



Does Market Impact Matter for MDB and DFI Private Investment Decisions?

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Shrinking aid budgets have rightly captured headlines. But aid flows tell only part of a worrisome finance story. We see disturbing [evidence of weak or declining trends](#) in private investment rates in emerging markets and developing economies (EMDE) for both external inflows and domestic private capital formation. For many, especially in the current risk-filled era, the role of the multilateral development banks (MDBs) and development finance institutions (DFIs) in catalyzing private investment is as important as their role in helping governments finance social investments and productive infrastructure. It is no surprise then that reforming MDB private finance models, strategies, and operations has been a central focus inside and outside these institutions.

To date, however, it has been less clear how shareholders and other stakeholders should judge success. Traditionally, these institutions have measured their private finance performance in terms of their own finance volumes. But, even with recent increases, such [volumes remain dwarfed by finance gaps](#). Own-account private finance will never be the only or even principal solution, especially given the very low probability of large capital increases for these institutions in the foreseeable future (though they should certainly pursue opportunities to [use their current capital more efficiently](#)).

Instead, much emphasis has been placed on their performance in mobilizing private sector finance. But stakeholders are rightly uneasy about measuring success solely by volumes and mobilization trends. They recognize the risk of perverse incentives: a focus only on big numbers could undermine the additionality of MDBs and DFIs (their role in making investments possible that would not otherwise have happened) and discourage investments in riskier environments, countries, and sectors where MDB investment origination and risk-sharing strengths are most needed.

The [joint MDB mobilization report for 2024](#) lends credence to these concerns: (1) of the total private finance collectively mobilized by the reporting MDBs and DFIs, 61 percent is in high-income countries, and (2) while mobilization rose 31 percent in middle-income countries in 2024, it fell 36 percent in low-income countries. The World Bank just [published](#) new mobilization numbers showing large increases for middle-income countries over the last four years (FY22–26), from \$26 billion to \$87 billion, while mobilization in low-income countries remained flat at \$3 billion. Setting mobilization volume targets may simply reinforce a tendency to gravitate toward countries at higher income levels, where MDBs have less additionality.

If MDBs cannot themselves fill private finance gaps, and if measuring success only in terms of private finance mobilization threatens additionality, then MDBs should use their scarce publicly funded resources to support investments that have important wider positive spillovers beyond the direct participants and beneficiaries of the transaction itself. *Transactions should create, build, and strengthen markets.* They should open opportunities for, and influence the behavior of, market actors not directly involved in those transactions—investors and lenders, producers, distributors, consumers, and governments. Indeed, most would argue that a fundamental purpose of these institutions is to address market failures and other obstacles to market development. As these constraints are addressed, the need for development finance should diminish as commercial finance opportunities expand and become attractive.

This is also a timely question as MDBs discuss how to measure the wider catalytic effects of their financial and non-financial activities beyond transaction-level mobilization, including their sovereign operations.¹ The World Bank Group's new [Private Capital Enabled](#) indicator is one such example of this direction of travel that is closely related to market impact. Both look beyond the transaction and ask whether MDB investment changes the conditions for future private investment.

Analysts and stakeholders have [discussed](#) and [advocated](#) this logic. But it is not at all clear whether MDB and DFI investment decisions are actually significantly influenced by the assessed potential for market impact. Nor do we know whether market impact projected by MDBs and DFIs is achieved *ex post*.

This note reviews the impact measurement methodologies and practices of 17 MDBs (for non-sovereign operations²) and DFIs and asks basic questions about the role played by market impact in their decision-making systems. The questions can be grouped under three headings:

1. Is market impact a demonstrable priority in investment strategies, performance targets, and staff incentives?

1 MDBs undertake important upstream work on the sovereign side, including policy, regulatory, and institutional reforms that can contribute to market creation.

2 The impact methodologies of EIB Global and EBRD cover both sovereign and non-sovereign operations.

2. Is market impact assessed through objective scores or ratings³ and what information is published?
3. For those institutions that assess market impact, what kinds of market impact do they target?

Our analysis shows much variation across institutions and no consistency in approaches or reporting. An inescapable conclusion is that shareholders and other stakeholders lack the information they need to assess institutional aims and performance related to market impact.

1. Is market impact a demonstrable priority in investment strategies, performance targets, and staff incentives?⁴

CRITERIA	MDB						DFI											
	AFDB (NSOs)	ADB (NSOs)	EBRD	EIB GLOBAL	IDB INVEST	IFC	BII	DEG	DFC	FINDEV CANADA	FINNFUND	FMO	JBIC	NORFUND	PIDG	PROPARCO	SWEDFUND	
Market impact is a stated priority in the institutional or investment strategy	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓	✗	✓	✗	✗	✓	✓	✗	
The weight of market impact in overall scores or ratings is published in the impact methodology	✓	✗	✗	✗	✗	✓	✓	✗	✗	✗	✓	✗	✗	✗	✗	✗	✗	
Targets are set at the portfolio or institutional level for shares of projects and/or finance volume that meet thresholds for significant market impact as defined by the impact methodology	✗	✗	✗	✗	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	
Performance in achieving market impact targets at the portfolio level is tracked and regularly reported	✗	✗	✗	✗	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	
Staff incentives reward a specific focus on market impact	✗	✗	✗	✗	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	

The matrix above shows the results of our search of publicly available information for each multilateral and bilateral institution providing finance to the private sector. Of course, we and other external stakeholders have no access to market impact information that is only available inside the institution. From a development effectiveness, public accountability, and transparency standpoint, we see no reason for keeping market impact information—projected or actual—confidential.

3 In this note, we define objective scores or ratings to include either numerical market impact scores or market impact performance ratings such as “strong” or “weak” that can be compared across projects. This definition does not include non-standardized project-level text descriptions of market impact.

4 In the [online version](#) of this note, readers can use the cursor to hover over cells in each matrix to find explanations and the relevant information sources.

We assess five dimensions of the institution's commitment to pursuing market impact through its investments in strategies, impact scoring/rating methodologies, portfolio targets, performance in meeting targets, and staff incentives.

We find that a significant number of institutions indicate that market impact is an objective or priority in their strategies: all the multilateral institutions and 6 of the 11 bilateral institutions. The notion that their investments ought to aim for these broader market-level benefits has clearly caught on.

The next logical question, however, is the *relative* importance of market impact in overall impact objectives. We assess that by examining whether: (1) the weight of market impact in overall impact scoring/rating methodologies is established and published, and (2) market impact targets are set at the portfolio level. Portfolio-level targets allow stakeholders to judge whether, in aggregate, market impact is a significant factor across investment decisions.

These criteria are not necessarily high bars. We make no judgments about what market impact weights should be in impact scoring/rating methodologies or what portfolio targets should be. Yet relatively few institutions meet even these criteria: 4 out of 17 for publishing weights, and 1 (IFC) out of 17 for setting portfolio targets. IFC's FY24–26 Strategy and Business Outlook sets an FY25 corporate target share of 18 percent for projects receiving a market impact score/rating of “very strong.”

In any case, given major differences in methodologies, a simple comparison of market impact weights across institutions is not possible. For [AfDB](#), the category that includes market effects—Private Sector Development—has a default weight of 60 percent, but those weights can vary depending on the project's theory of change. [IFC](#) weights project and market outcomes equally when calculating the Anticipated Impact Measurement and Monitoring (AIMM) score. For [BII](#), a project's potential to catalyze markets can add bonus points equal to up to half of the Productive score, which makes up to 40 percent of the overall Impact score. [Finnfund's](#) methodology assigns a project up to four points for “local competition & market development” as part of the “correcting market failures” category, which represents 40 percent of the Development Effect Assessment Tool (DEAT).

Similarly, we cannot tell whether most institutions track or meet market impact performance targets at the portfolio level: only IFC reports targets and performance. And from the information publicly available, it appears that out of the 17 institutions, IFC is the only one that rewards staff specifically for market development. Some (7) reward staff for overall impact performance, but the degree to which that incentivizes a focus on market impact depends, of course, on its weight in overall scores/ratings and investment decisions.

Overall, it is fair to conclude that, for most institutions at this stage, the priority placed on market impact is evident in their aspirations but not yet demonstrated in their operations, at least according to publicly available information.

2. Is market impact objectively scored or rated and, if so, is this information published?⁵

CRITERIA	MDB						DFI										
	AFDB (NSOs)	ADB (NSOs)	EBRD	EIB GLOBAL	IDB INVEST	IFC	BII	DEG	DFC	FINDEV CANADA	FINFUND	FMO	JIC	NORFUND	PIDG	PROPARCO	SWEDFUND
Market impact is assessed as part of the impact methodology	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗	✗	✓	✗	✗
Market impact is objectively scored or rated by project	✓	✓	✓	✓	✗	✓	✓	✓	✓	✗	✓	✗	✗	✗	✓	✗	✗
Project-level descriptions of market impact are published	✗	✓	✓	✓	✗	✓	✓	✗	✓	✗	✗	✗	✗	✗	✓	✗	✗
Ex-ante market impact scores or ratings are updated ex-post	✗	✗	✓	✗	✗	✓	✓	✓	✓	✗	✗	✗	✗	✗	✓	✗	✗
Market impact scores or ratings are published at the portfolio level	✗	✗	✗	✗	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
Market impact scores or ratings are disaggregated and published by region	✗	✗	✗	✗	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
Market impact scores or ratings are disaggregated and published by country income group	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
Market impact scores or ratings are disaggregated and published by sector	✗	✗	✗	✗	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
Ex-ante project-level market impact scores or ratings are published	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗
Ex-post project-level market impact scores or ratings are published	✗	✓	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗

Note: EBRD does not calculate separate market impact scores but incorporates market impact considerations in overall impact scoring.

Our next set of questions delves deeper into methodologies for assessing market impact and how much information is published: whether market impact is objectively scored/rated to enable comparison across projects, whether ex ante scores/ratings are updated ex post, and whether disaggregated or project-level scores/rates are published.

We find that for those 12 institutions that assess market impact, 10 do so through objective scores or ratings. Six recalculate scores/ratings during or after project execution to examine whether ex ante projected impact is actually achieved, which is key to determining whether projections tend to be accurate. Seven also publish text describing market impact at the project level.

⁵ For some institutions, market impact is assessed as part of the impact methodology even though it is not a stated priority in the institutional strategy.

Given what is being measured, scores or ratings do inevitably involve subjective judgments. Nevertheless—and crucially—they create a standardized basis for comparing potential market gains across investments as a key factor in the decisions of investment committees and executive boards.

As for information publicly available on market impact scores or ratings, transparency falls off a cliff for most institutions. No institution except IFC reports market impact scores or performance ratings at the portfolio level. (In FY25, IFC [reported](#) that the share of projects with “Very Strong” market outcome ratings was 12 percent.) Only IFC [publishes](#) ex ante market performance ratings disaggregated by region and sector. No institution reports ex-ante market impact scores or ratings at the project level. ADB is the only institution to publish ex-post ratings for its assessment of market impact at the project level. In general, shareholders, analysts, and other stakeholders do not have the information needed to identify the kinds and locations of investments that afford greater market impact. As a consequence, shareholders lack an informed basis for making investment decisions shaped by market impact potential and evidence.

3. For those institutions with methodologies that assess market impact,⁶ what kinds of market impact do they target?

HOW INSTITUTIONS MEASURE MARKET IMPACT: CRITERIA	MDB						DFI					
	AFDB (NSOs)	ADB (NSOs)	EBRD	EIB GLOBAL	IDB INVEST	IFC	BII	DEG	DFC	FINDEV CANADA	FINNFUND	PIDG
Increasing activity in less developed markets and sectors	✓	✗	✓	✗	✗	✓	✓	✓	✓	✗	✗	✓
Supporting market competition (new entrants)	✓	✓	✓	✓	✗	✓	✓	✗	✗	✗	✓	✓
Promoting innovation: market creation	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓	✗
New products/services	✓	✓	✓	✓	✗	✓	✗	✗	✓	✗	✓	✗
New business models	✓	✗	✗	✗	✗	✓	✓	✗	✓	✗	✗	✗
New delivery systems	✓	✓	✗	✗	✗	✓	✗	✗	✗	✗	✗	✗
Strengthening the enabling environment: laws, regulation, institutions	✓	✓	✓	✗	✓	✓	✓	✗	✓	✗	✓	✓
Creating linkages: filling gaps in value chains that impede market development	✗	✓	✓	✗	✓	✓	✗	✗	✗	✗	✓	✗
Enhancing productivity: sectoral or overall	✗	✗	✓	✗	✗	✓	✗	✗	✗	✗	✓	✗
Fostering replication by other market actors: demonstration effects	✓	✓	✗	✗	✗	✓	✓	✗	✓	✗	✓	✓
Building skills and technical capabilities needed by market participants	✓	✓	✓	✗	✓	✓	✓	✗	✓	✗	✓	✓

⁶ We exclude the five institutions that do not include market impact in their methodologies.

Market impact is clearly a broad concept that can encompass a range of objectives and activities. For this reason, we cast a wide net in defining possible ways that institutions can pursue market impact. Creating, building, and strengthening markets can include everything from working more in less developed countries/markets, supporting new entrants to an existing market, launching new markets, strengthening market-enabling environments, filling gaps in value chains, enhancing productivity in a given market or more broadly, fostering replication by other actors, and filling skill deficits. We recognize that, while it is possible conceptually to define each of these as distinct objectives, in practice there is much overlap across this list.

The matrix above is based on each institution's list of criteria described in its impact methodology. We do not have the project scoring data that would enable us to tell how frequently each objective is pursued or achieved in transactions.

And we have limited information on methodologies for scoring each criterion. [DFC](#), for example, provides examples of projects that can receive credit for the Innovation pillar based on economic and energy diversification, innovative financial or business structures, or knowledge or technology transfers. But the basis for judging the amount of credit is not elaborated. Two institutions stand out for more transparent scoring systems: IFC and Finnfund. [IFC](#) publishes sector framework briefs with detailed descriptions of market development stages specific to that sector, the criteria used to assess the project's market catalytic effects, and sample indicators used to measure market impacts. [Finnfund](#) publishes its DEAT scoring system, which lists six scoring categories used to assess the project's effect on market development and the scores assigned depending on the number of categories covered by a project.

Given this limited information, we focus here only on which market impact criteria are cited most frequently for this set of institutions and whether we see consistency across institutions. We find that these institutions do, in fact, define market impact using many different criteria: no single criterion dominates. But there is substantial variation across institutions in the criteria chosen.

The criteria most frequently deployed (in 7 or more institutions) are

- increasing activity in less developed markets,
- supporting new entrants (competition)
- creating new markets
- strengthening the enabling environment
- fostering replication
- building necessary market skills

The criteria least applied are

- filling gaps in supply chains
- enhancing market or systemic productivity

One institution—IFC—uses all these criteria. AfDB, ADB, EBRD, and Finnfund deploy all but 2 or 3. We do not see distinctly different patterns between multilateral and bilateral institutions as groups.

These findings are promising in that they show multiple institutions already have methodologies in place for assessing market impact across many relevant criteria. But based on publicly available information, we have no way to identify the strongest methodologies or track how effective they have been in prioritizing and driving actual market impact.

Summary: What we know and what we don't know

We know that most multilateral and bilateral institutions identify market impact as a priority in their institutional strategies. But it is much less clear how far it actually shapes investment decisions, portfolio choices, and internal incentives. Even more fundamentally, we don't know whether anticipated market impact is actually achieved over time, and whether interventions leave markets functioning differently and with less need for publicly funded development finance.

On the positive side, we find a growing body of practice around measuring market impact. Most institutions have objective impact scoring or rating systems, and most of these include market impact in those scores or ratings. But approaches vary considerably across institutions, both in terms of methodologies and the kinds of market impact objectives that are targeted.

External reporting falls woefully short of any reasonable standard for assessing performance, learning, or accountability. With some exceptions (IFC being the leading example), we don't have detailed knowledge of the methodology used to calculate market impact scores/ratings or their weights in overall impact scores/ratings. Most institutions do not report ex ante market impact scores/ratings at aggregated or disaggregated levels. Most do not provide information on institutional targets for market impact or whether they are met. We do not know whether predicted market impact is achieved ex post. We do not know whether institutions learn from market impact evidence and whether that learning influences their investment design and choices going forward.

In short, we don't know how much market impact really matters in MDB and DFI private investment decisions and investment performance.

Policy implications: Measuring success

This analysis gives us a general sense of what a credible market impact measurement and incentive system looks like. And because some institutions are already implementing parts of such systems, it gives us confidence that they are feasible for both multilateral and bilateral institutions. There are many unanswered questions about methodological challenges (e.g., the best kinds of objective metrics, how to standardize subjective judgments, attribution problems, identifying the channels for driving market change, avoiding double counting, avoiding ex ante score/rating inflation, etc.). And we need more concrete evidence and case studies from different kinds of projects in different

sectors and countries to understand what drives market impact and refine scoring systems—research that CGD has just embarked on.

But, in broad terms, this analysis suggests that a credible system should include the following elements:

1. A clear statement in the institutional strategy that market impact is a consistent and significant priority
2. An explanation of its weight: how and how much it influences the investment decision-making process
3. A separate, objective scoring or rating system for market impact (as part of the overall impact measurement system) that covers a clearly defined range of market impact objectives
4. A clear explanation of how different kinds of market impact are scored or rated, including how subjective judgments are made
5. A system for updating ex ante impact scores/ratings at the end of the investment period and beyond where needed
6. Market impact targets set at the portfolio level, with performance tracked and disclosed over time, to ensure that market impact is a major factor in driving investment decisions across the portfolio
7. Public reporting of ex ante and ex post market impact scores/ratings at the project and portfolio levels, with disaggregation by region, country income group, and sector

All parties would benefit if MDBs collaborated on harmonizing market impact measurement and reporting. This would not necessarily mean exact equivalence in numerical scoring but would instead aim to standardize evidence for market catalytic effects. MDB management and staff would benefit from other institutions' experience and lessons learned. And it would allow shareholders and other stakeholders to analyze and compare rigor and performance across institutions, encourage a race to the top, and assess whether market-level impact is actually achieved.

Such a system is a basic building block of MDB/DFI development effectiveness, value-for-money, and public accountability. As such, it would be hard to define a more important aspect of the MDB private finance reform agenda, though it has not been a focus so far. We hope that the G20, as a key driver of system-wide MDB reform, will embrace it sooner rather than later.

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Suggested citation:
Nancy Lee, Samantha Attridge, Samuel Matthews, and Sara Casadevall Belles. 2026. "Does Market Impact Matter for MDB and DFI Private Investment Decisions?" CGD Note 406. Washington, DC: Center for Global Development. <https://www.cgdev.org/publication/does-market-impact-matter-mdb-and-dfi-private-investment-decisions>

