What We Don't Know Can Hurt Us: Better Measurement and Disclosure of MDB Private Finance Mobilization Data

Oct. 23, 2024 | 2:00—3:30 PM ET

Nancy Lee:

So great that you all are attending this particular conversation. As you know, our topic today is mobilization of sustainable development and climate finance. I don't think I need to tell this audience why that's so important and why it's so high on the agenda for MDB reform. Just a couple of numbers. According to the MDB joint report itself, their collective annual mobilization of private finance is something around $70 billion a year, at least in the most recent year. And according to the Independent Experts Group to the G20 that was published last year, an additional $240 billion in MDB catalyzed private finance is what's necessary for the MDBs to play their role in filling these enormous finance gaps by 2030.

I can go on at length about what's behind the $240 billion. I will not. This is not going to be a conversation about the size of finance gaps. Instead, we deliberately titled this conversation, What We Don't Know Can Hurt Us. So you might ask why we did that? And I guess I would answer with a shortfall of that magnitude even if there's obviously uncertainty about the numbers, it seems to me you'd want to start with a pretty robust understanding of the current landscape, the current data that would enable you to understand the nature of the challenge. You'd want data to show where the greatest mobilization performance has occurred so far, and you'd want data to show where it hasn't occurred so you have some sense of what needs to change in order to improve performance.

So if we all were engaged in this analytical effort, we might want to ask questions like the following. Which sectors at a fairly detailed level have offered the greatest mobilization volumes? Has that changed over time? Is the pattern of sectoral mobilization different for low-income countries than for middle-income countries? Which financial instruments are the most catalytic? How does mobilization vary by country? Is mobilization per dollar of MDB finance higher for middle-income countries than lower-income countries? What are the characteristics of countries where mobilization per dollar is highest? Is it mostly driven by country income level or are other factors present in countries where mobilization is high? Where should concessional finance be deployed to have the greatest mobilization and market building impact? And how much mobilization can be achieved through transferring bundles of assets to the private sector as opposed to a transaction-by-transaction approach?

And I would submit to you, of course, I'm fascinated by these questions as a researcher, but I am not the only stakeholder that would benefit from the answers to these questions. But the truth is we don't know the answers to these questions because we don't have enough data to answer them. And that's a pretty striking observation at a time when the urgency and importance of mobilizing more private finance is critical. That's the core of the challenge we're discussing today. That's why the work of Publish What You Fund is so important and so timely.

To quote one of my favorite authors, James Baldwin, in an entirely different context, "Not everything that is faced can be changed. But nothing can be changed until it is faced." So achieving much better mobilization results cannot be done without a clearer understanding of what's working and what's not working. And by the way, this need for better understanding is also relevant to another information challenge, which is data on the credit performance of the multilateral development banks, the famous GEMS database which may come up in today's conversation.

So we are fortunate to have with us here Gary Foster, who is CEO of Publish What You Fund. And I also want to call out two of his colleagues, Sally Paxton, who's the US representative for Publish What You Fund, and Paul James must be somewhere in the audience who was instrumental in driving this report. So Gary's going to present the report briefly and then we're going to have a conversation with a really excellent panel that is going to represent the public stakeholder views as well as private stakeholder views. We will definitely leave time for questions and issues at the end, so be thinking about what issues you want to raise. So without further ado, over to you Gary.

Gary Forster:

Thank you Nancy, and good afternoon everybody. As Nancy said, I am Gary Foster. I'm the CEO of Publish What You Fund. I'm here to give you an overview of why this work matters, the process we followed, and our key recommendations. If you don't know Publish What You Fund, we are a small independent NGO focused on driving transparency in the development space and using data to share understanding of impact and spending. I want to thank CGD, particularly Nancy and Samuel for hosting today's event. We were here back in April when we presented a draft of our recommendations. These focused on both the measurement and disclosure of private capital mobilization. Over the last six months, we've consulted with multilateral development banks, bilateral DFIs, shareholders, experts, and the private sector. We want to thank everyone for their time and advice, including the technical specialists at MDBs and DFIs, and of course the OECD.

All of this has allowed us to learn and refine the solutions we present today. But first, let's remind ourselves what is mobilization? In short, it's the ways which DFIs can attract private finance, whether into individual investments or through the sales of assets from their portfolios. Our report argues that current methods for measuring and disclosing these efforts are inadequate, and we present a new approach that captures innovative instruments, develops new categories of mobilization, such as primary and secondary mobilization and aligns incentives that could drive greater mobilization overall. We also call for much more disaggregated data.

So why does private capital mobilization or PCM matter? Whether it's the climate crisis, ongoing conflicts or the widening SDG financing gap, public resources are stretched and it's clear we need other sources of capital. This has fueled calls for reforming development banks and tapping the private sector to help bridge this financing gap. Consultation has been an important principle as we sought to develop an improved approach to measurement and disclosure. A significant part of our consultation has been with the private sector. While it's a diverse landscape, by engaging with a variety of organizations, many of whom are clients of DFIs or are investing alongside them, we believe we've gained a good understanding of the sector's data needs, their concerns, and in many cases their lack of concerns.

In 2023, as Nancy mentioned, the G20 independent expert working group called for annual mobilization to reach $240 billion by 2030. After stagnating just under $64 billion for a number of years, the latest MDB joint report disclosed total mobilization of approximately $71 billion for 2022, with direct mobilization amounting to only $23 billion. Now, that's $23 billion directly mobilized by multilateral development banks and development finance institutions whose combined balance sheets are measured in the trillions of dollars.

In short, the current pace of private capital mobilization growth is insufficient. Something isn't working, and without better measurement and disclosure, we won't know what's wrong or how to fix it. While helpful in driving debate and momentum, the two leading approaches to capturing mobilization overseen by the OECD DAC and the MDB mobilization task force have their limitations in both measurement and disclosure.

So that's why we are here today launching our final recommendations along with a detailed annex outlining the methodology to help these institutions implement these changes. Our recommendations on measurement include primary investments, both direct and indirect as well as secondary investments. Balance sheet operations, which we are now proposing be treated akin to catalyzation should be reported, but we propose not counted as private capital mobilization. And crucially, data from all categories should be reported separately to prevent double counting and provide maximum insight. The new schema illustrates these changes.

In the full report you'll find the full diagram detailing the instruments driving each type of mobilization. So if adopted our proposed changes to PCM measurement will boost overall mobilization figures. And adoption is looking likely. BII's new methodology is closely aligned with what we are recommending. Both the OECD and the MDB mobilization task force are considering reforms to their own approaches that also reflect our recommendations. And we're hopeful our ideas will also feature in upcoming G20 outputs. But with larger figures comes the need for greater transparency, understanding where the numbers are coming from and importantly where they aren't. So that's why this new measurement must be paired with detailed disaggregated disclosure. The current level of aggregation hampers the scale-up of private sector investments. It obscures the effectiveness of various instruments. It masks outliers, and it prevents meaningful analysis of what works and what doesn't.

Our final recommendation calls for disaggregated data by investment, by geography, by instrument sector, mobilized amounts, the typology of the mobilized party and the type of mobilization. Crucially, and in response to DFI concerns, we are not asking for the disclosure of the mobilized party's name. And this is all reflected in the new schema, which is in the report and on the screen at the moment. In developing this proposal, we considered concerns from DFIs about commercially sensitive information and the views of their clients regarding the sharing of mobilization data. We believe that project-level disclosure by typology without naming clients, strikes the right balance between transparency and protecting sensitive information. We've also included exemptions for certain investment types that warrant less granular disclosure.

We've made significant efforts to collaborate with MDBs and DFIs listening to and addressing their concerns, which is why it's particularly disappointing that none of them have joined our panel today to publicly discuss these recommendations. When we launched this work in April, the MDBs and DFIs raised concerns about commercial confidentiality. In fact, on this very stage, we had a leading MDB express concerns that commercial confidentiality and client sensitivities were preventing them from sharing detailed mobilization data. As a result, over the past six months, we have delved into these issues regarding commercial confidentiality. We began by examining commercially available market data sets. One is displayed on the screen right now.

This example, which is included in the report in detail, shows the first three of 12 pages from a green energy loan deal, the kind of transactions that DFIs undertake themselves. We've redacted some of the details here, but if you're willing to pay the providers of this data, you can access the names of all the participants in the loan, their interest rates, their roles, their fees, financial governments, all sorts of financial information. And you'll also gain access to 450,000 other similar deals to this. This is the very information that DFIs have told us isn't shared in the private sector. We know that many DFIs use these datasets for their own analysis. However, as far as we understand, most don't actually contribute deal data to these same datasets.

Next, we examined the other argument from MDBs and DFIs that their clients would be unwilling to disclose this information. So building on earlier client research, which we undertook in 2022, we have just spent another six months consulting with a diverse group of investors, including funds of funds, global investment management firms, family office, university endowment managers, a fund manager, foundations and asset managers. Collectively, they represent the types of investors that co-invest alongside development finance institutions. And indeed in many cases are the clients of development finance institutions. Every one of them agreed that our proposal, including identifying the mobilized party by typology is reasonable and achievable. They acknowledged this information would allow for reverse engineering to identify the parties in the deal, but were not concerned by this. We also heard from them that the lack of disaggregated data discourages private sector investment as missing information leads to market inefficiencies and raises the cost of doing business with development finance institutions.

Now let me be clear. Our report does not say that every deal must be disclosed, but we believe that the majority can be. We believe that changes to restrictive disclosure practices in the contracting processes are absolutely essential for investments subject to specific rules located in certain jurisdictions or where personal safety of investees is a concern. These can be managed accordingly using exceptions processes. So it's time to meet the moment. Needs are only growing. Budgets are already strained and business as usual won't suffice. Banks are asking for more resources but are failing to provide the necessary information for accountability, analysis and learning. Potential investors are clear that they need this information to understand the opportunities and make informed decisions about how they contribute. Shareholders must demand this information.

For 25 years we've seen similar initiatives to this one, including a piece on commercial confidentiality launched here six years ago by World Bank executives. Unfortunately, the MDBs and DFIs continue to use the same old arguments against better transparency. So our proposal offers the evidence analysis and concrete steps necessary for MDBs and DFIs to engage the private sector at the required scale. However, this will require changes to their contracting processes. And we shouldn't underestimate the potential knock-on effects of this. The justifications DFIs use for not disclosing private capital mobilization information are the same arguments they use to explain the lack of meaningful impact data, data relating to gender investments, data relating to climate finance, the IDA private sector window, trade finance, and as Nancy mentioned, data relating to risk defaults and recovery. So also known as the GEMS data.

Even the World Bank's new transparent corporate scorecard, which is supposed to allow for outside verification at the investment level only provides aggregate data, aggregate mobilization data from the IFC. We cannot be stuck with outdated and overly aggregated information. The deal was signed this week. Indeed, while we're in this room, should not suffer the same fate. We need to change now so that all future deals can be disclosed rather than having their true value locked away in aggregate reports.

So before I hand over to Nancy, I want to extend my gratitude to the Publish What You Fund team for their hard work, especially Paul James who led the research. I want to recognize my colleagues Sally, Sam, Ryan, Ella and Henry for all of their contributions. I'd also like to say a special thank you to Thomas Venon and the team at the Center for Development Finance Studies for facilitating many of our meetings with DFI clients and mobilized parties, not just in this work, but previously also. And a final thank you to the MDB Challenge Fund who funded this initiative.

Nancy Lee:

Thank you very much, Gary. That was a remarkably lucid and helpful presentation. And very important to emphasize the point he made that this is an independent study, but it was not done in isolation. There was a huge amount of consultation with a whole range of stakeholders to put this together. So it's done a lot of work that I think that will be beneficial to everybody.

So let me start by introducing our panelists and then we can plunge into a conversation. So first we have Nick Anstett, who's Managing Director of Pollination, which is a climate change investment advisory firm. Then we have Chris Eleftheriades, who's Executive Director of Lion's Head Global Partners. So we've got private sector side covered. Then we have Margaret Kuhlow, Deputy Assistant Secretary for International Development Finance and Policy from the U.S. Department of the Treasury, whose voice on these matters of course is very important. We have Haje Schütte, Deputy Director, Development Co-operation Directorate, of the OECD. And then we have the equally important shareholder Phil, well perhaps not in size, but...

Phil Stevens:

Type of innovation.

Nancy Lee:

... in voice, head of International Financial Institutions for FCDO in the UK.

So, we're going to really try to bring together a variety of perspectives here. And we're going to start with the private sector. So I want to just start with you, Nick. Your firm is in the business of trying to clear away roadblocks to climate-related investment. So we're talking about one particular kind of roadblock today, which is an information gap, which is impeding the opportunities for the private sector among others to identify where co-investment with the MDBs is most possible.

So if you could do two things, if you could give us an overview of what kinds of information and what levels of disaggregation in information are most useful to your clients? And then if you could react to the proposals that Publish What You Fund is making and how well they respond to your clients' needs:

Nick Anstett:

Certainly. I'll react quickly and flip the order. I think the only reason Sally invited me here was because I attended a spring meeting session on this and halfway through I finally stopped biting my tongue and said, "Why are we even here? How is this stuff not already actively disclosed?" In fact, I find most of this information on PitchBook and CapIQ and DealScan and places like that anyways. And so I was a bit flabbergasted sitting there. So that was my reaction. My reaction is I think they're great recommendations. I'm surprised that it takes this long to get through this. So eager to hear some of the views of the other panelists and questions from other people afterwards.

But let me talk about why I feel that way, some of the types of information that people need, the level of disaggregation that folks need. I think a critical reminder from the private sector seat is the fact that finance thrives on precedent. It's absolutely critical to everything folks do, whether it's precedent, transaction or comps, that you need to be able to build your financial model. Whether it is precedent in docs that help you paper the transaction quickly and efficiently, track records so that you understand how to trust people. Precedent is critical.

And so we have countless clients come to us, even the last six months. Some, our own internal investment funds and some external funds from a large global coffee chain that wants to channel capital into its supply chain for regenerative agriculture, and senses that perhaps development and blended finance could be a critical partner in what they're doing. A large established OECD renewables investor that wonders if they're leaving certain investor relationships on the table because they're not operating in more frontier and emerging markets. And again, wondering whether a blended strategy could be part of the next fund and what that looks like.

An established blended finance manager that's pushing into new sectors around adaptation and resilience and needs to mobilize capital there. And again, just needs to know who's investing in those sectors? What are the precedent transactions? Countless other examples like that. And everyone's coming to us with transactions. Countless other examples like that, and everyone's coming to us with sort of the same basic question off the start. Who is investing in these sectors, in these regions? Where are the precedent transactions that we can learn from? And who do I go to for partnership on some of these things either early in a co-development phase or later when I'm actually looking for that investor target list? And the steps that we take aren't too dissimilar from what most people in the financial world would take. It's quickly go down and download a couple dozen different transactions relevant to what you're talking about from PitchBook or DealScan for loan information. Go to Convergence and download anything that we can get out of the Convergence. Go straight to some of the DFI websites. GCF concept papers are a treasure trove of data on sort of granular disaggregated data on financing.

So go and download that stuff. Where there's still gaps, go and search for press releases because most institutions are disclosing this stuff in press releases. And you piece together this picture. Now we luckily have subscriptions to these things, which probably cost us upwards of a hundred thousand a year across the different seats that we have, but the information's there in many cases and can be pieced together. We're often doing that. Now, people are looking for those precedents. They know that that information is there already, but it's expensive to go and find that information and super inefficient. And we've had a whole host of folks that are looking at the development finance space to be able to push into climate action, nature action in emerging markets that want to get into this space and don't know how to navigate and access it.

And this is one of the most critical entry barriers for people that they come to us on. So that isn't even the folks that have been around like Lion's Head for ages and know this space pretty well and probably know most of this information through their personal relationships and experience working with those institutions. This is again, a large CPG company that's never really interacted with the space and they need to get over that hurdle. So that's sort of the why. Why do we need this? What type of information are people looking for? That's a really big thing. They just need precedent. They thrive on precedent in a big way.

Nancy Lee:

Well, that's pretty compelling, Nick. And of course what everybody is trying to do is bring new actors, new private actors into this space. And so there are those who have their own transaction experience and access to private databases, but there are those who don't. And to achieve these large increases, we need to bring in those who don't. And then the other thing I would say is from a shareholder perspective... I'm not going to speak for shareholders, but they're being asked to put additional resources in these development banks, partly in capital, partly in concessional finance. That's hard and expensive. This is relatively low cost and makes better use of a public sector good. So I think this is part of why this conversation is so important.

Nick Anstett:

Yeah. I mean, if I just really quickly on the flip side, right? So on the DFI side, because we work with a lot of DFIs as well and we can come to commercial confidentiality and the reality of that. But on the flip side, there's huge benefit to this information being either from the DFI side. There's a reason why so many banks and others participate in DealScan, the LSEG platform or put press releases about their deals. It is free marketing. You put yourself out there and you say, we've done a wastewater treatment facility investment or a loan in Sub-Saharan Africa. The next potential client that needs to get that financing, who's the first person that they reach out to?

The one that they saw the press release for. So it's free advertising. On the DFI side, you're saying this is where we're looking for deal flow. This is our buy box and it advertises it to the world and it means, one, you don't get people like me or other new institutions coming to them with something that's so far off mandate and so unreasonable for what they're looking for. So you're not wasting their time in that and you get an influx of good deal flow that's coming to you. So that's why people in the private sector put this information that they're quite publicly. It's free advertising.

Nancy Lee:

Yeah, yeah. Okay. Well, then let us turn to Margaret. And we understand... I mean I think Secretary Yellen in this very room when she gave her sort of seminal speech about the importance of MDB reform, emphasized private mobilization just as much as the other aspect of reforms. Taxpayer dollars should be as catalytic as possible. It's good for the taxpayer. And the recipient countries are no less interested in developing in private sector as well as public finance for it. But you and your colleagues, the Treasury will be faced with decisions about where to put additional resources, concessional and non-concessional. So what information do you want that will help you make better decisions and that will help you track performance of the institutions so that you can hold them accountable and report to the taxpayers and the Congress and others who are ultimately providing this money.

Margaret Kuhlow:

Small question.

Nancy Lee:

Yeah.

Margaret Kuhlow:

So thanks a lot for having me here and thanks a lot to Publish What You Fund for all the work that you've been doing really over the last year on this. I think that the conversation that it has spurred has been extremely constructive. We've seen it's helped us in our advocacy to increase availability of this data. Obviously to serve the overall point of increasing private capital mobilization overall. But [inaudible 00:33:01] going to go into a little bit more detail on that. And it's helped us push the institutions and provide what looked like perfectly workable frameworks to go forward.

So there's the advocacy piece and then it's followed up with a very practical piece. So we appreciate that very much. So we think about it... I want to think about this or describe this in three different ways. So there's accountability, there's effectiveness, there's efficiency. From an accountability... Maybe I should start from the beginning. The reason we care about this at all is as you said at this top, there's not enough public money to go around to solve all the problems we need to solve. And clearly some of the problems that we need to solve can be addressed also with private capital. How do we get private capital in the place where we need the private capital? One of the tools is through the MDBs, not the only tool.

But one of the tools is through the MDBs and the more they are able to show what their own mobilization performance is by country, by project, by sector, as we've talked about, the better able we are to see that the second point is around efficiency. So grant capital is the most expensive piece in the entire development finance infrastructure. The lending capital is a little less expensive, et cetera. We want to make sure that we are spending the grant capital where it's most needed. The other half of that question is where do you not have to spend it? Where can you lever? Where can you bring in the private sector? So I think that that efficiency is extremely important and getting more data helps us understand where we really need to target the most expensive part of the capital and where we can encourage the institutions to lean on their own ability to lever.

And then you have effectiveness, and this gets to the question, some of the data is reported really at the gross level. That doesn't really help you very much because it doesn't tell you if sector X in country Y is a place that is ripe for private capital investment because it's all rolled up in these big numbers right now. So I think you can't be as effective in the use of either the application of grant capital or encouragement of private capital without additional detail on the data. I want to touch on two other points is there's a set of internal incentives within the institutions and then there's kind of external incentives. So in terms of internal incentives, I think we've made a lot of progress over the course of the last two years in the context of the overall MDB evolution effort in encouraging the institutions to set targets around private capital mobilization.

And now we are seeing private capital enabling as well. Let me get to that separately. Setting a clear target of private capital mobilization and then being really clear on how it's measured helps to set that internal incentive structure so that teams understand, I'm not going to be rewarded as much for own account financing as I could potentially be for levering the funds I have to bring in a bigger deal at the end of the day. Now we don't want... And this is where you need more granularity.

We don't want the internal incentive structure to send the institutions away from small markets, hard markets, poor markets. So you can't just have a target for private capital mobilization. You have to be able to decipher where you apply that private capital mobilization target. So inside the institution you think you want this much more granular data so that you can better understand where you should be mobilizing and where you can't and you still need to focus. And you want people to understand and be equally incentivized to do the hard stuff in places where you're just not ever going to get an institutional investor because that's also important critical role for the institutions.

Now in terms of the external incentives, interestingly we all face this tremendous pressure on the numbers. The MDBs have to do more, right? The MDBs have to put out more money on climate. The MDBs have to put out more money on name your area of import. Yes they do. But the more you push the MDBs for a big number, the more you provide a disincentive for them to be working on the private capital mobilization. So this is how we've been thinking about there's always pressure, do a capital increase, you have the institution's bigger, they could do so much more. Well, what we've seen from the institutions that are relatively cash rich, they do a lot less private capital mobilization.

Because they don't have to. And the institutions that are really tight on money are a little bit more effective in figuring out how they mobilize others. Whether it's other DFIs, which is important, it's not private capital, but it's also important for the system to be working together but also on private capital. So I think you have to look at the accountability, the efficiency, the internal set of incentives and the external set of incentives. And I say overall the conversation has really enabled a much better discussion on all those lines. And the solution for where to get more granular is very helpful.

Nancy Lee:

That's a really clear description of the sort of dimensions of the problem. And your point about the institution judged by the volume of their own finance, both including capital decisions versus their mobilization is critical. And this target setting that you mentioned, it's really important how the target is set. Because just as you said, if you just focus on the volume of mobilization in any given year, you can incentivize countries to go to places, relatively high-income places where you can get that number big. As opposed to if you set a target that says how many dollars of mobilization are you achieving per dollar of your own commitment, then that may be very different. The picture may be very different when you look at different country income levels. We don't actually know if it's the case that mobilization per dollar of commitment is very significantly lower in poor countries.

That would be nice to note. And it would be good inside the institutions too because it would help get the incentives right. Okay, I'm going to turn directly to Phil rather than going back to the private sector. Because really important to get... You would have the same kinds of considerations as you make your decisions. But then Margaret raised a point about some of the more innovative institutions focused on new kinds of mobilization like the African Development Bank and its big risk transfer operations. So A, what information do you need for your decisions or your agency's decisions? And B, what do you think about these new forms, these portfolio level transactions?

Phil Stevens:

Okay, great. I'll try and hold those two questions in my head. One thing I've learned from interviewing people is you never ask two questions at the same time. Because they always always [inaudible 00:40:40] a second, but I can always come back to you if I do. Look, it's great to be here. I completely agree with everything that Margaret just said. I suppose the way I would articulate it in terms of how we allocate money and the data we need to do that is that there are different problems that the world is trying to solve. So one problem is how do we mobilize investment that are really large scale? For example, the energy transitions, we need to see middle income countries where there's an opportunity to mobilize loads, loads, loads more. And we need some of the data that we've just been talking about this morning about mobilization to understand much better how it is we can mobilize at that scale to deliver that.

And that includes getting money from institutional investors, pension funds, insurance companies to really reach the scale that we're just nowhere near at the moment. But there are also other problems we're trying to solve with DFIs that are investing in the private sector. So for example, there's loads of really fragile countries where there's very little private investment and actually we want MDBs like IFC, like the African Development Bank to be doing really transformative difficult investments in those countries that create lots of jobs that prove that these economies are investable. And actually some people would say that can also help build stability and a positive virtue of circling some of those economies as well. And I hear what you're saying Nancy about the fact we don't know whether some investments are mobilized more or less in different contexts, but I think our experience under know the experience of our own DFI BII is that they've invested in some really hard risky investments in some of those contexts that hasn't mobilized a great deal, but it's had a huge impact on that economy and on people's lives and those economies.

And so for that reason, mobilization data is important and targets can be useful, but also they're not the only data that we want. And I think it's also... For us as a shareholder, it's really important to understand on a transaction basis but also on a portfolio basis, what does the DFI's risk profile look like? How much risk are they taking in particular transactions? Because it might be there are some really risky ones that taking the risk helps mobilize or taking the risk helps deliver impacts but doesn't mobilize. We need to understand that. How much concessionality using as well as Margaret said, grant finance is most expensive. We need to target it really carefully. It's all very well mobilizing a huge amount, but if you used a huge amount of grant finance in that transaction when something much more efficient from a donor perspective could have mobilized almost as much, the latter would've been better value for money.

So we need to understand the wider... The risks that MDBs are taking, how they're using their finance. And then we also need to understand the impact that they're having. Because actually what I hear from a lot of the investors we talk to in London is a huge driver for them considering investing in emerging markets is the impact story. The fact that they're going to be contributing towards gigawatts of renewable energy in an emerging market for example, or jobs created or some other element of the SDGs.

And so the more we can get standardized impact data out there in the market that people can recognize and allows people, frankly savers to understand how their pensions, their savings being are used. We know in the UK there's a huge interest in that. That's also a really important part of understanding what DFIs are doing. And of course it's important for us as a donor because that's why we invest in these institutions in the first place. So I think that's the first answer to your first question. To the extent I can remember the second one, which was about what I think about these clever innovative ways of transferring risks. So I think I've seen a couple of people in the room that were involved in the G20 Capital Adequacy Framework Review, which was I think so useful for talking about... Of course, you were as well Nancy.

Nancy Lee:

I would agree, yes.

Nick Anstett:

It was great, wasn't it? In terms of showing how we could stretch MDB balance sheets, but also had some ideas about transferring risk off MDB balance sheets to allow them to invest more themselves as well. And I think what we've seen actually in the last few years is all sorts of clever ways of doing that sort of springing up. So particularly in the area of securitization where you take an asset and offload it. In the UK we've been innovating through something called Mobilist, which is... Actually Tom over there is involved in and Chris as well actually I should say. And what Mobilist is doing is trying to create products where underlying assets are in emerging markets or developing countries and then listing them on public markets. Because we know actually it's the public markets where a lot of the institutional investors are looking to invest and get more exposure in some of these economies.

So we supported things for example, like the Bayfront transaction, which actually didn't have a lot of MDB assets in it, but had a lot from the local banks. But they basically had a load of infrastructure assets mainly from East Asia listed on the Singapore stock exchange I think it was. And basically brought a load of investment from a new class of investors into a set of assets that they might otherwise not have had exposure to. So I think that's an area that could be much more done. I know that the IFC developing their warehousing facility at the moment, which I think is a really interesting innovation potentially that could lead to some more securitization of the same sort. And we'd certainly encourage the IFC to think about how they can bring other MDBs and DFIs into that as well. There's also a lot of work going on on insurance insuring MDB portfolios.

You mentioned the African Development Bank. We work with the UK insurance sector to basically to expand African development bank lending by about $2 billion by the UK insurers providing a first loss guarantee on a chunk of their portfolio. And then we came in as government with a second loss guarantee. The Inter-American Development Bank did something similar I think this week without support from donors, which was also really impressive. And then there's other innovations out there, things like the ILX fund that many of you have heard of, which is more... It's a bit different from the securitization approach.

This is getting investors to invest in a fund and then using that to sort of co-invest alongside MDBs or DFIs or invest in MDB or DFI assets. They've already mobilized themselves a huge amount of investment from European pension funds, [inaudible 00:46:49] pension funds already. And we are talking to them about how we can try and potentially get interest from UK investors in that as well. So I think there's a huge amount of stuff out there. And I think at this stage we just need to try all these things, get the data out there and then understand which things work best and which things we should be scanning.

Nancy Lee:

Absolutely, that's exactly the point. And having the data to be able to judge where we're succeeding and where we're failing is critical. And I'm really glad you raised the impact point, which Margaret also touched on. Because the dimensions of judgment have to be impact as well... Have to be impact. They have to be market building, not just that particular transaction, and then they have to be mobilization. And so the transparency agenda is not just focused on mobilization. And the one other thing to add to what you're saying about these various portfolio level transactions is if you had more data about how they operate, you could also go back to this question about where you allocate your concessional finance because blended finance has been up until now, very transaction by transaction specific, which is kind of onerous and creates very high transaction costs. Would it be better to take your scarce concessional funding and do it at a portfolio level where... And in the FCDO case, the room to run, I think FCDO actually took the riskiest challenge, right?

Phil Stevens:

[inaudible 00:48:27].

Nancy Lee:

Oh, no, that's right. The insurers took the risk-

Phil Stevens:

Insurers took the riskiest... So they [inaudible 00:48:31] the riskiest $400 million, which actually made it easier, because as government we have to manage our budgets. Any payouts are going to come out from within our aid budget. It's quite hard if you suddenly get a call on a guarantee at the end of a financial year. So we needed the insurers to take that first loss. And that allowed us to provide quite a large guarantee behind that of second loss because we knew that sort of initial tranche of being covered.

Nancy Lee:

Yeah, so you were able to optimize the use of your semi-concessional finance because you actually had a private sector entity willing to take the highest risk. So that's really a key example. So Haje, so OECD is a big player in this. OECD is a big player in transparency. OECD is a source of data itself. So important to hear your take on this. Where do we have enough data? Where do we not have enough data? And how do you react to the proposals that Publish What You Fund are making from your perspective?

Haje Schütte:

Sure. Thanks for having me. Thanks for the report, Gary. So let me at the out start say that we have a very good collaboration with MDBs. They report widely to us. We have 22 MDBs, which are also providing data on the private financial mobilization. Currently, figures are that the most actual ones that in 2022 we have 62.5 billion counted altogether and the MDBs account for 75 of that. So the rest, the 25 are by bilateral ones. So these are our figures. The reporting, the quality of reporting is increasingly better. They report almost all of them disaggregated data to us, which allows us to quality assure the data and make sure that there's on double counting. Now comes the, however. You see the kind of tension building up in the room. However, is that due to non-disclosure agreements, we are not able to provide this data in a disaggregated form.

And that marks the difference between that, also, Gary showed in the slides between the bilateral DFIs who most of them allow us to publish this aggregated data and the MDBs. So the MDBs only allow us to publish semi-aggregated data. And that's the outcome of a more than two year long negotiation discussion process between member countries, US being one of them, UK, another one. Canada, just to say France, a couple of them. And the MDBs, we were a little bit as typically the secretary of that proposal that started in 2019 and somehow peppered out in 2021 during the COVID period. And the agreement was to say, okay, you sign MDBs non-disclosure agreement with us, or we sign non-disclosure agreement with us. We get this aggregated data and we only publish semi-aggregated data. Personally, I think it is positive and so far that we have the data quality assured now in our aggregate, semi-aggregated data. Negative is obviously that we don't have the disaggregated data that I think everybody so far on the panel clearly called for that is necessary going forward.

And the big, big issue has been the call for basically this confidentiality issue that basically told... MDBs told us they're not allowed. I mean, that there are states between them of them, but some of them, especially the most active ones clearly said we have huge legal liabilities. If data that is disaggregated allows reverse engineering, we may be facing legal consequences and we are not able to take these kind of liabilities on us. So if you are OECD happy to do so, we provide disaggregated data and you can allow to publish this. But we obviously said we cannot. So the report is very, very instructive. My colleagues read that earlier, drafts very, very careful. It has informed discussions that we had in a specialized committee of the [inaudible 00:53:05] in September. We developed a six-point action plan of how to aim to improving basically reporting by MDBs to us on private finance mobilization.

And some are really inspired by the report. One is the fact that currently the kind of instruments that we capture are probably to narrow. So we aim to extend this. We try to once again to have a dialogue with the MDB. So whether or not we could not have these two different forms of reporting, maybe aligning a better aligned to each other. Because I think the report rightly criticizes that there are two different ways, which are, we created a common narrative around that. But obviously there are different, two different ways of reporting.

And I think what is critically also in the climate negotiation for COP29 is this whole notion of catalyzation, because also the enhanced transparency reporting that has not been agreed by UNFCCC, mobilization catalyzation is not clearly distinct so there's a great likelihood that in the new quantified goals, this is not correctly, NCQP something, that there probably the figures will be much higher and we need to capture that also for the climate finance. And the OECD, as you may know, has been the source of this 100 billion counting. And so we really see a big problem if we don't capture that dimension properly. What is also in the room is that this group that peppered out in 2021, it never was officially closed, may come to life again, and that we jointly then the members with our support have these discussions with the MDBs. Let me close to say there's a workshop coming up 19th and 20th November, where we try to explore this issues and maybe for one or the other institution person in the room, that might be interesting way to also ... It's a consultation workshop to be part of that discussion.

Nancy Lee:

Okay, that's really useful. And I don't think I was fully aware of all that history. And I don't want to put you on the spot, but I wasn't aware of the difference between what bilateral DFIs and MDBs can supply in this context. And so you seem to be saying that bilateral DFIs are less constrained by these MDAs, which seem to be a crucial, than MDBs are. Do you have any sense of why it is that one set of development finance institutions which are owned by governments, and therefore you'd think they would also have ... Why they would not resort to these very restrictive NDAs and the MDBs do?

Haje Schütte:

I think one probably has to differentiate here in the sense that bilateral DFIs are very, very different animals legally seen. Some of them are the regulated banks, some are basically part of governments. And that determines very much to what extent they are able to disclose data to us or allow us to disclose their data. Once they're regulated, it gets more difficult obviously. The MDBs, may I say there's a bit of a geographic tendency to what extent they are able to be forthcoming or not. Those that are domiciled here tend to be rather conservative. This might be a reason of the US law, I don't know, I'm looking into the expert here. Whereas other MDBs are more forthcoming, or they seem to articulating less concerns. But then as part of this 2021 conclusion, I think there was an internal agreement among the MDBs that they're more or less to be treated, or they would behave similar. In that sense, we created a standard non-disclosure agreement, which applies pretty much across the MDBs in the standard form.

Nancy Lee:

I see. This is a whole other issue, which is the MDBs report jointly on mobilization. This is a good thing for the MDBs, in the sense that it avoids a situation where people are focused on comparing the performance of individual MDBs. On the other hand, if that joint report drives everybody to the lowest common denominator when it comes to transparency, this is a perverse effect that mitigates against all of what we've just been talking about.

Haje Schütte:

Just say on the upside, again, reporting is getting better, it's disaggregated, so it's pretty granular. And it's according to the OECD methodology and approach as well. Just to say that as part of the compromise and the approach, there is an upside. And I think the data that you will see that is globally disseminated by the OECDs and thereby according those is the methodology and has been quality assured from the OECD. The aggregate figures or the semi-aggregate figures are sound, and they're not anonymized for example, like other big databases that we may talk about in the subsequent part of this panel, where basically reporting is being in an anonymized fashion which ...

Nancy Lee:

You mean the data you get is not anonymized?

Haje Schütte:

Not anonymized.

Nancy Lee:

Okay.

Haje Schütte:

It's disaggregated, we can ... With one or two exceptions, we can quality assure that.

Nancy Lee:

Okay but I think ... Which is foreshadowed with Gary's presentation, these NDAs, these non-disclosure agreements, which apparently some institutions have and other institutions don't have, are a fundamental impediment at this point to moving along the lines of greater transparency, especially for joint reports where all institutions are then bound to be restricted by the same NDAs. Okay, let's go back to the private sector. Chris, speaking of MOBILIST, you wear two hats. Tell us a little bit more about the MOBILIST program that Phil was talking about. Just tell us a little bit about what it's trying to achieve and then if you could put your perspective on the data and transparency and how it would help your operations, and then if you could do the same thing from your perspective at Lion's Head Global Partners.

Chris Eleftheriades:

Fantastic. And thank you so much for the opportunity to participate in this panel, and thanks to Gary Paul and the team for a fantastic report. Maybe before I go to MOBILIST to explain a few things about the report I think really resonate with MOBILIST's philosophy and the work that Thomas and the team have really been driving forward, I think first ... I think the whole approach of the report is really in its focus on learning rather than score keeping. I think it's really important, that encourages us to look deeply into those disaggregations, into where we can add value into what works, as the report's title would encourage us to do. And then secondly, I think that flows through the approach to measurement and through the approach to disclosure set out in the entire report. Our measurement for example, I was really pleased to see balance sheet operations moving from mobilization to a separate category, standalone category.

That's important not just because balance sheet operations, so MDBs issuing bonds would as you say, dwarf other forms of mobilization, but because that form of mobilization, that form of private capital raising tells us very little, it tells investors very little about the risks and the returns associated with investing in emerging markets. You're investing in AAA paper in New York or London. You're not learning about the risks and the rewards in the emerging markets and the developing economies that we care about. I think that approach to measurement is really important. I was really heartened as well to see the private sector perspective coming through when it comes to disclosure, really hearing loudly that not just a preference for disclosure, but in some contexts, some regulatory context, a requirement for disclosure in the private sector. Really navigating the specificities of these NDAs I think is really important, not just taking in the abstract, the concept of an NDA.

And I say all of that because it's really part of the driving force behind MOBILIST. MOBILIST is a flagship initiative of the UK government, now implemented in partnership with the government of Norway, which looks at mobilizing capital through the listed markets, through the public markets. That's investment through stock exchanges and investments through public debt markets. These platforms, these forums if you like, for transacting are enormous, dwarf for the private markets many times over. But what's more interesting I think, in the context of today's conversation is the transparency that public markets bring to investors and to issuers. And that's really fundamental to MOBILIST's approach to mobilization. We have in the public markets disclosure by default, it's not something that's nice to have, it's something that is part of the process. Every trade in the public markets creates new information that can inform. I think Nick put it really well, finance thrives on precedent. Seeing how others are trading in the market allows us to understand the likely ways in which future investments will perform.

And then MOBILIST is also really focused on learning itself. We have, as Lyon said, we're leading the research part of the program. We've been developing a bit of a research agenda at this intersection between development finance and public markets, which we think is quite a nice niche, bringing together some of our expertise as a firm and focus on development finance. Maybe a very final thought, to pick up on Phil's point about the Bayfront transaction, to give you an example of what this could look like in practice. MOBILIST invested in September, 2023, in the equity of a securitization listed in Singapore of infrastructure assets, mostly in the Asia Pacific region but it's actually a global portfolio. And as Phil said, these are assets that are drawn from private banks, not from DFIs for now. MOBILIST to say invested in the equity, it was an infrastructure transaction, but in the prospectus and in the new issue report that came along with that transaction, we have an enormous amount of disclosure. We have an enormous amount of data about what sub sectors, what geographies, what currencies these assets are located in.

Bayfront simultaneously published data about the investor base. When the transaction went live, we were able to see who was investing, which geographies were the investors from, which segments of investor, who were the asset ... Not the individual asset managers but what percentage was asset managers, what percentage was pension funds and so forth. And we see that on a longitudinal basis. This was the fourth transaction in this series. We could see this was the first time we had North American investors for example, participating in the Singapore listed infrastructure transaction. And the final thought, the key there is the standardization of this information. It's prepared in a standardized way and it's disclosed in a way that investors are expecting to receive it. It's not a dump of data onto a website that we have to pull through PDFs, it's an entirely standardized format. I'll pause there, but hopefully that gives you a sense of why we're so passionate about the public markets. It's not just their scale, it's really the transparency and the learning that we can capture through those transactions.

Nancy Lee:

Yes, very consistent. And I think it's probably no surprise to all of us that firm disclosure is a fundamental part of developed capital markets of public listings. This conversation is revealing this odd disconnect between the standardization of disclosure and expectation of disclosure, and also the feeling that you shouldn't have to make decisions without disclosure, on the one hand. And on the other hand, for at least some MDBs, this notion that they offer these NDAs for ... Their clients sign, and it doesn't seem to be apparent from this conversation that it's the clients that are insisting on these NDAs, it seems to be the other way ... It seems to be the other way around. This really does reveal a fundamental approach that has to be reassessed.

And that's the thing that really has to be done I think, in part from the top management of the organization in the context of their overall private mobilization strategies. And of course, the shareholders have to have a role at least not in micromanaging the legalities of it, but pushing the institution to figure out where their priorities really should be. Okay, I am going to turn to the audience in a minute, but I just wanted to do one final round where from your different perspectives, you talk about the two or three things as the next steps that you would like to see going forward, of everything we've discussed. What would you like to see particularly these institutions do, and/or what the private sector needs to do in order to be helpful? One obvious point being not insist on NDAs, which is [inaudible 01:07:57] but anyway. Let's start with you, Nick.

Nick Anstett:

Maybe I'll play off of accountability, effectiveness, efficiency, as the three areas that you were focused on, to not focus solely on accountability and overlook effectiveness and importantly, effectiveness for what, to what end? Playing off your disclosure example there, if you're the CFO of a publicly traded company and you're a high-growth tech company is where you're playing, market share is critical to your success in what you're doing. If the market out there has a metric for profitability and that's the only metric they care about, only metric they want to figure out, and you're sitting there saying, "Well, my whole strategy is contingent on me being able to capture market share and sacrifice profitability now in the near term in order to increase subscriber growth, in order to increase revenue growth."

That would take you down a really bad path, and it's the same in this case. I was sitting with the CEO of an IFI, one that isn't required to report into the OECD or MDB joint report, but still is asked regularly to provide information on private capital mobilization. She one, admitted straight out to me, reputational risk is the concern. It's nothing to do with confidentiality, it's reputational risk. But also this fear that their shareholders will not understand the nuance of their particular strategy. We went through this journey without this paper in front of me. We went through this journey and they've aggregated data. "Okay, so we mobilize one to X."

And, "Okay, we've broken it down by country and here's what we've mobilized by country. And here's what we've mobilized by product that we have."

That's great. But it wasn't until we got further and further down and continued to try to dig into their data and see what they had, that we were sitting down and we looked at some of these transactions and realized one of the problems that they had and they were fearful of is they were mobilizing regional banks, local project developers, local private equity funds. They were not mobilizing the big BlackRock, Brookfields of the world, the ones that everybody's focused on because they create sexy COP stage moments to have Larry Fink sitting next to you to talk about the big mobilization you've done. It was small local actors. But that's an incredible story to tell, to be able to say that, "We're mobilizing the capital that has staying power, the stuff that's there in market and is going to remain."

And they couldn't tell that story because none of their peers were disclosing that level of granular data. They were fearful that if they started disclosing that level of data, yeah, their mobilization ratio might be slightly lower in some regions, in some cases. In some areas it was through the roof, but it might be slightly lower in some regions. But, "Hey, shareholder, are you willing to sacrifice a little bit of mobilization in order to mobilize these particular actors? And let's tell that story together."

We need to make sure that it's not just about accountability, that it's about effectiveness and effectiveness to what end? And allow those DFIs and MDBs to articulate that strategy the same way a CFO for a tech company would, and reiterate that over and over again to say, "This is our goal, this is what we're striving for. We're not trying to maximize mobilization in the same way that MOBILIST might do with an in-cit structure to recycle Brownfield renewable assets. We're going after greenfield battery operations and grid development."

And guess what? Our mobilization ratio is going to be one-to-one because that's what it's going to take to do that. And that nuance is okay. That's mine. Accountability is great, but effectiveness and to what ends, it's got to be part of the conversation.

Nancy Lee:

I think that's great. And I think shareholders would understand variations in mobilization ratios that aim for different purposes. If you want to mobilize finance and your counterparty is a local bank, your scale may be smaller than if you were working with Standard Chartered, but you're trying to do local capital mobilization, I mean, development. I think maybe the management of the institution has to give more credit to shareholders' just ability to understand these differences than they perhaps do. Okay, let's just ...

Nick Anstett:

Sorry, that wasn't quick, you wanted to go quick.

Nancy Lee:

No, that's fine, we're at good time.

Chris Eleftheriades:

I have two things on my wish list, one related to that actually, which is a greater coverage of smaller regional development banks in this story. I'll just give the example of the West African Development Bank. We're talking a lot about securitization this week. BOAD has had for years a securitization program. They've done synthetic transactions, they've done true sell transactions. It's in local currency, it's hard currency. It's a fantastic program that I think all of us can learn a lot from. But I haven't seen enough conversation about it in DC this week and more generally the global scale. I think that's one on my wish list. The other is more on capitalization. And to the point about incentives, if we are ... It's great that we're moving from own balance sheet transactions to private capital mobilization, but a big part, again, coming back to MOBILIST, a big part of the story is the additional information that these transactions are creating, the precedents, the comparables that we're putting into the market. And unless that is captured as a form of catalyzation, we'll disincentivize relative to the other forms of capital mobilization, those actions. And we've done a little bit of research recently that we just published on the website looking at this concept of demonstration effects of how we can mitigate these information asymmetries, trying to put a bit of structure around what's a very messy concept to attribute capital to.

Nancy Lee:

Is that the William Peridot?

Chris Eleftheriades:

Exactly. The work with risk control [inaudible 01:13:52] the team.

Nancy Lee:

It's on our website if you're interested.

Chris Eleftheriades:

Fantastic. We'd love feedback on that framework. We hope it's something that will be part of the story going forward, putting again, just a bit of structure around this concept of catalyzation through demonstration.

Nancy Lee:

Yes. Excellent. Okay, Margaret.

Margaret Kuhlow:

It's good that you spoke slowly because sometimes it takes longer for us to understand. I think the ... It's fair that some of this stuff is pretty complicated. And actually, when we think about ... From the shareholders perspective, when we think about the capital adequacy framework review report also, that was a lot to digest across the shareholders, it's true. And it's a different conversation from the normal conversation that we're generally having in a board. There is sometime this challenge of having a conversation that's different, at a different level of detail and different piece of content. But I think overall, it is possible to have such conversations with the shareholders and the board. I think three things we would like to see on the learning point, just continued progress on improving the way private capital mobilization is measured and private capital enabled. And I said I was going to come back to that, so I'm going to end on private capital enabled in particular. Continued better information because it just allows better decision making.

Second, more on the strategic approach, to the point that Nick raised, what is the overall institutional approach to building the private sector? Part of that is private capital mobilization, part of that is domestic capital market development. What is the overall strategy of the institution? And then how does private capital mobilization fit in to that overall more strategic approach to engaging the private sector? And then last is GEMS data, just can't not do GEMS data. We're talking about transparency as a global emerging market risk database for two reasons. Embedded in the capital adequacy framework review was this recommendation about getting more GEMS data out. Interestingly, because the idea around that was the credit rating agencies would have a better sense for what the actual risk that the MDBs are facing is. It's a completely different perspective but it also serves that very important ... Potentially can serve that very important niche.

And then separately, the ultimate on private capital mobilization is not how much ... What percentage of deal X was own account financing and mobilized financing, but this private capital enabled, what are the institutions doing that help fundamentally grow the ability of the private sector to invest in emerging and developing markets, regardless of whether there's an MDB involved in the transaction? And up until now, there has been no real incentive within the institutions to do that work. I think starting this private capital enabled measure so that you get credit for helping a country issue a local currency benchmark debt that doesn't count that you're not booking.

Nancy Lee:

It's not on your balance sheet.

Margaret Kuhlow:

That work is just as important in this space as the private capital mobilized space.

Nancy Lee:

We had an event this morning with among other people, former treasury secretary, Larry Summers, who basically said toward the end, that the thing that's really going to mobilize private capital is to create more opportunities to make profitable investments in any given economy. And that's a much larger issue than risk sharing by the MDB. Totally agree with that. Okay, Haje.

Haje Schütte:

Three things. Learning, as you were saying, I think we need to do our homework at the OECD, but then also to say that Phil and the German government, UK and German government, also launched Hamburg data alliance just two and a half weeks ago, that aims to make available risk data more accessible, as well as allowing databases that do exist, talk to each other. Learning, one. Two, I think it would be excellent if somebody with serious legal knowledge would look at these non-disclosure agreements under practice. Because I'm a layman, a legal layman, but frankly ... I have been dealing with this issue for many years, I never really understood what the concerns are, especially if I talk to private sector people. They say, "Well, we don't really. The data's out there if you do web scrapping, it's all there."

Because we are getting, when we push these institutions, we are getting legal treaties. And one has also to say within the institutions, quite often the operational people wish to give us more data, respectively are more forthcoming. Once they consult their legal departments, the shutters go down and it becomes extremely conservative. Somebody I think, with some legal expertise, maybe some foundations out here in the room could hire some people that really looks at this and really makes a legal assessment of this with all the differentiated. That's probably my biggest thing.

And the other one goes to the dear shareholders in the room. I think that these methodologies are super strategic. They are board issues. For example, I say this because in the MDBs, some MDB representatives out here in the room, they can tell me whether I'm wrong, but I've heard that this methodological work is hardly ever reading the board level, it stays within the technocratic levels I belong to in the OECD. But this is I think, really absolutely critical. I know that some of you guys have been asking to make this board level stuff, but then this is not happening on a consistent fashion. Currently, MDBs are working on a methodology on catalyzation, that is big. That is very, very big. Idea of shareholder representatives with fellows could translate, "Okay, we want to know what the MDB working group is really developing here, and really have a strategic discussion about this at the board level."

That would be really excellent.

Nancy Lee:

Yeah, that's a good suggestion. We just published something called an MDB reform tracker where we assess progress across seven institutions, based on their institutional strategy, whether they set targets, and then whether they monitor progress on these targets. But I think this conversation shows that the institutional strategy has to be quite clear so that the priorities are... I agree with you, they have to really ultimately be set by the shareholders management. Okay. Phil, anything to add to all of this?

Phil Stevens:

It's hard going last when everyone's been asked the same question, isn't it? Yeah, I think just to come back to that point, I think we really do need harmonization across the system between the OECD and the MDBs. I think certainly shareholders engaging more on the issue with MDBs can help with that. That's going to be particularly important as we develop wider methodologies around catalyzation, as others have been saying. On the transparency, I was going to say, my wish was that more people would join the data alliance that we launched in Hamburg. Was it already two and a half weeks ago I thought? Time goes fast.

Nick Anstett:

I think so, maybe three weeks.

Phil Stevens:

Yeah. Anyway, but it's open, right? This is about GEMS, but it's also beyond GEMS as well about getting all the data out there, risk return impact as well, which came up a lot in the conversations we had and working together to try to try and do that. As an action for today, if there's anyone in the room or the panel that's interested in joining that alliance, we'd love to have you on board.

Maybe just the last thing actually, perhaps slightly to disagree with you, Nancy, actually. Well, I agree with you that you should, what you said earlier that we should take shareholders seriously. I assume that we can be intelligent, but I think also sometimes, the way that data is used or the way that shareholders engage with MDBs is sometimes a little bit, it is not so intelligent. I think we've had a conversation where we've all been asking lots of other people to do lots of other things. Maybe just to bring it back to ourselves or back to my role as a shareholder at the end. I would also like to see shareholders building trust with the MDBs and DFIs by using this data in a really reasonable way and in the way that others were talking about earlier and really having that nuanced conversation about, there's been some comms out there over the last couple of years. You've heard people saying, "Oh, this MDB for every pound it invests, only mobilizes this much, or it's less than a pound," or something.

When you look at what's in those numbers, they're including all the public investments that MDBs make or all the really hard investments they make in really fragile states and you think, "Is that really the right way of explaining what people are doing?" I think we have to find more nuanced ways of engaged with these things and show that we are going to use the data in a sensible, intelligent way as well.

Nancy Lee:

Yeah, yeah. Totally fair. Okay, we have a little bit of time for questions, probably just one round. What I'm going to do is perhaps do two rounds. Okay. Let's do this half of the room first and then this half of the room. This lady and these two gentlemen, if you would identify yourselves, ask your question very briefly, we'll have the panel respond and then go to the side.

Nick Anstett:

Although we've proven not to be so brief.

Nancy Lee:

You have a chance to improve.

Nick Anstett:

Time to redeem ourselves, continuous learning.

Fiana:

Just shifting the tone of the conversation a bit, I'm Fiana with Oxfam. Given that the panels in the first half of the day, just before this panel was about IDA, I wanted to talk about all the concerns we've heard this afternoon about the transparency of IFC numbers and also big question marks about whether their investments are actually having any positive impacts that they promised. Can the panel comment on why there would be any reason to support the proposed current increase in the private sector window of IDA 21, specifically given that the reforms that stakeholders such as UK and U.S. are committed to, including those listed in IDA 20, have not yet been enacted or measured for efficacy?

Direct question, will the U.S. and the UK support an increased PSW window with money that could instead be going into general IDA funds that have much clearer impact and transparency? Then briefly, briefly for the rest of the panel, when it comes to private capital mobilization, leveraging the MDBs specifically, it requires us to think about the institution's development mandate. We've discussed all day the importance of the impact of resource mobilization, whether that's from the public or the private sector to be equally concerned about efficacy as well as efficiency. Do you agree that public funding catalyzed for private capital mobilization must deliver clear value add and transformative impact on development gaps beyond expanding the private sector in low income countries as an ends in itself?

Nancy Lee:

Well, I think the answer to that last question is clearly yes. Okay. That question basically could take the next half hour. I just want to set your expectations. Please really quickly. The gentleman behind you and then this gentleman.

Wasim:

Hi, I am Wasim. I'm a research fellow with Harvard Kennedy School focused on mobilization and climate finance. Prior to that, I was the director of mobilization at BII where I worked on BII's approach to mobilization. I think one of the things that we struggled with with the OECD methodology, the MDB methodology, and probably this one as well now that that's been introduced, is just the data collection side of things and data quality because, especially bilaterals, they've grown substantially over the last few years and there's a lot of operational pains that they have to still work through. The question is, how much thought has been given to the data quality and data requirements that these new methodologies are going to place on DFI's?

Nancy Lee:

Okay.

Dustin Schafer:

Hi, my name is Dustin Schafer. I work with the environmental organization Urgewald from Germany. I just wanted to highlight one instrument that is probably well known and also very important for mobilization and also underline how hard it is for us just to understand the current investments already, not only the immobilized investments but the current investment. This is trade finance from the IFC and we have looked at the trade finance portfolio twice already and it's really hard to just understand actually where the money goes, sometimes not even on the country level. We're not talking about project level and the data that are provided by IFC is very incoherent even within the same programs.

Just to give you one very simple example, if you look at the annual report of the IFC, you will find two trade finance programs. IFC actually has nine. We're not talking about live data or so or searchable databases, but just the annual report. This is a great concern for many of us and especially if we talk about the impact that we don't want to mobilize money just as an end for itself, but we want to have positive development impact and I think it's a very important issue to look at.

Nancy Lee:

Okay.

Dustin Schafer:

Just a question whether you have any idea of the sweet spot of transparency and confidentially in relation to trade finance? Thank you.

Nancy Lee:

Okay, trade finance. You know what I'm going to do? I'm going to take two more questions and George, I'm keeping track so I'll refresh your memory. We are pretty much out of time. We need to ...

Mini Kwame:

Thank you. I'm going to very brief. I'm Mini Kwame, founder of Transat Management Company. My question echoes the comments of Larry Summers this morning is a very profitable endeavor to allocate funding on MTB's assets. First question, the second question, where and how to assess the risk-adjusted return on this type of capital allocation. Thank you.

Nancy Lee:

I'm sorry. Assessing the returns on ...

Mini Kwame:

Risk-adjusted return of-

Nancy Lee:

Risk-adjusted returns. Okay, this gentleman,

Nicholas Swan:

Hello, Nicholas Swan, SwissThink. I will just mention briefly that I also used to do ratings on multilaterals when I was at S&P and I used to work for a shareholder Canadian finance ministry. I think I have a bit of perspective, but I'll be briefer than what I was planning to be. I can think of many reasons why the data should be disclosed. I can think of only one that might be a reason why there's reticence. My suspicion is simply that over time, there's not been very many resources allocated internally at the MTBs to data quality. There's some concern about simply putting out to the world bad quality data that might not be so well organized. It's a reason, but I don't think it's a good reason. I guess my question to especially the shareholders is, these entities really are under the control ultimately of the shareholders. There's no regulator that forces them to do anything. It's just the rating agencies and the shareholders. The rating agencies would be happy to have more granular information. What more could the shareholders be doing to push for that, basic question?

Nancy Lee:

Okay, very good. George, do you want, one final question? Samuel, George? Yeah.

George Ingram:

George Ingram, Brookings Institution. My issue on your last question, Nancy, is that the way to move the needle on transparency is to remove the curtain from business confidentiality. My question to Nick and Chris is, could you sit down at your laptop or your computer for an hour or a day and come up with a checklist of what specific information justifiably is business confidential under what circumstances?

Nancy Lee:

Okay, so some of these questions are interrelated. We have one question on the PSW, which Phil and Margaret may or may not want to answer directly. We have one question on data quality and it relates to the resources question and this has been part of the discussion. You need resources to harmonize these data, but okay, I won't answer it. Then, we have a question on trade finance and the impact of trade finance and then, we have a question on the risk-adjusted returns of MDB assets. Then, we have this question on confidentiality and then I think George is essentially asking, what is the aspect of confidentiality that must be hidden if in private sector databases, the emphasis on what must be disclosed. I'm just going to give each of you, obviously, you don't all have to answer all of the questions. Each one of you answer one question. Go ahead.

Phil Stevens:

Say the first one. I mean, it's a good question about the IDA PSW. Actually, this is an ongoing negotiation, right? The IDA replenishment this year. Monday and Tuesday, Margaret and I are going to be locked in a very big room with lots of other shareholders with no windows negotiating the Malaysia of the final IDA replenishment. That's fine for Margaret because she lives here, but it means I'm here for more than a week. The PSW is a big part of it. It's something that's been around now for about eight years. I think it has a different kind of impact to the rest of the IDA replenishment. It is about mobilizing private financing rather than public investments. I think we have seen some projects that have been supported with the PSW that wouldn't have happened without the PSW support and that are having a positive impact on people and the economies that they're in.

There are trade-offs, as you say, between using resources for PSW or for other uses. I think what our ask has been, and I won't speak for Margaret, but certainly a collective ask from a number of our debtors has been for IFC to set out clearly, not just how they're using the PSW to do more in low-income countries, but also how they're using their own balance sheet to do more in those countries because we gave them a capital increase in 2019 to do the same. We also actually by the way, back in 2018, I think it was, no, sorry, 2016, when we did the IDA 18 replenishment, we also ended the IFC to IDA transfer as well, again to give them more capital to be able to take more risks.

Definitely, our challenge has been set out clearly how you using your own balance sheet and using that to the max, set out how you're using the PSW really well and then make a case for what more you need beyond that. I think that's the story that we really need to see from IFC as well as the impact story around it, as you so well set up.

Nancy Lee:

Okay, that's reasonable. We'll stay tuned to see what happens after next week. Haje.

Haje Schütte:

I'm happy to say something about the second question about capacity.

Nancy Lee:

Okay.

Haje Schütte:

I think there's a recurrent concern of DFIs and MDBs. We hear this again and again and again and it certainly constrains these institutions to properly. Then, it comes up with the question whether that's strategically important or not and whether it needs to be properly resourced, but it's a recurrent issue and that goes beyond MDBs and DFIs. That data and statistics is currently still treated rather as a third priority. We see a turnover of staff, we see systems which are not adequately funded, and I think that many of the institutional development financing don't see really the strategic value of having proper data systems. That's something I think that leadership needs to understand.

Nancy Lee:

Yep.

Haje Schütte:

That's my personal view.

Nancy Lee:

Yep. Margaret.

Margaret Kuhlow:

I'll do a quick answer because I agree with what Phil said on IFC, so I'll just add just a little bit. We are very strong believers in job-rich, private sector-led growth, and in many poor countries, that's the part of the economy that's still working. What we hear from the IDA borrowers almost universally is their priority is jobs, jobs, jobs, and you need the private sector to do it. We're trying to figure out how you balance how the PSW is applied, how IFC is applying their own balance sheet so we can deliver for the IDA recipients what they're asking for loud and clear. That has been one of the clearest messages and it comes along with a lot more transparency.

Then, one double-click on the data point. Having worked in a DFI in a previous life responsible for this data reporting, it can be very practical challenges. You can't report on data you don't collect. If you're asked to report on something going back 10 years that you've never collected, you can't do it no matter how much you would like to. There's quality issues, there's the legal agreement by which you gathered the data explicitly said you promised not to give it to anyone. I think we are having these discussions and they are listening, they're hearing us, they would like to move and I think it's a combination of really a clearer signal from the top and then how do you fix all the practical challenges that really make it hard to get from here to there, certainly on portfolio-level data, but in terms of flow data going forward, how can we fix it so that going forward, we can get more better data?

Nancy Lee:

Okay. Chris.

Chris Eleftheriades:

I'm unfortunately going to come back to the same question, the first question because I think it's such an important one, thinking about the impact of these investments. For us, we look at the alignment of the underlying investment with the SDGs climate commitments. There are some sort of red lines things that can't be invested in, but we also are increasingly trying to make more sophisticated our approach to additionally, not just is the company adding value, but are we as the investor supporting that company and adding more value. If they were going to already contribute the way that they were without us, then our capital is not additional in that sense.

I think that goes for both the transaction level or the company level impact, but also, to the point a moment ago, thinking about the market-building impact of these investments, so really having a high level of ambition to move from just the individual transaction to how can we think about prioritizing transactions that contribute to building markets, whether that's bringing new assets with new information to the markets or it's backing investments that otherwise wouldn't have gotten over the line that can contribute in that way. On the question about Nick and myself and our laptops and the checklist, obviously if Nick is available, I'm very happy to.

Nick Anstett:

Have fun. Yeah, I mean, at Rapid Fire, we're about to reach first close on GAIA, a large adaptation resilience fund managed by private sector asset managers. I can list several ways that FinDev Canada and the Green Climate Fund have dramatically influenced the approach, the strategy, the impact framework for that vehicle. MDBs, DFIs do have a dramatic effect on pushing people towards impact. There's lots of great examples of that.

On risk-adjusted return, I mean the GEMS database is helpful for that. I mean, it's really helpful to be able to see some of the risk-adjusted return profiles of different opportunities. Now, the cuts of data that we've gotten are good. They're encouraging. It tells everyone what we know that the returns and actually loan losses are almost non-existent in many cases, that some of these assets perform pretty well. You'll never be able to disaggregate the sovereign guarantee or even the implicit sovereign guarantee behind some of those things. Is that going to be the same return that the private sector entity would be able to achieve? No. At least it's helpful data to wrap people's heads around and to talk about, again, efficient use of scarce donor capital because you're able to look and say, "The reality is, the returns are there, they're strong, you don't need our blending, you don't need this type of activity in what you're doing."That's been one really big improvement lately.

Then, yeah, this is confidential thing. One gap I think from the report, and maybe this is where the MDBs and others pushed you, I honestly can't see the confidentiality issues with respect to their clients, the investors or lenders or others. I mean, that information is out there, even detailed information on pricing. In fact, on any of these loans, if they're not published on that database, we would just work through our investment team or our registered investment advisors, we'd call up the loan desk at one of the big banks that we knew that underwrote the loan and say, "Can we have a copy of the prospectus," and they would send it to us gladly. Then, we can get all the information there anyway, most of it we can get.

The one thought I had though is the client, the corporate, the real economy firms. I don't know, I'm thinking the same way Jamie Dimon doesn't want to take bank bailouts in 2008 because his bank is healthy and doesn't want it to be perceived as needing a bailout. If you're a large utility, if you're a large business in an emerging market, maybe you don't want everyone to see exactly how much concessional capital was required for this financing for you because it might make you look in your market as if you're weak or your financial health isn't all there or something like that. Maybe, perhaps there's stuff there where they don't want to be able to see that detail, but certainly on the lender investor side, shy of just really detailed pricing information and information about the side letters, again, most of it's accessible anyways, but that's probably the stuff that they wouldn't want disclosed, but we could hack it out probably and find that the list is really small.

Nancy Lee:

What you refer to is what people call the value preferred credit or treatment. Can you show, in the context of the CAF report, there actually were studies that tried to quantify PCT and that's part of the value of this greater disclosure. You could actually see what the MDB participation does in terms of the credit performance. There was something else you said that I was going to, oh no, I was going to say, on trade finance, I think your question is very good.

Nick Anstett:

Trade finance is over my head. That's why I didn't ask that question.

Nancy Lee:

No, and this is something I think is really important. Trade finance can be extremely important in periods of crises, either global crises or regional crises, but use of concessional finance for trade finance, I don't think there's a case for that. It's one of those things whether when it relates to the private sector window and whether they do a lot of trade finance, so that has to be factored into that decision. Okay. Now, that I've got almost 16 minutes over time, totally mismanaged performance, time performance, but this is a really good conversation. Please join me all in thanking our panel and thanks so much for staying and being engaged and asking great questions. Thanks.