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Breaking the Bottlenecks: G20 Priorities for Private Capital Mobilization

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Introduction

The G20 has long rhetorically recognized the importance of private capital mobilization (PCM) in emerging market and developing economies (EMDEs). G20 finance ministers should now turn words and ambition into action. Under the US and UK presidencies, the G20 can advance concrete actions to help dismantle systemic barriers to PCM, advancing the group's mission to foster "strong, sustainable, balanced, and inclusive growth" globally.

For G20 members, scaling PCM in EMDEs is not purely a matter of development—it is also a strategic economic and geopolitical imperative. Addressing barriers creates new opportunities for investors, including institutional investors, to capture higher yields, diversify risks, and hedge against inflation. As investors seek returns unavailable in advanced economies, new infrastructure projects and growing middle classes in EMDEs represent massive new opportunities and customers for exports of goods and services. And investments that diversify the global production footprint build more resilient supply chains and enable an efficient flow of raw materials and critical minerals to global markets.

The political window for a concerted, multiyear G20 PCM agenda is open.

As the US shepherds its 2026 G20 presidency, a focus on private-sector-led growth aligns with the Trump administration's priorities. What's left of the US development agenda centers on finding commercially viable overseas projects that do not perpetually require US taxpayer support.

This strategy is clearly manifested in the administration's approaches for the Development Finance Corporation and the multilateral development banks (MDBs). The UK—the 2027 G20 host—is shifting from traditional donor-to-recipient aid to more dynamic partnerships. And in the broader development landscape, the widespread scale back in official development assistance (ODA) has sharpened the focus on leveraging scarce official funding to massively increase private capital flows to EMDEs to fill immense investment gaps. These dynamics create a critical opportunity for the US and the UK to collaborate on a two-year PCM agenda.

We propose four G20 initiatives, calibrated to the group's comparative advantage, to help create a necessary foundation for private investment in EMDEs:

1. Recalibrate MDB private sector risk-taking to incentivize mobilization and impact.
2. Press the MDBs to dramatically improve and expand investment risk and return data to address information asymmetries.
3. Fix prudential regulation holding back the power of MDB and development finance institution (DFI) PCM instruments.
4. Reinvigorate and refocus the G20 Compact with Africa on local capital market development.

Context

The 2015 Addis Ababa Action Agenda marked a major shift in development finance, embedding a stronger role for private business and finance in delivering the Sustainable Development Goals. The "Billions to Trillions" slogan, coined by the World Bank Group, captured this broader shift in approach. Yet this framing encouraged unrealistic expectations that large pools of capital in advanced economies could be readily redirected into EMDEs. A decade on, PCM has fallen well short of ambition, while private domestic investment and foreign direct investment remain weak across many EMDEs.

The challenge is not simply moving ample global capital but tackling the structural barriers that prevent it from flowing at scale. This requires bridging the gap between available capital and investable opportunities. For example, many EMDEs still lack bankable projects, strong macroeconomic fundamentals, credible regulation, and sufficiently investable local markets. At the same time, international regulatory constraints, institutional risk aversion, and persistent misperceptions of risk continue to hold back mobilization, even where EMDE assets can offer yield and diversification benefits. MDBs and DFIs play a critical intermediary role in strengthening the enabling environment, building a pipeline, structuring viable investment opportunities, and connecting available capital to productive investment in EMDEs.

Where does the G20 fit into this? The G20 is uniquely positioned to address some key bottlenecks—not through direct project implementation, but by providing the political lift needed to reform key institutions and bring together stakeholders.

- In the development space, the G20's unique strength lies in its ability to issue high-level instructions that members then carry back to the boards and leadership of the international financial institutions (IFIs), where they represent a supermajority of shareholders. The G20 can take a system-wide, political-level view of the IFI system that boards at individual institutions cannot. Finance ministers and leaders can also make tough political decisions that break through deadlock at more technical levels. A prime example is the implementation of the 2021 Capital Adequacy Framework (CAF) Review. The G20 commissioned the report to show how MDB capital adequacy frameworks could be updated to make more efficient use of existing capital while maintaining AAA credit ratings. The report provided a strong analytical rationale for reforms, along with specific pragmatic recommendations. Those were taken up by G20 finance ministers and leaders to drive high ambition across the system, giving the political impetus for individual MDB management and boards to pursue changes.
- The pageantry of a meeting of G20 finance ministers or leaders serves as a critical stage for stakeholder alignment. By inviting guest countries, organizations, and partners, the host country can give lift and direction to their priorities. For example, the 2017 G20 Compact with Africa is a structured PCM partnership that brings together reform-oriented African countries, IFIs, and G20 partners to mobilize support for country reform agendas.
- Fundraising has never been the G20's primary purpose, which will be especially true in the current restricted ODA environment. While a summit could be used to mobilize limited pledges for key asks, the G20 excels when it focuses on initiatives that build on or optimize existing pools of capital (e.g., the CAF Review, post-COVID debt initiatives, and efforts to channel IMF Special Drawing Rights).

For these reasons, this paper focuses on initiatives that enhance the MDBs' ability to play a better catalytic role. At its best, the G20 can drive collective purpose and goal-setting: it lacks the capacity for granular, country-level implementation. Through such initiatives, the G20 can help provide political push for institutions to take more risk and move faster in their efforts to support country authorities.

Priority 1: Recalibrate MDB private sector risk-taking

Problem: MDBs need to take more risk on their balance sheets to mobilize private investors

MDBs across the system are aiming to increase the share of private sector investment in their portfolios, with a greater focus (or at least a dual focus) on mobilization rather than simply on large own-account volume targets. This shift will have real implications for MDB operations, with questions for institutional governance, culture, organizational structures, and optimal staffing. It will also impact balance sheets, especially for those that have comingled sovereign and non-sovereign financing windows, as private investment is both riskier but with more upside than the MDBs' sovereign lending portfolios.

Mobilizing capital for impact and scale will require MDBs to take on greater risk and manage it more effectively, across two dimensions.

1. The MDBs need to take more risk through structured approaches and risk-bearing instruments to mobilize at scale in more commercial markets. For example, IDB Invest's Scaling4Impact securitization initiative and the International Finance Corporation's (IFC) similar inaugural transaction.
2. The MDBs need to take more risk in harder markets through transactions that demonstrate viability and help build markets over time. We do not want to see MDBs meeting higher mobilization targets by expanding their middle-income country portfolio or counting in their mobilization targets projects where the only other financiers are other DFIs. This means their future strategy should hinge on investing more in low-income countries, extending local currency financing, and focusing more on equity, subordinated lending, and guarantees over senior lending in hard currency.

As our colleague has argued, this profound shift in MDB strategies merits a thoughtful review across the system. Specifically, the review should focus on how a greater share of private investment in MDB portfolios impacts capital adequacy assumptions.[1] Further, as the priority shifts from deploying large direct financing packages to mobilization, a key question is whether MDB credit and risk policies are enabling them to take enough risk, so they are maximizing impact and truly bringing in new investors. In parallel with important technical changes, high-level G20 support can provide the political cover needed to make real shifts in MDB institutional and shareholders' naturally risk-averse culture.

1 The balance sheet implications will be different for MDBs with combined sovereign and private sector balance sheets (e.g., African Development Bank, Asian Development Bank, Asian Infrastructure Investment Bank), versus those with separate private sector balance sheets (e.g., IFC, IDB Invest, and European Bank for Reconstruction and Development).

Transparency should be a key part of any review of the MDB private sector windows. MDBs will likely argue they need blended concessional finance (BCF) to take more risk while preserving their balance sheets. Yet we do not have a clear enough picture of how the MDBs are currently using concessional finance, with the most recent report published in 2023 and reporting data only through 2021. This opacity in BCF disclosure has tangible consequences, including

- fragmentation and inconsistent pricing practices, with MDBs operating in the same markets applying varying levels of concessionality,
- a risk of a "race to the bottom," where MDBs compete by offering more generous terms in the absence of shared guardrails,
- weak risk and subsidy signals for private investors, and
- a reduced ability to taper concessionality over time as MDBs cannot systematically learn from peers or compare outcomes.

G20 action: Launch an analytical review of MDB private sector window risk management

Building on the successful CAF Report model, G20 finance ministers should commission an independent expert group to evaluate private sector window risk-taking across the MDB system. The MDB "Risk Allocation and Management for Private Capital Mobilization"—or RAMP Review—should answer the question: how should MDB financial models, operations, and tools evolve to take, absorb, and manage more risk to mobilize private capital and build markets?

The RAMP Review should examine how greater use of risk-bearing instruments in private sector operations would affect MDB balance sheets, risk profiles, and capital adequacy, while preserving financial strength. It should recognize differences across institutions, including MDBs whose mandates already focus primarily or exclusively on private sector operations. The review should assess current risk appetite and balance sheet headroom to take on additional risk, and potential balance sheet configurations which would enable MDBs to deploy riskier instruments and more local-currency finance on their own balance sheets rather than relying on concessional resources to absorb risk. Finally, while MDBs already report PCM at aggregate levels, the review should assess current reporting practices and recommend how to strengthen and further disaggregate them, including through greater transparency on the types of investors mobilized, the financial instruments used, mobilization by country and more granular sector, the role and performance of blended concessional finance in supporting mobilization, and development impact achieved.

Ideally, the G20 finance track would commission the RAMP Review in 2026 to give it legitimacy, access to internal MDB insight, and data, and provide a pathway for implementation. If the US will not formally take up this work because its agenda is already set, the UK can informally work with Korea (the 2028 G20 host), other G20 members, and outside experts to informally begin the technical work in advance of its host year.

In either case, in parallel to the technical work, the UK and the US should begin to build a coalition around moving forward the substantive recommendations in the report. This would be similar to how the G20 Finance Track launched the original CAF review in July 2021. Otherwise, the RAMP Review may be added to the large stack of commissioned G20 technical reports that have languished.

Priority 2: Risk and return data as a strategic enabler

Problem: Limited risk and returns data are constraining scale

A persistent barrier to PCM into EMDE private markets is the gap between perceived and actual risk. Limited familiarity with these markets, combined with a lack of granular, long-run performance data, leads investors to apply conservative assumptions and higher hurdle rates than in advanced economies, even where fundamentals are strong. The result is structural under-allocation: higher perceived risk raises required returns, increases the cost of capital, and suppresses investment flows into EMDE private credit and equity. In many cases, the constraint is informational rather than financial. Data alone is not a silver bullet, but its absence materially limits PCM at scale.

Fortunately, part of the answer lies in the many years of financial performance data held by MDBs and DFIs. The Global Emerging Markets Risk Database (GEMS) has begun to narrow this gap. Launched in 2009 by the European Investment Bank and the IFC with contributions from over 26 MDBs and DFIs, GEMS evolved slowly from a members-only benchmarking platform to partial public disclosure of aggregated default data from 2021, with recovery rates added in 2024. Progress was gradual, reflecting the complexity of harmonizing institutional risk systems, governance and consensus constraints, phased validation processes, and, above all, concerns about commercial confidentiality and reverse-engineering of transactions.

The recent release marks a significant step forward. Covering more than 30 years of MDB and DFI credit performance, GEMS now provides the most comprehensive dataset on EMDE lending outcomes and has strengthened the empirical basis for risk assessment. Its impact is already visible: S&P Global Ratings has incorporated updated GEMS data into its assessment of MDB portfolio risk, contributing to estimates that MDBs could deploy an additional $600–800 billion in lending capacity over the next decade without jeopardizing their ratings. The broader lesson is clear: improved transparency alone can unlock substantial scale without additional capital or greater risk appetite.

Yet important gaps remain. Awareness of GEMS among institutional asset owners remains limited, and data remain hard to use. The dataset reflects MDB and DFI portfolios, which benefit from preferred creditor status, and may not fully capture private market risk. Coverage is largely limited to private credit. Most critically, GEMS does not yet include returns data, though this is expected to change. Institutional allocation decisions are made on a risk-adjusted returns basis; without credible return metrics alongside default and recovery data, asset owners cannot justify strategic allocations to EMDE private markets within their asset allocation frameworks.

A second data gap matters equally for regulators. Current GEMS disclosures are not granular enough to assess whether specific aspects of MDB and DFI lending perform consistently better than purely commercial lending across different transaction types over time, including A/B loans and guarantees. That matters not only for investors assessing co-lending opportunities, but also for regulators seeking to calibrate Basel III more accurately. More granular disclosure would improve assessment of EMDE risk, strengthen the evidence base on the risk-mitigating role of MDB and DFI instruments, and support prudential treatment that better reflects underlying risk (see priority 3).

Strengthening the evidence base on EMDE risk and returns is therefore one of the most cost-effective levers available to unlock private capital at scale, capable of shifting investor behavior and supporting more risk-sensitive regulation at the same time.

G20 action: Call on the MDBs and DFIs to expand disclosure of investment risk and return data

G20 finance ministers and leaders should call on the MDBs and DFIs to further expand GEMS and GEMS reporting, and set out clear parameters for disclosure so that efforts are harmonized across institutions:

1. Data should first be made more accessible through a stand-alone, searchable platform that enables asset owners and asset managers to use it in strategic asset allocation, benchmarking, and due diligence.
2. Disclosure by debt instrument type should be expanded to include A/B loans and guarantees so that risk can be assessed across debt products. Time series data should also be made available for each instrument type.
3. Efforts to incorporate anonymized returns data for loans should be accelerated and treated as a priority, since institutional investors make allocation decisions on a risk-adjusted return basis.
4. Coverage should be widened over time beyond private credit to include equity and other mobilization products, including early-stage equity, political risk insurance, and guarantees. In the case of equity, disclosure should focus specifically on realized loss and realized return data, thereby improving the dataset's representativeness and usefulness.

G20 members can further demonstrate their own commitment to transparency by announcing their export credit agencies will join GEMS, expanding it into a comprehensive, system-wide dataset.

Finally, the G20 should call on MDBs and DFIs to revise non-disclosure agreements (NDAs) in legacy contracts, standardize reporting expectations, and embed data transparency provisions in new transactions. Inexplicably, current NDAs prevent disclosure of project-level information for transactions with MDB participation that is often available in private databases, suggesting that MDB private clients are not driving much of the resistance to disclosure. This transparency is a basic requirement for accountability for the use of public funds. It should be applied consistently across all MDBs and DFIs so that no single institution is disadvantaged by stronger disclosure requirements relative to others. The goal is to enable system-level learning and improve market signaling, not to disclose commercially sensitive deal information.

Priority 3: Fix prudential regulation to unleash MDB and DFI PCM tools

Problem: Basel III underrecognizes MDB and DFI mobilization products

The international community has placed growing emphasis on MDB and DFI mobilization products, including guarantees, co-financing structures, and blended finance, as primary tools for PCM. The ambition is significant: the World Bank Group's new unified guarantee platform, for example, aims to raise annual guarantee issuance to around US$ 20 billion by 2030. Yet Basel III has not kept pace, creating an unintended drag on private investor take-up of these instruments and on private capital flows to EMDEs.

Commercial banks, speaking through the International Chamber of Commerce and the Institute of International Finance (IIF), have raised concerns that, in practice, Basel III limits the regulatory relief banks can claim for the protection that MDB and DFI instruments provide. This is not a question of loosening regulation; it is a question of whether the framework is meeting its own core objective of accurate risk evaluation. Where Basel III does not adequately reflect the protective role of MDB and DFI products, it produces unintended outcomes: higher costs of capital, reduced commercial bank appetite, and a weakening of the very mobilization tools the G20 is urging MDBs and DFIs to expand. IIF analysis of the GEMs database reinforces the scale of this misalignment: lending conducted by or alongside MDBs and DFIs has historically produced far lower default rates than comparable commercial lending to EMDEs, with MDB-backed portfolios proving notably resilient during periods of financial stress, a track record the regulatory framework currently fails to reflect.

Three gaps are most acute:

Incomplete recognition of MDBs and DFIs. The group of institutions whose involvement qualifies for the lowest capital risk weights has changed little in recent years, excluding newer development institutions with strong credit ratings and mandates closely aligned with the PCM agenda, including some backed by G20 members themselves.

Inadequate treatment of co-financing and blended finance structures. Prudential standards do not reflect the genuine risk reduction that comes from lending alongside an MDB or DFI. In A/B loan structures, where an MDB acts as lender of record, the commercial bank can benefit from the MDB's preferred creditor status, country expertise, and active supervision, all associated with materially lower default rates. In blended arrangements where a public or concessional party absorbs first-loss risk, this protection to the commercial lender is similarly unrecognized. In both cases, capital requirements treat the bank's participation as though MDB involvement has made no difference to the risk profile.

Narrow recognition of guarantee and insurance products. Eligibility rules for capital relief are drawn so tightly that they exclude instruments that offer genuine and reliable credit protection in practice. Widely used MDB guarantees include standard boilerplate carve-outs, for example exclusions for nuclear events in jurisdictions where such risks are entirely remote, that technically breach unconditionality requirements. Political risk insurance is frequently disqualified because claims processes involve defined arbitration periods. And where an MDB covers only a portion of a given risk, the capital benefit to the bank is often disproportionately small relative to the actual reduction in exposure.

Targeted reforms to align Basel III with the actual risk characteristics of MDB and DFI instruments, without compromising financial stability, could increase the bank capital available for high-impact EMDE projects by three to four times.

G20 Action: Task the Financial Stability Board with clarifying the regulatory treatment of MDB and DFI risk mitigation and mobilization tools to unlock their full mobilization potential

Finance ministries and central bank governors should direct the Financial Stability Board (FSB), in consultation with the Basel Committee and other relevant standard-setting bodies to clarify and harmonize the prudential treatment of MDB and DFI risk-mitigation and mobilization products.

The G20 should set the political direction and broad parameters for this work, while technical detail should be developed through the Basel Committee and related standard setters. Those broad parameters should: reviewing the range of MDBs and DFIs eligible for favorable prudential treatment; assessing how common MDB and DFI risk-mitigation products, including partial risk and performance-based guarantees, political risk insurance, and other qualifying credit enhancements, are treated where they materially reduce risk; and examining the prudential treatment of MDB and DFI backed co-financing and blended structures, including A/B loans and transactions with concessional or first-loss public layers, so that capital treatment better reflects the actual allocation of risk. The work should also consider how to promote greater consistency across jurisdictions in order to reduce regulatory fragmentation and uncertainty for cross-border banks.

Finally, the G20 should encourage individual MDBs to evaluate whether dedicated liquidity support facilities, providing pre-agreed interim payouts where a guaranteed exposure faces temporary stress ahead of formal default, could address the timeliness barriers that prevent certain instruments from qualifying for capital relief, making them more attractive to private investors. This could help ensure that product design evolves alongside any regulatory clarification, so that MDB and DFI instruments are better able to meet prudential eligibility requirements in practice.

This work would align with US Treasury's aim to "modernize financial regulation" during its 2026 G20 presidency. However, other G20 members would need to frame the work narrowly on unlocking MDB and DFI risk mitigation tools, to not open a broader and potentially unproductive backtracking on the global financial regulatory agenda.

Priority 4: Reinvigorate and refocus the Compact with Africa on local capital market development

Problem: Shallow domestic markets are constraining both international and domestic investment

For more than a decade, development finance strategies have focused on mobilizing institutional investors from advanced economies into EMDEs. This approach has fallen short. Increasingly, EMDE governments are looking for more grounded, resilient financing models rooted in stronger domestic financial systems.

EMDEs are not capital poor. Domestic savings and financial assets are substantial and growing. An estimated $17 trillion of private capital is currently under management across EMDEs, projected to rise to $45 trillion by 2040. In Africa alone, domestic capital pools are conservatively estimated at around $4 trillion. Yet this capital remains weakly intermediated into productive long-term investment.

The core constraint is not a lack of capital but shallow local capital markets with weak regulatory frameworks and limited market infrastructure. On the demand side, pension funds and insurers remain heavily concentrated in sovereign bonds. On the supply side, too few firms have the scale, governance, ratings or technical capacity to access capital markets. The result is continued reliance on banks and foreign-currency borrowing, increasing exposure to exchange-rate shocks and debt distress.

This is a G20 concern because stronger local capital markets improve the enabling environment for investment and make EMDEs more attractive to both international and domestic investors. Deeper markets create local-currency investable assets, improve benchmarks and liquidity, and widen the pipeline of bankable opportunities helping global investors seeking yield and diversification to allocate capital with greater confidence. They also strengthen macroeconomic resilience, reduce currency mismatch, and support more stable long-term growth, all of which matter for the G20's wider goals of sustainable growth, financial stability, and more resilient global supply chains.

G20 Action: Reinvigorate and focus the G20 Compact with Africa on local capital market development

In all scenarios, a G20 PCM agenda should bring in the Compact with Africa (the Compact). The G20 created the Compact in 2017 to help address barriers to investment in participating African countries, creating conditions and awareness for investors from G20 economies to invest in Compact countries.

Under a more ambitious G20 agenda, a coalition of willing G20 finance ministers could reposition local capital market development as a core objective of the Compact, giving the initiative a clearer purpose, aligning it more closely with broader G20 efforts to strengthen financing in EMDEs, and helping to fill an important gap in the international financial architecture.

It may seem counterintuitive for G20 countries to shift the Compact's focus on local capital market development rather than FDI since they are the home to the world's largest international investors. However, we think this is sensible for two reasons:

- The G20 is well-placed to address a key gap in the international financial architecture: insufficient support for local capital market development as a more sustainable source of finance for EMDEs. This requires coordination not only at the country level, but across MDBs, G20 DFIs, regulators, and credit rating agencies.
- The Compact is an existing, well-structured initiative that needs political lift. Even with the new Compact strategy launched in South Africa in 2025, it lacks funding and sustained high-level attention beyond a couple G20 members needed to catalyze broad support for its work. Focusing on local capital market development will make it easier to measure results and tie the Compact more closely with broader G20 efforts, like macroeconomic and debt sustainability.

In 2027, the UK—working with South Africa and the African Union, as co-chairs of the Africa Engagement Framework; Germany; and the World Bank—can establish a coalition of the willing to:

- Focus the country-level reform framework on the World Bank's Joint Capital Markets Initiative (J-CAP) priority reforms where Compact countries already participate in the program, while encouraging its gradual expansion to other committed African countries. The Compact would not duplicate J-CAP's work, but provide political leverage to advance key reforms; mobilize additional donor funding; and align G20, MDB, and DFI technical assistance, policy support, and investment operations behind a nationally owned plan.
- Fund the Compact's trust fund. Recognizing that we said the G20 is not good at fundraising, this would be a relatively small ask ($5-10 million per donor) to credibly capitalize the trust fund.
- Mobilize political support by hosting a high-profile side meeting on the margins of the UK leaders' summit. The meeting would showcase progress made by South Africa and the AU's leadership of the new Compact, bringing in key Compact members and unveiling new enhancements to the Compact. For the UK, this meeting would be a positive contrast to the US G20 summit, which will likely lack development milestones and have limited focus on Africa (including the omission of South Africa under the US year).

Finally, the UK, working with South Africa and the African Union, should establish a more regular channel for engagement with the finance ministries of Compact for Africa countries beyond direct PCM initiatives. This would be an ideal channel to gain feedback on G20 initiatives relevant to African countries and the PCM agenda—e.g., MDB reforms and debt sustainability—while making Compact countries true G20 partners.

Conclusion

The announced plans for the US G20 finance track currently lack any mention of PCM—and are sparse on development finance issues more broadly. This is unfortunate because PCM is a rare topic that (1) would benefit from the G20's ability to make system-wide political decisions, and (2) aligns with the development and foreign policy priorities of all G20 members. If the US is serious about using its G20 year to "promote pro-growth economic policies," addressing the bottlenecks to PCM in EMDEs should be part of the agenda.

Even if the US does not take up this work, there is space for the UK and Korea—as the next two G20 hosts—to work with other supportive countries to begin laying the groundwork in communique negotiations and technical preparation. G20 initiatives are most successful when there is multi-year buy-in. Starting early and working with a coalition of supportive partners from the G20 and EMDEs will create momentum for a fruitful PCM agenda.

This note was updated on April 15, 2026, to clarify the discussion of risk and return data and related disclosure priorities.

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