Crowding in:

An advanced approach for measuring and disclosing private capital mobilisation

Executive summary

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

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

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

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

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

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

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

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

MEASUREMENT

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

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

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

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

DISCLOSURE

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

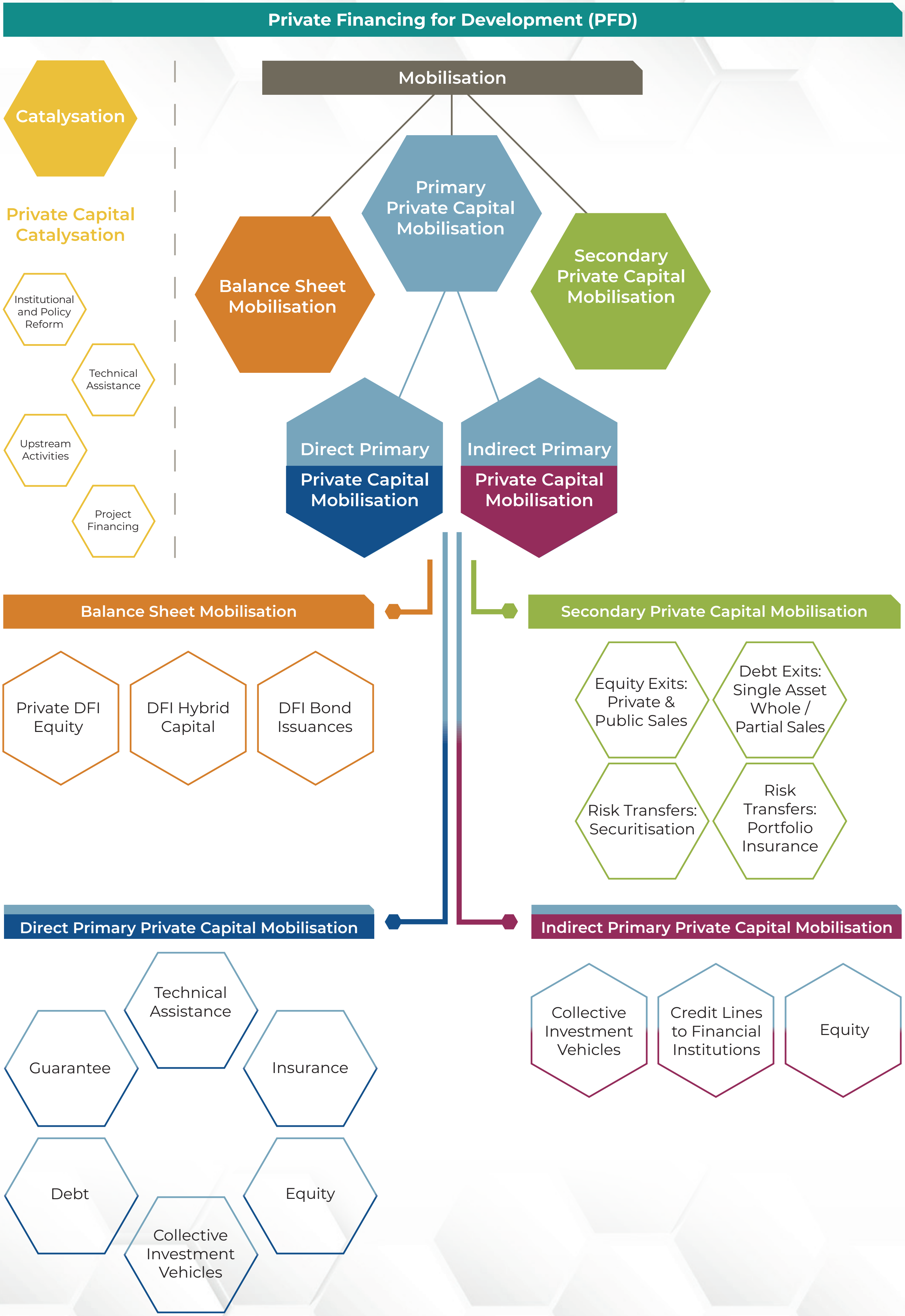
Generally, PCM disclosure is currently aggregated, with only limited levels of disaggregation. This is problematic for several reasons. Not all mobilised capital is equal – the amount of risk taken by private investors varies dramatically between instruments and contexts. Aggregation also masks outliers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

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

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

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

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


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

DISCLOSING MOBILISATION

Our proposal

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

Current disclosure practice

2 out of 3 disclosed

	Investment	Investment value	Total amount mobilised	Geography	Investment instrument	Sector	Disaggregated amounts mobilised	Mobilised party typology	Mobilised party name
Bilateral DFIs ODA in OECD	Kenya Cement	$6m	$5m	Kenya	Loan	Infrastructure			
MDBs in OECD	Multiple Investments	$100m	$75m	Kenya	Loan	Infrastructure			
MDBs in joint report	Multiple Investments	$500m	$300m	Africa					