation, telecommunications, information technology, and social infrastructure such as schools and hospitals) in middle- and low-income countries was \$29 billion, or 46 percent of all private mobilization.

Private direct mobilization for infrastructure amounted to \$7.6 billion or 26 percent of total private mobilization for infrastructure. This amount is lower than for all private mobilization, where PDM amounts to 33 percent of the total.

Increasing from 2018, 4 percent of infrastructure mobilization stemmed from private investment in social infrastructure such as schools and hospitals, a two and a half times increase of private investment in social sectors in low- and middle-income countries from 2018 (figure 2.4). Thus 96 percent was mobilized by investment in economic infrastructure, including power, water, transportation, telecommunications, and information technology. This increase in social investment reverses trends in recent years. Although physical infrastructure continues to receive almost all private mobilization financing, the growth in social is significant.

FIGURE 2.1 Total Mobilization, Middle Income Countries and Low Income Countries, 2019

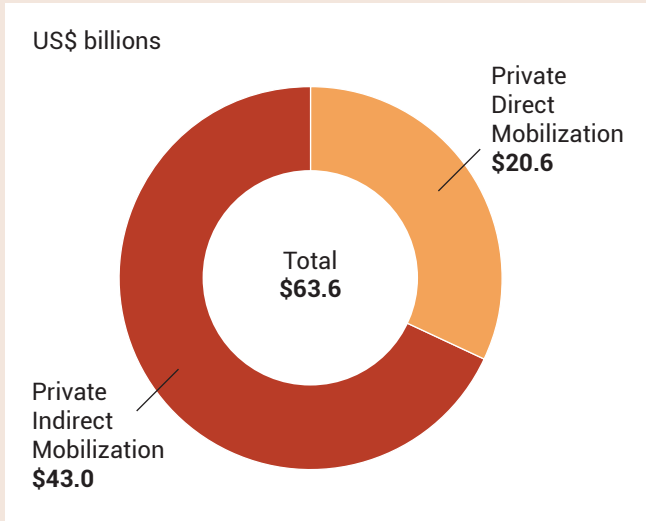


FIGURE 2.2 Mobilization by Region (without Europe), 2019

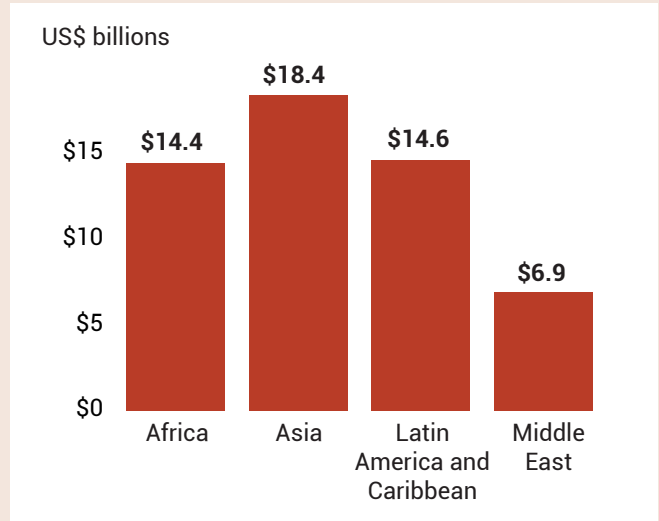


FIGURE 2.3 Mobilization by Institution Type, Middle-Income Countries and Lower-Income Countries, 2019

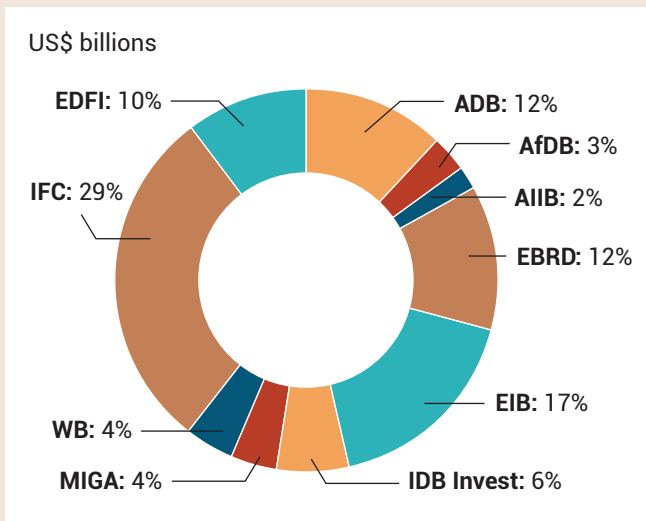
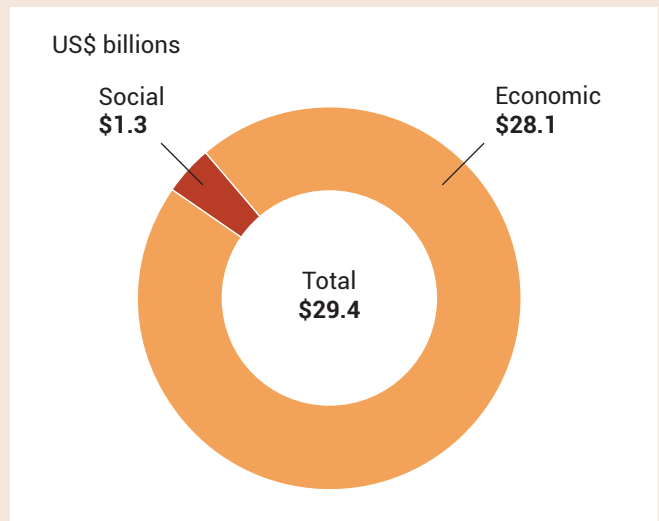


FIGURE 2.4 Infrastructure Mobilization, by Category, 2019



3 UNLOCKING PRIVATE INVESTMENT FOUR YEARS ON: AN ASSESSMENT





FOUR YEARS AGO, IN 2016, THE MDB COMMUNITY GATHERED in Washington, DC, for the World Bank Group Annual Meetings, with the headline theme that year “Unlocking Private Investment.” As MDBs saw mobilization of private finance becoming recognized as a critical tool in the toolkit for achieving the SDGs, and being mindful of the Addis declaration,

the MDBs identified a need to vastly scale their efforts to bring private capital in “off the sidelines.” In particular, in what had over the previous years been a low-yield environment, MDBs were eyeing the large pools of capital in traditional pension funds, sovereign wealth funds, and elsewhere that were parked in low-return investments. Interest was high in attracting these funds to the MDBs portfolio of higher- yet stable-return projects, with the accompanying development impact. MDBs hoped that investors would see the “bigger-picture” need to invest in sustainable development

projects, helping to meet the SDGs with larger scale and impact operations? Or is there still a long way to go?

Several task force member institutions agreed to consider the question for this year’s *Joint Report*. In the accompanying essays, members reflect on the successes of new tools and approaches to “unlock” the “pools” of private capital originally targeted and highlighted at the 2016 meetings, including pension funds, insurance companies, and impact investors. One member reassessed the question of whether, in fact, these private investors can even have development impact.

As the reader will see, while mobilization flows are still driven by FDI and capital formation trends, the overall answer is hopeful. New products for insurance companies and capital markets have had solid success in tapping into the large private investment pools targeted at the meetings, though they have just recently gained traction. Pension funds have increasingly prioritized financing for development. Impact investing has moved from an idea to a real product with new discipline through the use of such approaches as the Operating Principles for Impact Management, and has become a potentially game-changing pool of capital. Private investment flows also look to have had a significant development impact.

In sum, this transformation may be taking longer than anticipated, and the pandemic introduces even further challenges for the upcoming years, but there has been progress, there are new ideas, and private investors have shown much more interest. These observations offer promise for the decade ahead to 2030, when speed and persistence will be essential for reaching the SDGs. As we know, public money alone will not be sufficient to close the development financing gap. Increasing participation from private investors in new projects and new investment must continue if we are going to meet the goals.

After four years, it is useful to assess how well the community has done at mobilizing these pools of private capital.

and infrastructure in developing countries, along with the attractive yields, and that they would use these funds to mitigate pressures in the coming decades to adjust to global megatrends such as aging populations, migration, climate change, inequality, and urbanization.

After four years, it is useful to assess how well the community has done at mobilizing these pools of private capital. With the Hamburg goal of increasing mobilization by 25–35 percent still to be reached and the 2030 deadline approaching, and with the added urgency of the COVID-19 pandemic, these large pools of investor capital looking for yield are still highly attractive. Have MDBs been able to move these investors “off the sidelines” and into development



The Challenge of Unlocking Private Investors: Pension Funds

Contribution from the Asian Infrastructure Investment Bank (AIIB)²³

Mobilizing private capital toward addressing development efforts is crucial. Since adoption of the “From Billions to Trillions” agenda in 2016, MDBs have focused on mobilizing private capital to meet the SDG investment needs. One of the largest sources of capital is the assets under management of institutional investors, such as pension funds. As an example of the size of investment pools in this class, the 20 largest pension funds had assets under management (AUM) in 2019 of just over \$18 trillion.²⁴ Recent years have seen a broad-based increase in capital allocation by institutional investors to investment assets that meet certain environmental criteria and/or have social impact and, in some cases, track to the SDGs. This subsection will review those trends, focusing on pension funds, and identify some possible drivers and areas for future growth.

PROMISING TRENDS, AND SOME CHALLENGES, IN INSTITUTIONAL INVESTING AND THE SDGS

Over the past few years, many institutional investors have demonstrated clear intentions to invest in sustainability. This goal can be seen in their capital allocation. These funds have reported an increase in green investment assets—including

green bonds, green equity indexes, and alternative green assets—from 2.7 percent in 2014 to 7.5 percent of portfolio allocation in 2017; and the allocation has increased from 0.8 percent to 2.7 percent over the same period for social investment assets including social development bonds, social impact funds, and similar instruments, according to OECD surveys.²⁵ Pension funds are increasingly reporting that they are integrating environmental, social, and governance (ESG) criteria into their investment strategies, as documented in the same OECD surveys. For the most progressive funds, aligning investments with the SDGs or even setting a portfolio target has become a reality. This is due in part to fund managers’ reflecting their investors’ greater preference for investing for impact.

Diving into the data however shows an interesting trend beneath the numbers. These surveys have observed that pension fund allocations in unlisted infrastructure assets, much less sustainable unlisted infrastructure, have been flat.²⁶ The same surveys also pointed out that, in general, institutional investors are not investing much in “greenfield” or very early stage infrastructure in emerging markets. In fact, the 2019 survey noted that of the largest pension funds (those that report this level of detail) the data show “low or

no investment in emerging markets by most funds." Notably "no funds reported exposure to infrastructure investments in Africa" in 2019.²⁷

This last point bears further discussion. Infrastructure in LICs, such as many of the countries in Africa, has been a key focus of some MDBs' investment strategies since the Addis conference. Yet, the largest pension funds—which represent \$12 trillion in AUM—have not reported investments in this asset class on the continent.

So despite the optimism from the increase in sustainable investments, roadblocks persist. These challenges seem especially pervasive once pension fund managers look beyond investing in ESG-focused corporate securities in more developed middle-income countries.

A challenge has been **the lack of standardized terminology in the market**. For example, a 2018 UBS survey found that 72 percent of surveyed investors found sustainable investment terminology confusing. Similarly, a November

to address these issues. For example, progress has been made in consolidating standards at supranational or national levels, such as in the European Union.²⁹ At the same time, industry participants and alliances such as the Institute for International Finance, Global Sustainable Investment Alliance, Principles for Responsible Investment, and IFC's Operating Principles for Impact Management are initiating efforts to harmonize terms, and key multilateral financing institutions have begun to align their operations with standards, thus adding to the credibility of these standards.

More specifically to institutional investors, AIIB has observed several other major obstacles that inhibit increasing emerging market infrastructure investment, such as **excessive perception of emerging markets risks and large efforts required to make projects "bankable."** These factors are relatively more likely to exist the poorer a country is, so they present particular challenges for increasing investment from institutional investors into the poorest and neediest regions.

This is where MDBs have an opportunity to play an important role, crowding in private capital in emerging markets. AIIB has observed that MDBs are generally viewed as "trusted partners," given their preferred creditor status, ability to leverage public sector relationships, and information and market access that can help improve risk management. These advantages suggest a strong role for MDBs to leverage more institutional investment in their projects.

MOVING AHEAD

In summary, there are promising and encouraging trends related to unlocking pension funds investment with clear growth in interest and actual investing. In recent years, the leading pension funds have shown increasing interest, and have backed that up with their allocations in investing in green and social development. However, most of this investing is in tradable, listed securities and not in the most critical areas or countries.

MDBs have an opportunity to continue to play an important role in mobilizing finance toward sustainable investments both through the products they offer to private sector investors and through the standards they uphold. Ultimately, collective efforts are needed for greater mobilization toward sustainable investments that can further contribute to the objectives of the SDGs and the Paris Agreement.

MDBs have an opportunity to continue to play an important role in mobilizing finance toward sustainable investments both through the products they offer to private sector investors and through the standards they uphold.

2019 paper by the Institute for International Finance points to broad confusion by investors about the proliferation of terms used to describe sustainable finance.²⁸ Terms such as "sustainable," "green," "climate-aligned," and "responsible" finance are at times conflated or misused, given the lack of broad commonly agreed taxonomies.

This challenge is not unique to institutional investors, and work is under way across the development finance community

The Challenge of Unlocking Private Investors: Impact Investors

Contribution from the European Bank for Reconstruction and Development (EBRD) and with input from the International Finance Corporation (IFC)

Impact investment³⁰ continues to gain visibility as a rapidly growing subsector of the asset management and institutional investment industries. As impact investors themselves (some would say, as the original impact investors), MDBs are committed to contributing actively to further the subsector’s development.

Impact investment is not a new, additional, or separate asset class with different return requirements from those of regular investments but rather a group of investors defined by their search for development as well as financial performance. It includes a range of investors, from institutional to family offices to smaller retail investors, looking to have impact with their funds.

Impact investing is also a pocket of financing that asset managers sometimes have difficulty accessing because of

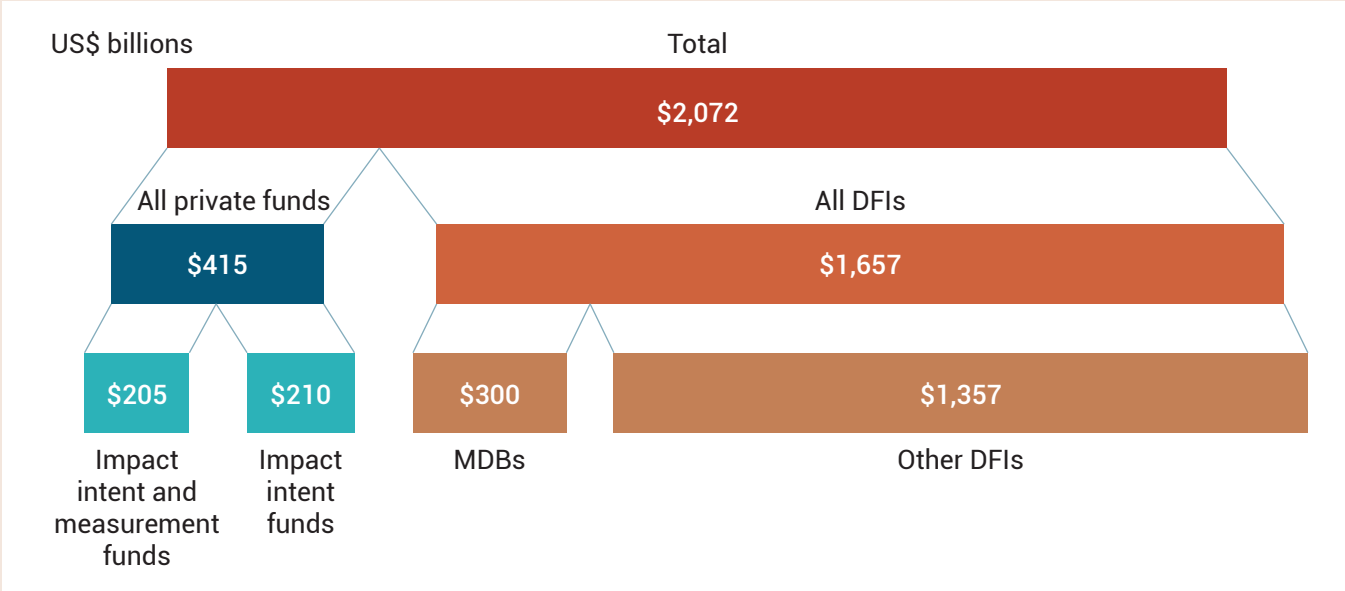
a combination of factors. These factors include challenges to fit within traditional asset allocations, to find the right investors, or to originate suitable (“bankable”) assets.

This subsection of the *Joint Report* aims to track the progress over the past few years in identifying, and growing, this pocket of impact-focused investors that should be pre-disposed to invest in development. Further, the subsection will identify challenges still to be met in further unlocking this potential pool of funds.

SIZE AND GROWTH OF THE IMPACT INVESTMENT INDUSTRY

While still modest as a proportion of global assets under management, the impact investment industry has nevertheless become by 2020 material and rapidly growing (figure

FIGURE 3.1 Total Assets of Potential Private Impact Investors, 2019



Source: IFC, *Growing Impact: New Insights into the Practice of Impact Investing* (Washington, DC: IFC, 2020), www.ifc.org/GrowingImpact.

Note: DFIs = development finance institutions; HIPS0 = Harmonized Indicators for Private Sector Operations.



3.1). IFC estimates that in 2019 up to \$2 trillion in assets (less than 1 percent of global assets under management) have an intent for impact, but only \$505 billion in assets clearly have the necessary processes in place to measure and manage that impact. This includes \$300 billion of MDB and DFI assets managed according to a common measurement framework (HIPSO, which will be discussed later in this subsection).

According to another well-accepted benchmark, the Global Impact Investor Network (GIIN) impact investor survey, assets under management in the impact investment industry were US\$715 billion as of the end of 2019. This represents a 42 percent year-on-year increase from the US\$502 billion of the previous year, when the GIIN published its first estimate of the size of the impact investing market. The impact investment industry remains mostly invested in developed markets, with approximately 30 percent of AUM focused on emerging markets. The IFC measurement uses that institution's new, more rigorous and standardized definition of impact investing and includes MDB and DFI funds; GIIN does not, but as an older measure, it allows for year-on-year growth estimates.

Even with the likely deep impact of the COVID-19 crisis across the global economy (with a particularly acute effect across emerging markets; EMs), the expectation is that over the long term impact investment AUM will continue to increase, driven by a number of factors. These range from grassroots activism, changes in public opinion, and political pressure that lead to policy changes and investors' belief that investment for impact can ultimately yield enhanced risk-adjusted returns through the reduction of downside risks.

EM DEBT VERSUS EQUITY IMPACT INVESTMENT

A sizeable portion of the impact investment funding in EMs is focused on private equity, although it has been somewhat more challenging to raise private debt-focused EM funds with satisfactory risk-adjusted returns (though Managed Co-Lending Portfolio Program [MCP] at IFC has had success). MDBs are making continuous efforts to increase their involvement with private debt impact investors in EMs beyond the work that has been done with

the specialized, typically smaller impact investment funds that have been traditionally active in financial institutions (often with a focus on microfinance) and in the energy sector (usually with a focus on renewables, including micro-generation).

MDBs are supporting the development of new impact-focused private debt investment options at larger scale with institutional investors (pension funds, insurers, sovereign wealth funds), asset managers, and others (philanthropic organizations, family offices). As a result, a number of leading global asset managers, in close coordination with MDBs, are developing the business case for internal and investor approval to support the creation of impact-based multi-billion US\$/euro-equivalent funds to coinvest in MDBs' debt assets in EMs.

ROLE OF THE MDBS AND DFIS IN IMPACT INVESTMENT

It is important for MDBs and DFIs to collectively ensure that the information required by investors to make the decision to develop impact-oriented investments and funds is made readily available. It is only with sound ex ante and ex post project- and portfolio-related data that decision-makers in large asset managers, for example, will be able to assess the attractiveness of MDB and DFI operations adjusting for risk and impact. Thus, the MDB and DFI community must continue to play an active role in the development of the impact investment industry, given their role as market enablers, anchor investors, and standard setters.

One factor limiting growth is an increasing need to demonstrate results. Recently, the impact investment industry has been evolving, moving from a less defined, early stage to a more disciplined stage with more rigorous definitions and indicators. The industry expects to see development outcomes from impact investing that show intentional effects across a diversity of dimensions that are can be mapped back to the UN's SDGs.

MDBs and DFIs have been active contributors to initiatives to develop impact investment through the creation of standards, which may be adopted by entities from the private and public sectors. These standards also generate better information on the investments that can help create additional interest from development-oriented investors.

One example of efforts to create widely adopted standards was the establishment of the Operating Principles for Impact Management, launched in April 2019 at the World Bank Group/International Monetary Fund (IMF) Spring Meetings in Washington, DC. Their development was led by IFC in consultation with leading impact asset managers and asset owners, DFIs, and MDBs, and they provide a framework for investors to ensure that impact considerations are purpose-

Even though impact investment is growing rapidly and enjoying wide stakeholder support, the situation is more difficult for impact investment in EMs, where most development banks operate.

fully integrated throughout the investment life cycle. There are currently 109 signatories to the principles, including 25 MDBs and DFIs.

Although different investors look for and measure impact differently, MDBs and DFIs and the private sector have cooperated on other efforts to assist reporting:

- Signing in 2013 a memorandum of understanding on the Harmonized Indicators for Private Sector Operations (HIPS0), reflecting the commitment of 25 institutions, which sets out 27 reporting indicators for international financial institutions' shared clients, with the aim to reduce clients' reporting costs. Efforts are under way to align the common metrics with the 17 UN SDGs, given the critical role of the private sector in achieving the SDGs.

- Publishing in March 2020 the final report of the Technical Expert Group on EU Sustainable Finance Taxonomy,³¹ a tool to help investors, companies, issuers, and project promoters navigate the transition to a low-carbon, resilient, and resource-efficient economy by setting performance thresholds for economic activities that make a substantive contribution to one of six environmental objectives.³²

These types of measurement and definitional tools are important, because impact investors need to know that they are achieving their goals, and they will be more attracted to projects that show higher and broader development outcomes.

Even though impact investment is growing rapidly and enjoying wide stakeholder support, the situation is more difficult for impact investment in EMs, where most development banks operate. While the number of ESG-focused funds has increased by a factor of 2.4 in the past 14 years to over 280,³³ with about 30 percent of the impact assets focused on EMs as of the end of 2019,³⁴ Latin America, Central America, and Sub-Saharan Africa have benefited from investor appetite more than other regions. Eastern Europe, Central Asia, and the Middle East and North Africa regions remain relatively underrepresented, somewhat in line with wider foreign direct investment flows.

With the current pandemic-related disruption of financial markets, many existing clients of the MDBs and DFIs are experiencing difficulties. To address this need, both groups have reacted quickly and under intense immediate logistical difficulties to set up multi-billion US\$/euro-equivalent liquidity, trade finance, and critical infrastructure support facilities with the goals of preserving the impact of existing transactions and supporting the needs of existing clients.

The joint report team is confident that the conditions that have led to the creation and development of impact investment will continue in the long run, with MDBs and DFIs continuing to play a central role in ensuring that investors, clients, policy makers, governments, and all other stakeholders come together under a common purpose.

The Challenge of Unlocking Private Investors: Insurance Companies

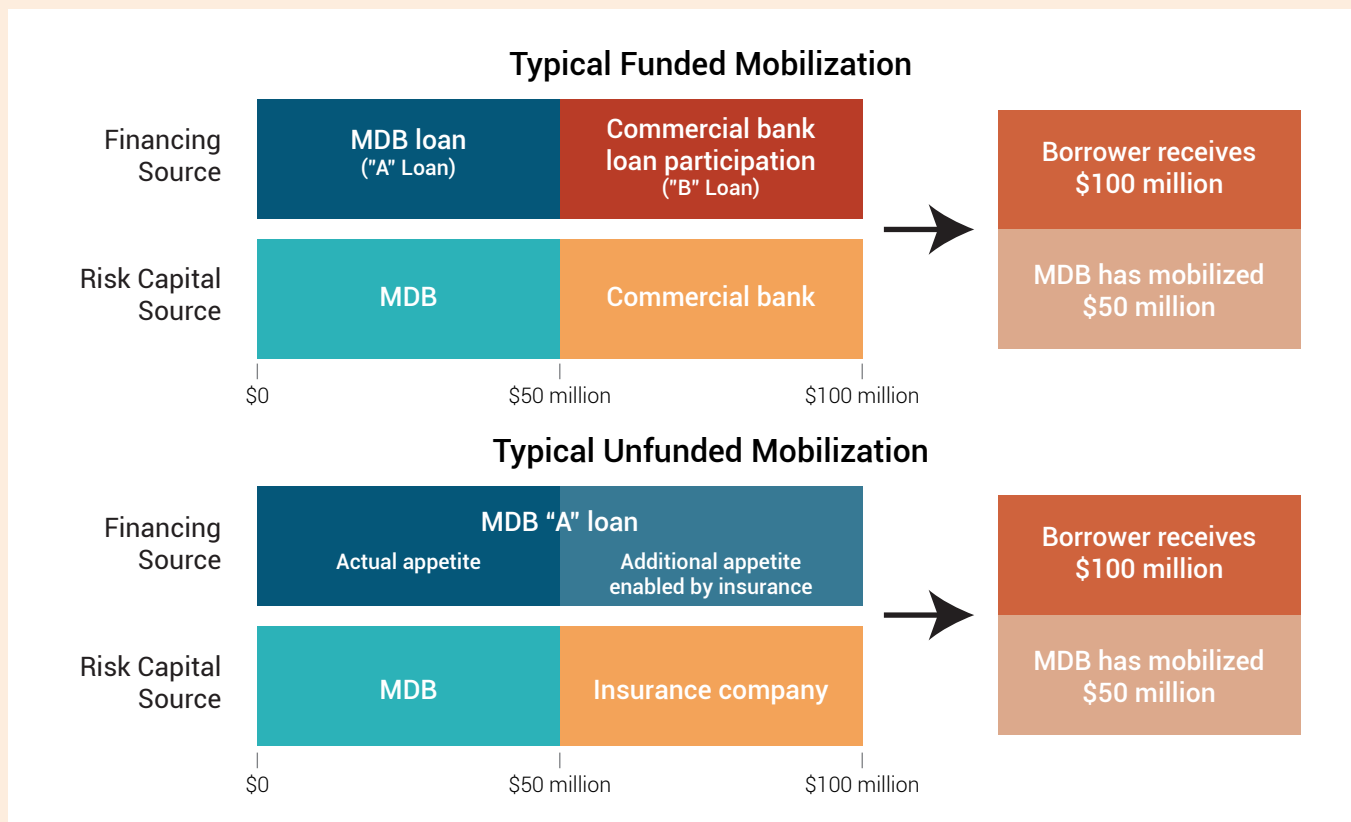
Contribution from the International Finance Corporation (IFC) with input from the Asian Development Bank (ADB)

A growing form of mobilization is enhancing and widening MDB efforts to attract private capital to emerging markets. MDBs are developing mobilization platforms and structures to help increase the participation of new investor classes in emerging-market debt. Unfunded mobilization products are one rapidly expanding solution that allows MDBs to mobilize risk appetite from private financial institutions that cannot provide direct financing to borrowers. Instead, these participants can use their risk capital to guarantee the loans that MDBs commit and disburse.

Debt mobilization has traditionally been funded through syndicated loan markets. Since IFC's first B Loan was mobilized 60 years ago, MDBs have primarily used loan syndications to crowd in private debt alongside their

emerging-market lending activities. Traditional MDB syndications products, such as B loans, rely on commercial lenders to provide financing directly to borrowers (figure 3.2). Unfunded mobilization products, such as credit insurance, offer an alternative approach. These products enable private entities, typically insurance companies, to participate in MDB loans without having to provide direct funding. In an unfunded mobilization, an MDB extends a loan from its own account and then transfers a portion of the risk of that investment to another financial institution. Regardless of whether the mobilization is funded or unfunded, the outcome is the same: the borrower receives the required financing and the MDB uses some of its own risk capital while mobilizing additional risk capital from a third party.

FIGURE 3.2 Funded versus Unfunded Mobilization—A Basic Schematic



Unfunded products extend the benefits of mobilization to more borrowers. For many borrowers, there is limited commercial appetite for direct debt investments. Commercial lenders prefer not to lend to other banks. MDBs are much more comfortable committing long-term financing to low-income, fragile, and frontier markets than private players are. In other cases, private markets may not offer the specific type, currency, or tenor of debt needed. Moreover, when a borrower can meet its entire financing need with a single loan, this makes for a more efficient funding process, saving time and reducing costs. In some cases where finance for MDB clients is scarce in the funded markets, unfunded mobilization can help fill the gaps in traditional syndication markets. This approach helps expand the universe of MDB clients that benefit from mobilization, increasing total financing flows and supporting greater numbers of projects that contribute to achieving the SDGs.

Unfunded mobilization unlocks a new set of partners for MDBs. Unfunded structures are a natural fit for insurance companies, and the respective business models of insurance companies and MDBs make them especially suited to working together. Insurers have established businesses that assess unique risks. They have significant appetite for emerging-market financial risks, which are uncorrelated to other risks that they typically cover (such as life, property, and liability). Providing insurance on MDB-originated assets gives insurers the benefit of diversification. Similarly, MDBs which engage in risk insurance activities themselves (such as MIGA), can lay off some of the risk to global re-insurance companies, thereby unlocking an additional set of international private sector investors for whom similar portfolio diversification considerations apply. Meanwhile, MDBs have boots on the ground in many emerging-market countries, along with long track records of investing in these jurisdictions. MDBs also have easy funding access through capital markets. Unfunded mobilization gives MDBs a way to connect private insurers with their global origination capacity, while pairing MDBs' direct financing capacity with insurers' unfunded risk appetite. Another benefit for MDBs is that they can reallocate the freed-up (or saved) risk capital for other developmental projects in their member countries.

Long-standing partnerships have helped bring both MDBs and insurers up the learning curve. The mobilization of insurance companies is not entirely new. Asian Development Bank

has been working with insurers and commercial banks for more than a decade to support its lending activities. IFC obtained insurance on its portfolio of short-term guarantees under the Global Trade Finance Program in 2011. Over time, both sides have made significant inroads in understanding how the other side does business. Insurance companies have become more comfortable with how MDBs operate, particularly in how MDBs perform due diligence, assess borrower risk, and manage their loan portfolio and nonperforming assets. MDBs have become more confident that insurance companies will compensate them in the event of a claim. These partnerships have helped stretch the insurance market to start to cover medium- and long-term exposures in emerging markets.

In recent years, the insurance market has developed rapidly, and MDBs and insurers are beginning to innovate together. The scope of these partnerships has changed: more MDBs are using insurance and more insurers and re-insurers than ever before are working with MDBs to cover both credit and political risks. Thanks to market development, MDBs now have more options in how they can work with insurers (table 3.1). The types of assets covered, products and instruments used, and methods of arrangement have never been so diverse. One example is the use of treaty insurance structures, through which insurers take a follow-the-fortune approach and are obligated to insure any new projects financed by MDBs that meet pre-agreed criteria. This portfolio approach to insurance has already proved effective at increasing MDB lending to support the SDGs. The MCPP Financial Institutions facility was successful at bringing insurers into projects that support small businesses, climate resilience, and fragile markets. Another example is the use of private sector re-insurance for political risk guarantees by MDBs such as MIGA.

There are many opportunities for future growth of these partnerships, including real sector, ESG, and local currency investments. Most insurers have underwritten loans only for infrastructure and financial institutions, and the market for insurance on assets originated by MDBs in the real sector remains relatively untested. Insurers have expressed willingness to consider new sectors, including agriculture and health care, and MDBs are helping insurers better understand the risks. Increasingly, insurers are aligning with MDBs on

TABLE 3.1 MDBs Have Many Options for How They Leverage Insurers

No. of assets	<p>Single assets: MDBs may pursue insurance for single assets on a standalone basis. The insurance contract includes terms and conditions relevant only to a specific borrower. Insurers refer to these contracts for individual borrowers or projects as “facultative” coverage.</p>	<p>Multiple assets: MDBs may pool multiple assets together under a single insurance agreement. The agreement may cover a specific set of borrowers or all projects that meet certain pre-negotiated criteria. Insurers refer to these as insurance “treaties.”.</p>
Asset type	<p>New assets: MDBs most commonly use credit insurance on new assets at the time of origination. Insurance can serve as a risk distribution tool alongside other funded mobilization products, like syndicated loans.</p>	<p>Existing assets: Insurance may be considered for existing assets already in an MDB’s portfolio. Insurance on these assets can help MDBs free up capacity on their prudential internal risk limits, enabling them to consider new lending to clients, sectors or countries to which they already have significant exposure.</p>
Asset tenor	<p>Short-term assets: Insurance coverage on short-term assets related to trade finance represents the bulk of risk that insurers take in emerging markets. Nearly all insurance companies offer this service to MDBs and commercial banks.</p>	<p>Longer-term assets: MDBs are helping to grow the insurance market for longer-term assets like project finance and unsecured senior loans to financial institutions. A small but growing number of insurers are active in this space in emerging markets.</p>
Insurance product	<p>Trade credit insurance: Short-term trade receivables are covered by trade credit insurance, which usually covers a portfolio of buyers and pays an agreed percentage of an invoice or receivable that remains unpaid as a result of protracted default, insolvency.</p> <p>Political risk insurance: Equity and debt investments are covered by insurers against political risks such as war and civil disturbance, expropriation and others</p>	<p>Comprehensive non-payment risk insurance: Longer-term assets are covered by insurers’ comprehensive non-payment risk insurance, which reimburses a lender if a borrower fails to make a payment for any reason.</p>
Insurance instrument	<p>Credit insurance policies: Credit insurance policies are the market standard that is used for most common types of insurance (e.g., life, auto, property, casualty). These insurance contracts require the insured party to file a claim, which insurers assess against the policy terms before making a payment.</p>	<p>Unfunded risk participations: Some MDBs use unfunded risk participation agreements, which serve the same function as insurance policies but are a more traditional financial instrument for banks. A bank sells off its risk exposure and is entitled to be paid by the buyer if a covered borrower fails to fulfill its payment obligations.</p>
Arrangement process	<p>Direct insurer relationships: MDBs are building direct relationships with insurance companies to solicit quotes and negotiate the best terms without the help of an intermediary.</p>	<p>Via insurance brokers: For more bespoke assets, MDBs may seek the support of insurance brokers to represent them in their search for the best insurance for their needs.</p>

their consideration of environmental, social, and governance issues, which insurance companies see as tools to contribute to risk mitigation in other parts of their portfolios. Lending in local currencies has been one of the most challenging areas for MDBs to unlock mobilization opportunities, and the unfunded structure of insurance holds some promise. MDBs often have privileged access to emerging-market currency pools or the ability to raise capital in local markets and thus could mobilize insurers to support greater local-currency lending. To this end, ADB has successfully developed and used template insurance contract language for local currency transactions in multiple emerging markets. IFC has piloted insurance on a portfolio of Indian financial institution borrowers with rupee-denominated debt.

The growth of MDB partnerships with insurance companies has been a great success story, and there remains much untapped potential. Commercial banks are already significant users of insurance, according to a 2019 survey

by the International Association of Credit Portfolio Managers. Insurance is one of the most important tools for risk mitigation, second only to loan sales. MDBs have invested significantly in platforms to unlock new classes of investors. ADB's use of credit insurance has increased from \$740 million in coverage in 2017 to \$921 million in 2019, of which \$514.3 million was denominated in local currency.³⁵ As of 2019, ADB has established roughly \$4.3 billion in insurance counterparty limits. IFC has similarly expanded its usage, as new credit insurance policies on long-term assets have increased from \$328 million in FY2018 to \$793 million in FY2020. As of June 2020, insurance covered \$4.1 billion of IFC's outstanding commitments. And EBRD has also grown its insurance business with nearly \$950 million in insurance products in 2019.

While they are not able to directly finance borrowers, insurers are able to leverage their risk capital to support development objectives, enabling MDBs to mobilize greater

BOX 3.1: MCPP MOBILIZATION OF INSURANCE COMPANIES

IFC, the private sector arm of the World Bank Group, launched in 2017 its first facility under the Managed Co-Lending Portfolio Program (MCP) to use a credit insurance policy to mobilize insurance companies.

The MCP is IFC's debt syndications portfolio platform, which builds portfolios of emerging-market loans for third-party partners. Initial fundraising efforts targeted public and private institutional investors to directly invest in globally diversified portfolios of IFC clients.

After early success with a fully funded model, IFC began working to develop a new unfunded structure for the MCP that would work for insurers. In September 2017, Liberty Specialty Markets and Munich Re signed master policies with IFC to cover up to 50 percent of the risk IFC would take on its new loans to emerging-market banks over the next two years.

Within 16 months, IFC leveraged \$1 billion of risk appetite from the two insurers to lend \$2.4 billion to 30 banks across 17 countries. The loans supported by insurance directly contributed to the sustainable development

goals: 67 percent expanded access to finance for small businesses, 47 percent strengthened climate resilience efforts, and 43 percent reached fragile or International Development Association (IDA)-eligible countries.

MCP Financial Institutions marked an MDB's first use of an insurance treaty to insure a pool of future loans to borrowers in emerging markets. The facility's success inspired both insurers to replicate the structure—Liberty with the U.S. International Development Finance Corporation and Munich Re with FMO (the Dutch development bank)—and attracted other insurance companies to the MDB mobilization market.

In June 2020, IFC renewed the facility in a groundbreaking expansion that includes a larger envelope, more insurers, and more borrowers. The new MCP Financial Institutions provides \$2 billion in risk appetite from six insurance companies—including two that have never before worked directly with IFC. It will support up to \$5 billion of lending not only to banks but to nonbank financial institutions as well.

private investment into areas in which it was previously lacking. By partnering with MDBs, insurance companies have been able to more systematically provide an input to development impact, and the idea of “impact underwriting” is gaining traction in the industry. The rapid development of the insurance market, a growing and established track

record, and the continued willingness of global insurance companies to consider new assets and pursue innovative structures have cemented their importance as mobilization partners. There remains great potential for MDBs to further deepen these partnerships and continue to scale up unfunded mobilization.

Development Impact of Mobilization

Contribution from the IDB Group

Pension funds, insurance companies, and investment funds hold assets estimated close to a US\$100 trillion.³⁶ For MDBs, tapping into this capital in an effective manner can have important implications to achieve the 2030 agenda. It demands assessing how MDBs are attracting larger amounts of private capital, looking at what drives investors' behavior, and determining how investor needs are evolving.

On the attraction of capital and uses, MDBs have made important progress. For each dollar that MDBs syndicate (or directly mobilize), they stimulate (or catalyze) about two to three dollars in additional lending by private banks.³⁷ This attraction can be at least partially attributed to MDBs' long-term perspective. MDBs promote macroeconomic stability, growth,³⁸ and an investment-friendly environment,³⁹ which are factors that can attract private creditors. MDBs can also use their leverage to influence government decisions and deter adverse events that would weaken the project outcome.⁴⁰

While it has been quite an accomplishment to track and monitor individual and collective amounts mobilized by MDBs, that is not enough to turn the billions mobilized into trillions. To do so requires answering: What are the trends in the mobilization market? What are investors looking for? Can MDBs seize on these trends?

The investment market is very competitive, with many tendencies and innovations constantly emerging. It is not possible to enumerate each one, but one trend of particular note is that private investors' traditional focus on maximizing shareholders' equity is evolving. **Investors are increasingly driven not only by high financial returns but also by investments that deliver higher impact.**

Investors are increasingly driven not only by high financial returns but also by investments that deliver higher impact.

So how can MDBs capture this interest? One practical way for MDBs to look at their impact is through the development effectiveness of their interventions. Development effectiveness can be defined as the degree to which every dollar spent contributes to its intended outputs and outcomes. For example, MDBs can look at the percentage of intended goals that were achieved by one intervention versus another. Although simple, this ratio can help compare interventions with different intended impacts. From this perspective, development **effectiveness can be as important as any aggregate number**—if not more so. For instance, if two same-cost projects are meant to improve access to electricity and one of them achieves half of the expected results, the relevant dimension to compare and report would not be total financing volumes but rather development effectiveness.

In 2019, the IDB conducted a first-approach analysis at effectiveness using the Project Completion Reports (PCRs) on projects that mobilized private financing.⁴¹ PCRs assess results in terms of outputs and outcomes achieved by a project. Hence, they are an objective measure of results because



they comply with core MDB best practice standards⁴² and are validated by independent evaluations. The reports assign a grade to projects that range from 1 to 6, where the higher the number the higher the percentage of outcomes achieved. The result was that a comparison between similar projects with and without private mobilization showed that the former scored higher. In other words, **projects with private co-financers had a higher level of effectiveness.**⁴³ This first step cannot attempt to establish causality, but as data on mobilization grow larger, the analytical understanding and measurement of effectiveness will be able to be refined.

Likewise, IDB Invest in Latin American and the Caribbean determines, from the onset of each project, its development impact potential using its Development Effectiveness, Learning, Tracking, and Assessment (DELTA) tool. In a nutshell, DELTA is a rigorous, fact-based scoring system that assesses each project's development impact—its potential contribution to social and economic development, business performance, and sustainability—and its additionality—to what extent the deal provides terms and conditions better than those available in the market or helps to mitigate risk.

DELTA can also help companies and investors to think more concretely about how to articulate, measure, and manage the impact of their operations and investments more broadly.⁴⁴ These kinds of measures can also help MDBs “brand” certain products to highlight their effectiveness to impact-minded investors. Many different financing tools are available to support sustainable development projects that might benefit from amplifying their high impact scores. Among such tools, thematic bonds are among the most promising in their contribution to closing financing gaps and supporting the SDGs. The market currently offers different types of thematic bonds, which fall into four main categories: green, social, sustainable, and blue bonds. According to data collected by the Sustainable Debt Monitor, sustainable debt issuance had topped \$135 billion a year by early May 2020.⁴⁵

Focusing on the impact of investments and creating and using quantitative measures of impact that investors can use are valuable contributions that MDBs can make to help spur investor interest in supporting their projects and, ultimately, the SDGs.

Some Observations

The subsections in section 3 demonstrate that there has been substantial progress since the 2016 meetings on unlocking private investment. Notably,

- New products can help mobilize investors by creating ways for them to invest based on their preferences, such as unfunded risk transfers.
- Early data show that mobilization matters for development—with more developmental impact from projects that mobilize private funds.
- Impact investing has moved from a boutique product to the mainstream, with standardized definitions and growth in both funds dedicated to impact and impact-oriented allocations from institutional investors.

The trend pieces document the importance of continued efforts by MDBs and show the importance of unlocking private funds, which is further underlined by the present COVID-19 pandemic.

The MDB group has identified ideas that merit exploration for further work to expand mobilization.

New Products. The most energy and excitement in the discussions leading to the writing of the subsections came from the unfunded mobilization products—the task force had several members interested in contributing to this initiative. Such products both bring in a new pool of investors (insurance companies) and can be used to attack a key challenge to unlocking other funds, mitigating risk. Their growth has been one of the most exciting new developments in development finance products. But new products are also a growth area for other investors: green and social bonds are helping grow

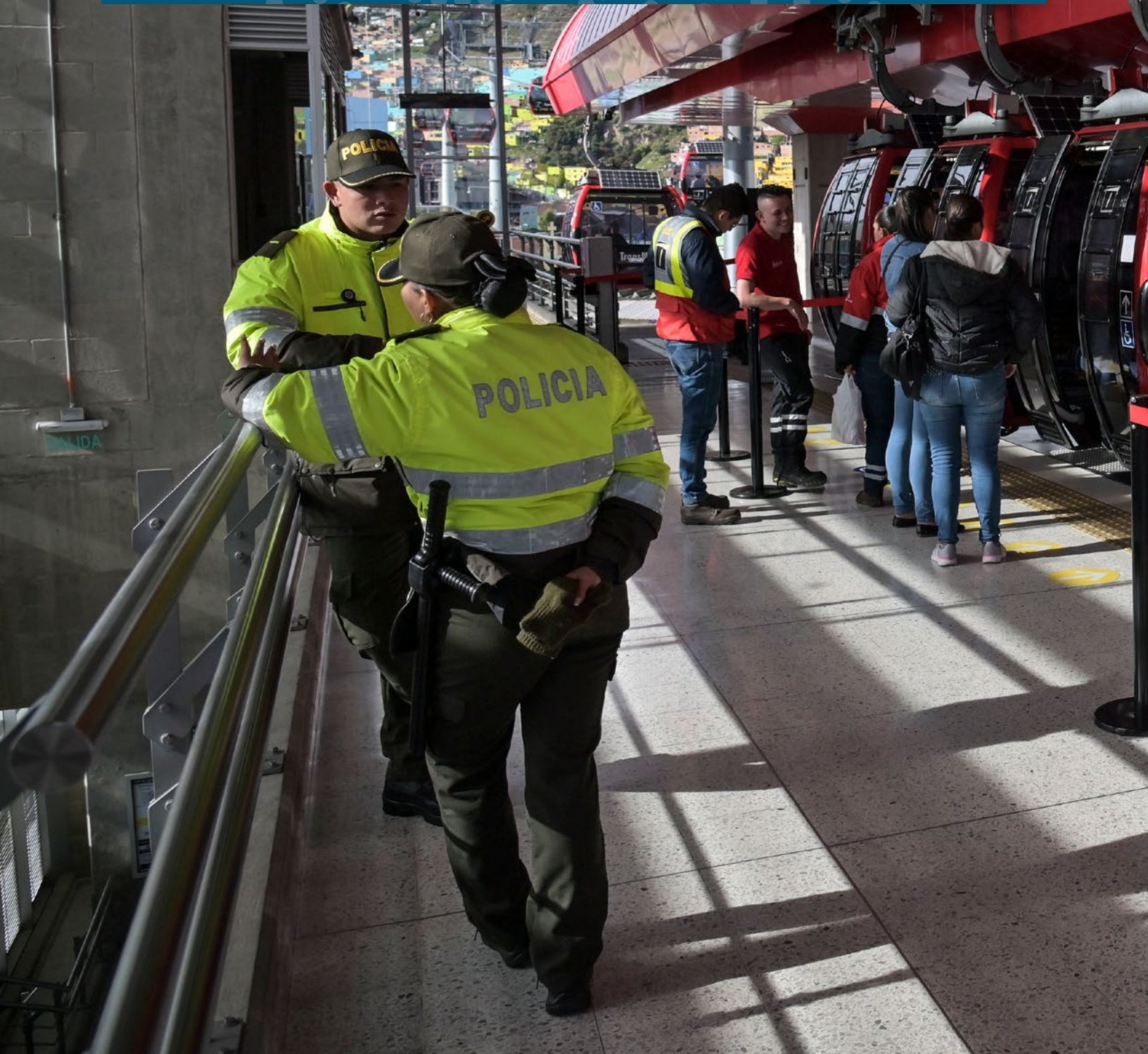
investing from capital market investors such as pension funds, and impact investment has become a “product” with a defined set of standards that are helping drive growth to this market. Overall, MDBs have become more focused on presenting products that meet the requirements from investors.

Target Risk Mitigation. High risk wends its way through these subsections as perhaps the key obstruction to further unlocking funds, even for pure “impact” investors. But it’s important to have the right tools to target the right types of risk. Exchange risk, for example, is a major challenge, and one area of exploration might be expanding unfunded mobilization to cover this risk. MDBs must continue to expand the tools in their toolkits to address risk including through such tools as blended concessional finance and help motivate investors to come off the sidelines.

Better Information. Even four years into this joint effort, it is still difficult to get the right information into the right investors’ hands. Many of the poorest countries and their opportunities are looked at as a much higher risk than they actually are. MDBs have unique capabilities to help address these challenges, and the data to help do so as well.

Overall, the trend pieces reinforce the importance of MDBs’ ideas and solutions to mobilize private investments. Although the environment has been challenging for private mobilization in 2019, the observations and trends highlighted in this *Joint Report* point to a significant potential for MDBs to continue to unlock private funds—which will be of key importance to ensure sustainable development in the years to come.

APPENDIX: DISAGGREGATED DATA





A vertical panel of safety and accessibility icons. From top to bottom, it includes: a family icon, a wheelchair icon, a person with a cane icon, a person with a cane and a dog icon, a person with a cane and a dog with a warning sign icon, a person with a cane and a dog with a warning sign and a red border icon, a person with a cane and a dog with a warning sign and a red border icon, a person with a cane and a dog with a warning sign and a red border icon, a person with a cane and a dog with a warning sign and a red border icon, and a person with a cane and a dog with a warning sign and a red border icon.

CT31
Guided Bolt

Doopelmay



A control panel with a digital display at the top showing '0.000000'. Below the display are several buttons: a yellow button, a green button, a blue button, a red button, and a large yellow emergency stop button. The panel is labeled 'TRANSMILEWID' at the bottom.

THE DATA CONTAINED IN THIS APPENDIX DISAGGREGATE MDBs' combined direct and indirect mobilization from private investors and other institutional investors (including insurance companies, pension funds, and sovereign wealth funds) on a consistent basis. Please refer to the "Joint MDB Reporting on Private Investment Mobilization: Methodology

Reference Guide" (www.worldbank.org/mdbmobguide) for further information and detailed methodologies.

The data are disaggregated by country income group (low-income countries, low-income countries and other least developed countries, middle-income countries, and high-income countries) and by institution, as well as by

region. "Low-income countries," "middle-income countries," and "high-income countries" are defined using the World Bank Atlas method. "Least developed countries" are drawn from the list maintained by the United Nations Committee for Development. Unless noted, all figures are for long-term financing.

ALL COUNTRIES OF OPERATION

TABLE A.1 All Countries of Operation – Long-Term Financing

	Total (US\$, billions)	Of which is infrastructure (US\$, billions)
Direct Mobilization	54.6	10.3
Indirect Mobilization	120.6	51.7
Total Private Mobilization = Co-financing	175.2	62.0

TABLE A.2 All Countries of Operation – Short-Term Financing

	Total (US\$, billions)
Direct Mobilization	5.0

BY INSTITUTION

Note that the Inter-American Development Bank (IDB) Group includes IDB and IDB Invest. The Islamic Development Bank (IsDB) Group consists of IsDB, ICD, ITFC, and ICIEC. The organizations that constitute the World Bank are the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA).

TABLE A.3 All Countries of Operation – Long-Term Financing

	PCf (US\$, millions)	PDM (US\$, millions)	PIM (US\$, millions)
ADB	7,785	1,726.9	6,058.1
AfDB	1,907	851.6	1,054.9
AIIB	1,178	578.6	599.8
EBRD	13,470	511.0	12,959.4
EDFI	7,316	1,809.0	5,507.0
EIB	112,621	34,651.4	77,970.0
IDB Group	4,514	1,112.0	3,402.0
- IDB	262	0.0	262.0
- IDB Invest	4,252	1,112.0	3,140.0
ICD	101	0.0	101.2
World Bank Group	26,273	13,315.1	12,957.4
- MIGA	4,167	3,146.9	1,019.8
- WB	2,648	1,102.0	1,546.0
- IFC	19,458	9,066.2	10,391.6
TOTAL	175,165	54,555.6	120,609.8

TABLE A.4 LIC and MIC – Long-Term Financing

	PCf (US\$, millions)	PDM (US\$, millions)	PIM (US\$, millions)
ADB	7,785.0	1,726.9	6,058.1
AfDB	1904.1	849.1	1,054.9
AIIB	1,052.4	452.6	599.8
EBRD	7,632.3	370.4	7,261.9
EDFI	6,366.0	1,809.0	4,557.0
EIB	10,768.1	3,284.9	7,483.1
IDB Group	4,060.0	848.0	3,212.0
- IDB	244.0	0.0	244.0
- IDB Invest	3,816.0	848.0	2,968.0
ICD	0.0	0.0	0.0
World Bank Group	25,697.0	11,292.7	14,404.3
- MIGA	2,671.7	1,651.9	1,019.8
- WB	2,648.0	1,102.0	1,546.0
- IFC	18,757.2	8,538.8	10,218.4
TOTAL	65,264.8	20,633.6	44,631.1

TABLE A.5 All Countries of Operation – Infrastructure Financing

	PCf (US\$, millions)	PDM (US\$, millions)	PIM (US\$, millions)
ADB	7,232	1,585	5,648
AfDB	813	377	436
AIIB	1,178	579	600
EBRD	3,526	141	3,385
EDFI	3,609	727	2,882
EIB	31,787	772	31,015
IDB Group	1,647	258	1,389
- IDB	0	0	0
- IDB Invest	1,647	258	1,389
ICD	0	0	0
World Bank Group	12,193	5,819	6,375
- MIGA	3,096	2,361	735
- WB	2,565	1,102	1,463
- IFC	6,533	2,355	4,177
TOTAL	61,986	10,257	51,729

BY INCOME CLASSIFICATION

TABLE A.6 Low-Income Countries – Long-Term Financing

	Total (US\$, billions)	Of which is infrastructure (US\$, billions)
Direct Mobilization	1.9	0.6
Indirect Mobilization	4.8	2.0
Total Private Mobilization = Co-financing	6.7	2.6

Note: Low-income economies are defined as those with a GNI per capita, calculated using the World Bank Atlas method, of \$995 or less in 2017.

TABLE A.7 Low-Income Countries – By Institution

	PCf (US\$, millions)	PDM (US\$, millions)	PIM (US\$, millions)
ADB	0.0	0.0	4.0
AfDB	405.2	133.8	271.4
AIIB	0.0	0.0	0.0
EBRD	0.0	0.0	0.0
EDFI	462.0	35.0	427.0
EIB	1,550.0	91.0	1,459.0
IDB Group	0.0	0.0	0.0
- IDB	0.0	0.0	0.0
- IDB Invest	0.0	0.0	0.0
ICD	0.0	0.0	0.0
World Bank Group	4,229.2	1,627.7	2,601.4
- MIGA	819.0	491.6	327.4
- WB	443.0	82.0	361.0
- IFC	2,967.1	1,054.1	1,913.0
TOTAL	6,646.4	1,887.5	4,758.9

TABLE A.8 Low-Income Countries – By Institution, Infrastructure Only

	PCf (US\$, millions)	PDM (US\$, millions)	PIM (US\$, millions)
ADB	4.0	0.0	4.0
AfDB	405.2	133.8	271.4
AIIB	0.0	0.0	0.0
EBRD	0.0	0.0	0.0
EDFI	303.3	24.0	279.4
EIB	663.0	0.0	663.0
IDB Group	0.0	0.0	0.0
- IDB	0.0	0.0	0.0
- IDB Invest	0.0	0.0	0.0
ICD	0.0	0.0	0.0
World Bank Group	1,262.6	469.4	793.3
- MIGA	309.3	266.9	42.4
- WB	425.0	82.0	343.0
- IFC	528.3	120.4	407.9
TOTAL	2,638.2	627.1	2,011.1

TABLE A.9 Low-Income and Least Developed Countries – Long-Term Financing

	Total (US\$, billions)	Of which is infrastructure (US\$, billions)
Direct Mobilization	3.8	1.9
Indirect Mobilization	5.9	2.5
Total Private Mobilization = Co-financing	9.7	4.4

Note: Least developed countries (LDCs) are low-income countries confronting severe structural impediments to sustainable development. They are highly vulnerable to economic and environmental shocks and have low levels of human assets. There are currently 47 countries on the list of LDCs, which is reviewed every three years by the United Nations Committee for Development.

TABLE A.10 Low-Income and Least Developed Countries – Long-Term Financing By Institution

	PCf (US\$, millions)	PDM (US\$, millions)	PIM (US\$, millions)
ADB	363.5	324.7	38.8
AfDB	427.2	155.8	271.4
AIIB	0.0	0.0	0.0
EBRD	9.9	0.0	9.9
EDFI	777.0	80.0	697.0
EIB	1,550.0	91.0	1,459.0
IDB Group	0.0	0.0	0.0
- IDB	0.0	0.0	0.0
- IDB Invest	0.0	0.0	0.0
ICD	101.2	0.0	101.2
World Bank Group	6,826.5	3,486.3	3,340.3
- MIGA	1,222.0	844.9	377.1
- WB	1,484.0	992.0	492.0
- IFC	4,120.5	1,649.4	2,471.1
TOTAL	9,692.0	3,813.1	5,878.8

TABLE A.II Low-Income and Least Developed Countries –
By Institution, Infrastructure

	PCf (US\$, millions)	PDM (US\$, millions)	PIM (US\$, millions)
ADB	328.7	324.7	4.0
AfDB	427.2	155.8	271.4
AIIB	0.0	0.0	0.0
EBRD	0.0	0.0	0.0
EDFI	264.2	24.0	240.0
EIB	663.0	0.0	663.0
IDB Group	0.0	0.0	0.0
- IDB	0.0	0.0	0.0
- IDB Invest	0.0	0.0	0.0
ICD	0.0	0.0	0.0
World Bank Group	2,977.6	1,753.9	1,223.7
- MIGA	672.2	580.1	92.1
- WB	1467.0	992.0	475.0
- IFC	838.4	181.8	656.6
TOTAL	4,332.0	1,933.6	2,398.4

TABLE A.12 Middle-Income Countries – Long-Term Financing

	Total (US\$, billions)	Of which is infrastructure (US\$, billions)
Direct Mobilization	18.7	7.0
Indirect Mobilization	38.2	19.8
Total Private Mobilization = Co-financing	57.0	26.8

Note: Middle-income economies are those with a GNI per capita, calculated using the World Bank Atlas method, between \$996 and \$12,055 in 2017.

TABLE A.13 Middle-Income Countries – By Institution

	PCf (US\$, millions)	PDM (US\$, millions)	PIM (US\$, millions)
ADB	7,781.0	1,726.9	6,054.1
AfDB	1,498.9	715.3	783.5
AIIB	1,052.4	452.6	599.8
EBRD	7,622.3	370.4	7,252.0
EDFI	5,904.0	1,774.0	4,130.0
EIB	9,218.0	3,193.9	6,024.1
IDB Group	4,060.0	848.0	3,212.0
- IDB	244.0	0.0	244.0
- IDB Invest	3,816.0	848.0	2,968.0
ICD	0.0	0.0	0.0
World Bank Group	19,847.8	9,665.0	10,182.8
- MIGA	1,852.7	1,160.3	692.4
- WB	2,205.0	1,020.0	1,185.0
- IFC	15,790.1	7,484.7	8,305.3
TOTAL	56,984.3	18,746.1	38,238.2

TABLE A.14 Middle-Income Countries – By Institution, Infrastructure

	PCf (US\$, millions)	PDM (US\$, millions)	PIM (US\$, millions)
ADB	7,228.4	1,584.8	5,643.6
AfDB	405.3	240.5	164.8
AIIB	1,052.4	452.6	599.8
EBRD	2,084.9	0.0	2,084.9
EDFI	3,074.2	703.4	2,370.8
EIB	2,229.1	0.0	2,229.1
IDB Group	1,247.0	26.0	1,221.0
- IDB	0.0	0.0	0.0
- IDB Invest	1,247.0	26.0	1,221.0
ICD	0.0	0.0	0.0
World Bank Group	9,455.5	3,989.4	5,466.1
- MIGA	1,439.1	746.7	692.4
- WB	2,140.0	1,020.0	1,120.0
- IFC	5,876.3	2,222.7	3,653.7
TOTAL	26,776.7	6,996.6	19,780.1

TABLE A.15 High-Income Countries – Long-Term Financing

	Total (US\$, billions)	Of which is infrastructure (US\$, billions)
Direct Mobilization	33.9	2.6
Indirect Mobilization	77.5	29.9
Total Private Mobilization = Co-financing	111.4	32.6

Note: High-income economies are those with a GNI per capita, calculated using the World Bank Atlas method, above \$12,055 in 2017.

TABLE A.16 High-Income Countries – By Institution

	PCf (US\$, millions)	PDM (US\$, millions)	PIM (US\$, millions)
ADB	0.0	0.0	0.0
AfDB	2.4	2.4	0.0
AIIB	126.0	126.0	0.0
EBRD	5,838.1	140.6	5,697.5
EDFI	950.0	0.0	950.0
EIB	101,853.4	31,366.5	70,486.9
IDB Group	454.0	264.0	190.0
- IDB	18.0	0.0	18.0
- IDB Invest	436.0	264.0	172.0
ICD	0.0	0.0	0.0
World Bank Group	2,195.6	2,022.4	173.2
- MIGA	1,495.0	1,495.0	0.0
- WB	0.0	0.0	0.0
- IFC	700.6	527.4	173.2
TOTAL	111,419.6	33,922.0	77,497.6

TABLE A.17 High-Income Countries – By Institution, Infrastructure

	PCf (US\$, millions)	PDM (US\$, millions)	PIM (US\$, millions)
ADB	0.0	0.0	0.0
AfDB	2.4	2.4	0.0
AIIB	126.0	126.0	0.0
EBRD	1,440.8	140.6	1,300.2
EDFI	231.5	0.0	231.5
EIB	28,894.9	772.1	28,122.9
IDB Group	400.0	232.0	168.0
- IDB	0.0	0.0	0.0
- IDB Invest	400.0	232.0	168.0
ICD	0.0	0.0	0.0
World Bank Group	1,475.3	1359.8	115.6
- MIGA	1347.4	1347.4	0.0
- WB	0.0	0.0	0.0
- IFC	127.9	12.4	115.6
TOTAL	32,571.0	2,632.9	29,938.1

BY REGION

Classification by region follows World Bank Group guidelines, and the definition from 2017 has been maintained to ensure consistency.⁴⁶

TABLE A.18 Africa

	Total (US\$, billions)
Direct Mobilization	5.8
Indirect Mobilization	8.5
Total Private Mobilization = Co-financing	14.4

TABLE A.19 Africa – By Institution

	PCf (US\$, millions)	PDM (US\$, millions)	PIM (US\$, millions)
ADB	0.0	0.0	0.0
AfDB	1462.9	726.7	736.2
AIIB	0.0	0.0	0.0
EBRD	0.0	0.0	0.0
EDFI	2320.2	517.9	1,802.3
EIB	2,497.0	658.7	1,838.3
IDB Group	0.0	0.0	0.0
- IDB	0.0	0.0	0.0
- IDB Invest	0.0	0.0	0.0
ICD	0.0	0.0	0.0
World Bank Group	8,084.9	3,946.3	4,138.6
- MIGA	1,991.6	1,071.2	920.4
- WB	1,698.0	1,040.0	658.0
- IFC	4,395.4	1,835.2	2,560.2
TOTAL	14,365.1	5,849.6	8,515.5

TABLE A.20 Asia

	Total (US\$, billions)
Direct Mobilization	5.6
Indirect Mobilization	12.8
Total Private Mobilization = Co-financing	18.4

TABLE A.21 Asia – By Institution

	PCf (US\$, millions)	PDM (US\$, millions)	PIM (US\$, millions)
ADB	7,716.9	1,712.6	6,004.3
AfDB	0.0	0.0	0.0
AIIB	967.5	578.6	388.9
EBRD	36.3	0.0	36.3
EDFI	1860.6	719.1	1,141.5
EIB	478.9	33.1	445.8
IDB Group	0.0	0.0	0.0
- IDB	0.0	0.0	0.0
- IDB Invest	0.0	0.0	0.0
ICD	0.0	0.0	0.0
World Bank Group	7,279.6	2,578.2	4,701.5
- MIGA	357.1	302.3	54.8
- WB	796.0	12.0	784.0
- IFC	6,126.5	2,263.9	3,862.7
TOTAL	18,339.8	5,621.6	12,718.2

TABLE A.22 Europe and Central Asia

	Total (US\$, billions)
Direct Mobilization	35.5
Indirect Mobilization	85.4
Total Private Mobilization = Co-financing	120.9

TABLE A.23 Europe – By Institution

	PCf (US\$, millions)	PDM (US\$, millions)	PIM (US\$, millions)
ADB	68.1	14.3	53.8
AfDB	0.0	0.0	0.0
AIIB	210.9	0.0	210.9
EBRD	11,659.5	461.5	11,198.0
EDFI	906.0	86.7	819.3
EIB	106,205.1	33,586.8	72,618.3
IDB Group	0.0	0.0	0.0
- IDB	0.0	0.0	0.0
- IDB Invest	0.0	0.0	0.0
ICD	0.0	0.0	0.0
World Bank Group	1,804.0	1,314.9	489.2
- MIGA	205.9	161.3	44.6
- WB	100.0	50.0	50.0
- IFC	1,498.1	1,103.6	394.6
TOTAL	120,853.6	35,464.2	85,389.4

TABLE A.24 Latin America and Caribbean

	Total (US\$, billions)
Direct Mobilization	5.2
Indirect Mobilization	9.4
Total Private Mobilization = Co-financing	14.6

TABLE A.25 Latin America and Caribbean – By Institution

	PCf (US\$, millions)	PDM (US\$, millions)	PIM (US\$, millions)
ADB	0.0	0.0	0.0
AfDB	0.0	0.0	0.0
AIIB	0.0	0.0	0.0
EBRD	0.0	0.0	0.0
EDFI	2220.7	485.1	1,735.5
EIB	1,307.0	0.0	1,307.0
IDB Group	4,513.0	1,112.0	3,401.0
- IDB	261.0	0.0	261.0
- IDB Invest	4,252.0	1,112.0	3,140.0
ICD	0.0	0.0	0.0
World Bank Group	6,572.8	3,620.1	2,952.7
- MIGA	105.3	105.3	0.0
- WB	54.0	0.0	54.0
- IFC	6,413.5	3,514.8	2,898.7
TOTAL	14,613.4	5,217.2	9,396.2

TABLE A.26 Middle East

	Total (US\$, billions)
Direct Mobilization	2.4
Indirect Mobilization	4.5
Total Private Mobilization = Co-financing	6.9

Note: Includes North Africa

TABLE A.27 Middle East – By Institution

	PCf (US\$, millions)	PDM (US\$, millions)	PIM (US\$, millions)
ADB	0.0	0.0	0.0
AfDB	443.6	124.9	318.7
AIIB	0.0	0.0	0.0
EBRD	1,774.6	49.5	1,725.1
EDFI	8.3	0.0	8.3
EIB	2,133.5	372.9	1,760.6
IDB Group	0.0	0.0	0.0
- IDB	0.0	0.0	0.0
- IDB Invest	0.0	0.0	0.0
ICD	0.0	0.0	0.0
World Bank Group	2,531.1	1,855.7	675.5
- MIGA	1,506.9	1,506.9	0.0
- WB	0.0	0.0	0.0
- IFC	1,024.3	348.8	675.5
TOTAL	6,891.1	2,402.9	4,488.2

ENDNOTES

1. Hereafter for brevity, MDBs and DFIs will mostly be referred to jointly as “MDBs.”
2. Mobilization is also referred to as “cofinance,” and the MDB definitions allow use of these terms interchangeably. For clarity and consistency, the term “mobilization” will be used in this report.
3. As defined by the G-20 International Financial Architecture Working Group in the “[Principles of MDBs' Strategy for Crowding-In Private Sector Finance for Growth and Sustainable Development](#)” (April 2017, 12), private investment catalyzed is private sector financing that results from the development impact of an activity or multiple activities of an MDB. It includes investments made as a result of an operation up to three years after completion.
4. For task force membership, see table 1.2.
5. See “MDB Methodology for Private Investment Mobilization: Reference Guide” (World Bank, Washington, DC, June 2018), and table 1.3 of this report for definitions of these terms.
6. See the “2018 Joint Report on Multilateral Development Banks' Climate Finance” (European Bank for Reconstruction and Development, London, June 2019), for reporting on climate-related mobilization specifically.
7. See the IDB Invest blog post, Alessandro Maffioli, Giulia Lotti, and Jozef Henriquez, “Mobilizing Private Finance towards Development,” April 5, 2019, <https://blogs.iadb.org/bidinvest/en/mobilizing-private-finance-towards-development/>, or the original research article, Chiara Broccolini and others, “Mobilization Effects of Multilateral Development Banks” (IMF Working Paper 19/28, International Monetary Fund, Washington, DC, February 2019).
8. United Nations Inter-agency Task Force on Financing for Development, “Financing for Sustainable Development Report 2020 (New York: United Nations, 2020), xvii.
9. See the next subsection for definitions of direct, indirect, and total mobilization.
10. UNCTAD, “Global FDI Flows Flat in 2019: Moderate Increase Expected in 2020” (Investment Trends Monitor 33, UNCTAD, Geneva, January 2020), notes that while flat overall, East and Southeast Asian foreign direct investment declined by 6 percent; all but one of the countries in this region are MICs.
11. UNCTAD, “Global FDI Flows Flat in 2019.”
12. Bain & Company, *Global Private Equity Report 2020* (Boston: Bain & Company Global Private Equity Practice, 2020), 12.
13. This report does not measure public mobilization.
14. For the current fiscal year, low-income countries are defined as those with GNI per capita (calculated using the World Bank Atlas method) of \$1,035 or less in 2019; lower-middle-income economies are those with a GNI per capita between \$1,036 and \$4,045; upper-middle-income economies are those with a GNI per capita between \$4,046 and \$12,535; high-income economies are those with a GNI per capita of \$12,536 or more. See more information at “World Bank Country and Lending Groups,” World Bank Data Helpdesk, <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>. There are currently 47 countries on the list of LDCs that is reviewed every three years by the Committee for Development and, for 2018, 34 LIC countries, so LDC is a broader measure. See also note 21.
15. This focus is set by consensus of the MDBs on the task force, which recognized that although mobilization in higher-income countries may be part of the mandate of some member institutions, it is not for most of them and does not reflect the orientation of this report and MDBs overall toward maximizing impact in developing countries.
16. World Bank, *Joint MDB Reporting on Private Investment Mobilization: Methodology Reference Guide* (World Bank, Washington, DC, 2017). <http://documents1.worldbank.org/curated/en/495061492543870701/pdf/114403-REVISED-June25-DocumentsPrivInvestMob-Draft-Ref-Guide-Master-June2018-v4.pdf>
17. Some projects begin owing to outreach from clients. These represent a small minority of MDB projects and, even in these cases, the MDBs consider that the value added from MDB participation is mobilizing in itself. However, clients can and often do count some amount of indirect mobilization (“sponsor financing”), and this figure is not included in the direct mobilization amounts recorded in this report.
18. See for example IFC's 3.0 strategy, in *Strategy and Business Outlook FY20–FY22*, 15, for a discussion of the IFC focus on upstream.
19. PIM is also defined as Private Co-Financing less PDM.
20. Inter-American Development Bank and Islamic Development Bank data are based on approvals. All amounts are U.S. dollars.
21. The UN defines less-developed countries through an annual review process, conducted by the UN Department of Social Affairs. It includes LIC status as one of three criteria; the others are human assets and economic vulnerability. There are 47 countries with LDC status and 34 LICs.
22. Note that these figures include a very small amount of high-income country mobilization per region, impossible to remove because data on mobilization are not collected by income group by region. Thus, the sum of those figures will not equal the \$64.1 million reported earlier in this section and in figure 2.1, and also because this regional breakdown does not include Europe, which is primarily high income. Note that members currently report mobilization by income group and by region, but not by income group by region.
23. IFC provided content and data for this piece as well.
24. William Towers Watson, *Total Value of the World's Twenty Largest Pension Funds*, September 2019.
25. OECD 2019 *Survey of Large Pension Funds and Public Pension Reserve Funds*, p 42-44; 2015 *Survey*, p. 29-30 (referred as “OECD surveys” hereafter). There are different funds selected by OECD for each analysis, making these figures illustrative but not directly comparable; the funds are the largest as of that printing.
26. Meanwhile, several investors not covered in the OECD surveys are known to have a strong presence in this sector, such as Canada Pension Plan Investment Board (CPPIB), Ontario Municipal Employees Retirement System, Temasek Holdings, and Abu Dhabi Investment Authority. A few notable exceptions surveyed by OECD include Sweden AP1, BBC Pension Scheme, and New Zealand Superannuation Fund, which make certain allocations to infrastructure in emerging markets, including in Asian countries. For more details, see OECD, “Annual Survey,” 2014, 2015, 2018, and 2019.
27. OECD, “Annual Survey,” 2019, 14.
28. Institute of International Finance, “The Case for Simplifying Sustainable Investment Terminology,” 2019.
29. European Commission (2019). European Commission. (2019, June 18). EU taxonomy for sustainable activities. Retrieved from https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en.
30. Defined as “investments made into companies or organisations with the intent to contribute to measurable positive social or environmental impact, alongside financial returns.” See “Operating Principles for Impact Management,” <https://www.impactprinciples.org>.

31. European Commission, "EU Taxonomy for Sustainable Activities," 2020, https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en.
32. These are (a) climate change mitigation, (b) climate change adaptation, (c) sustainable use and protection of water and marine resources, (d) transition to a circular economy, (e) pollution prevention and control, and (f) protection and restoration of biodiversity and ecosystems.
33. Morgan Stanley, "Sustainable Reality: Analyzing Risk and Returns of Sustainable Funds" (Morgan Stanley Institute for Sustainable Investing, New York, 2019).
34. GIIN annual impact investor survey 2020, based on 2019 data.
35. Excludes short term finance.
36. World Bank, IMF, OECD, "Capital Market Instruments to Mobilize Institutional Investors to Infrastructure and SME Financing in Emerging Market Economies: Report for the G20" (working paper, World Bank, Washington, DC, 2015).
37. C. Broccolini and others, 2020. "Mobilization Effects of Multilateral Development Banks," 12.
38. B. J. Eichengreen and A. Mody, 2001. "Bail-Ins, Bailouts, and Borrowing Costs". (IMF Staff Papers, 47, 2001), 155–87.
39. P. Kidwelly, ed. "Principles of MDBs' Strategy for Crowding-In Private Sector Finance for Growth and Sustainable Development" (G20 International Financial Architecture Working Group, 2017).
40. C. Hainz and S. Kleimeier, 2012. "Political Risk, Project Finance, and the Participation of Development Banks in Syndicated Lending," *Journal of Financial Intermediation* 21(2): 287–314.
41. For more information, see Francisco Castro y Ortiz, "Boosting Impact of Development Projects in the Public Sector with Private Investments," *IDB Impact*, October 22, 2019, <https://blogs.iadb.org/efectividad-de-sarrollo/en/boosting-impact-of-development-projects-in-the-public-sector-with-private-investments/>.
42. Impact evaluations and cost-benefit and cost-effectiveness analyses are tools used in PCRs. See <https://www.iadb.org/en/office-strategic-planning-and-development-effectiveness/development-effectiveness>.
43. Francisco Castro y Ortiz, "Boosting Impact of Development Projects."
44. See Viviane Azevedo, "Impact Management in Action: Takeaways for the Private Sector," <https://blogs.iadb.org/bidinvest/en/impact-management-in-action-takeaways-for-the-private-sector/>.
45. Sonja Gibbs, Khadija Mahmood, and Emre Tiftik, "Sustainable Debt Monitor: Social Bonds to the Rescue," Institute of International Finance, May 12, 2020.
46. In 2018 the World Bank changed regional definitions, but the MDB Task Force elected to keep reporting with the 2017 definitions to ensure consistency among years.