Improving the Measurement and Disclosure of Private Capital Mobilization by MDBs/DFIs

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NANCY LEE:
Welcome everyone. Thanks so much for coming. I'm Nancy Lee, director for sustainable development finance here at the Center for Global Development, and I am delighted to welcome you to this conversation on the critical challenge of mobilising private finance for SDG and climate investments. And particularly today, we will explore the question of how multilateral development banks and development finance institutions can better measure and report their mobilization performance. 18 months ago, when Secretary Yellen laid out the reform agenda, the MDB reform challenges, she placed private finance mobilisation among the items at the top of the agenda. And since then there has been a lot of discussion about that topic, but also some compelling evidence and analysis about the scale of the private financing needed. The recent report of the G20 to the G20 of the independent expert groups outlines a scenario which estimates the additional annual external private finance needed for those financing gaps at about $500 billion a year by 2030.

Half of that is to be mobilized by the multilateral Development banks or Multilateral Development Bank help. But unfortunately, we meet at a time when the trends are moving exactly in the wrong direction. Last year, net private capital flows to emerging markets and developing economies were actually negative due to a sharp drop in new finance. Almost $200 billion flows flowed out of those countries to private creditors in the form of interests and net repayments. In addition to that, net concessional finance from the international financial institutions, both the IMF and the MDBs also turned negative. So instead of offsetting private capital outflows on net, those institutions actually added to them. Instead of being countercyclical, they were in fact, procyclical. So that's the sobering news. On on happy side, some multilateral development banks really are responding to shareholder priorities in this area. As we show in our MDB reform tracker that we just published on our website, we now have three institutions which have set private mobilization targets.

That is the ratio of private finance they help mobilize to their own commitments. And those three are IDB invest, the Asian Development Bank, and the EBRD, the European Bank. And just last week, the World Bank Group released its new corporate scorecard. Among its 22 indicators, the World Bank Group is going to measure billions in total private capital enabled and billions in total private capital mobilized. And we may have occasion in this discussion to explain the distinction between enabled and mobilized. So it's more important than ever, given that these banks are reporting these indicators that we have robust and transparent measurement and disclosure. And that's exactly the focus of this very timely initiative from Publish What You Fund. Today we're really fortunate to have with us, Alexia Latortue, assistant secretary for international trade and development at the US Treasury. She's going to help us understand the importance of these challenges and outline what Treasury's priorities are in her keynote remarks.

And then we're going to have Gary Forster, who's CEO of Publish What You Fund, brief us on the work and on the recommendations. And then I'm going to moderate a panel discussion with a stellar panel of public and private finance leaders. And we will save time for audience questions. So please be formulating your questions. Our panelists are Margaret Kuhlow, Deputy Assistant Secretary for International Development Finance and Policy at Treasury. Hans Peter Lankes, Senior Manager—I'm sorry, Managing Director and Deputy Chief Executive of ODI. Kruskaia Sierra-Escalante, who's Senior Manager, Treasury and Mobilization Co-investors Solutions at IFC of the World Bank. And we have Ben Weisman, Executive Director, Capital Mobilization and Public Policy for GFANZ, the Global Financial Alliance for Net Zero. So, as you can see, we have exactly the right mix of public and private voices on this issue. So without further ado, I am delighted to turn the floor over to Alexia Latortue.

ALEXIA LATORTUE:
Thank you so very much for this warm welcome, Nancy. Hello, everybody, and thank you to the Center for Global Development and to Publish What You Fund for hosting this important event that brings together two topics the Treasury Department cares about. Getting more private capital to flow into emerging markets, into sectors and priorities like infrastructure and climate and transparency and data. And so, Sally, Gary and the whole Publish What You Fund team, your recent efforts to highlight the importance of accurately measuring and properly disclosing the mobilization of private capital by the MDBs and Development Finance Institutions is really critical and valued work. Thank you. So I would like to take a few moments to outline some of the reasons why private capital mobilization is so important. It's a cross-cutting priority for MDB evolution, as Nancy spoke about, as well as touch on some of the proposals from Publish What You Fund. So I think it's evident and well-known that we need to draw on all available sources of finance to reach our climate and development goals.

Indeed, our Undersecretary for International Affairs, Jay Shambaugh, at the Treasury Department last week gave a speech on global debt and development finance and outlined the concerning fact that Nancy also just spoke about that we're seeing financing flows on it out of low and middle-income countries with a burden of debt repayments exceeding new financing. And he called for net positive flows from official bilateral sources, from the international financial institutions and from the private sector. Now, MDBs can help draw private capital into their projects, and they can structure bankable projects that the private sector can then finance. In both ways, they help to increase impact and they also leverage shareholder capital while also building investor confidence in developing economies and deepening capital markets. To my account, that's win-win, win-win. And I want to stress the impact point which must be our North Star. So we want to focus both on mobilizing greater volumes of finance by crowding in private sector investment and also focusing on projects that are high development climate impacts.

We need both. Now private capital mobilization is at the top of Treasury strategic agenda. And our agenda, I think, both broad and deep. Our priorities in this area includes elements like staff incentives for mobilization, a greater focus on deploying de-risking instruments like guarantees, credit enhancements and political risk insurance, and sharing more and better data with investors. We also need much more work on project preparation. I had a great session on this with the Global Infrastructure Facility earlier this morning. A greater focus on policy reforms to remove obstacles to private sector growth and encourage private investment. We also see robust targets and clear reporting. It's crucial to increasing private capital mobilization And we've pressed for improving the joint report on mobilizing private finance, including more granular data by instrument, by region, by sector and the (INAUDIBLE) indeed working groups. The joint report, in our view, should serve not just as a means to report on the volumes of private capital mobilization mobilized, but to attract what instruments are working and what approaches should be replicated across the banks.

Now, fortunately, we are in a good position. Not a great position, but a good position to move this agenda forward today we have a proven leader at the helm of the World Bank, in Ajay Banga, who brings in a private sector perspective and viewpoint, and he has the private sector investment lab working with him, creating a big momentum. We also have similarly strong leadership at the IDB Group with Ellen Goldfein and also James Scriven. So I'm going to turn now to make the link between private capital mobilization and the MDB evolution agenda. At the heart of MDB, evolution is the need for the development banks to better help countries address big and complex challenges, limit pandemics, fragility and conflict that affect the most vulnerable people and the most vulnerable countries and that undermine the sustainable progress increasing poverty and achieving inclusive, resilient growth. It's heartening to see that since Secretary Yellen's call for MDBs to evolve in late 2022, MDB evolution has become a central part of the development agenda, and private capital mobilization, as Nancy said, has been a priority from the start.

That same fall of 2022, Secretary Yellen called on all the MDBs to set private mobilization targets and issue detailed private capital mobilization reporting. Now, this agenda at the world Bank is starting to bear some real fruit and reforms, although much more work is still needed. And as the CGD, Center for Global Development's own MDB reform tracker shows, evolution has been also taken up in earnest across the four regional development banks that the US is a shareholder of. The reforms already adopted by the world Bank governors and is expected to be adopted later this week, are helping to ingrain evolution into the bank's DNA, and I'm going to touch on a few of the specific reforms and link to private capital mobilization now. Number one, introduction of a stand-alone country private sector diagnostic 2.0, which will help identify concrete and practical policy and regulatory reforms that can be addressed through World Bank operations to remove obstacles to private investment. The bank is piloting this diagnostic in five countries, expected to be completed by the middle of the year.

Now, these diagnostics will then feed into country programming and are being accompanied by updated country strategies designed to improve coordination and sequencing of World Bank Group, all parts of the World Bank, interventions for public and private sector technical assistance, and finance to boost private capital mobilization. These diagnostics. Sorry. And the IFC announced also a pilot transaction under its warehouse-enabled securitization program by the end of 2024. Also in July, we expect to see the establishment of a unified World Bank Group guarantee platform that seeks to improve the accessibility, interoperability and synergies between guarantee products across IBRD, IDA, MIGA and the IFC. Now, there are still some outstanding questions, including what will be the risk appetite for MIGA's non-honoring product and whether a liquidity facility will be created for MIGA's political risk insurance. Importantly, the (INAUDIBLE) participated also last week, I think it was, in the release of additional Global Emerging Markets Risk database, otherwise known as James—pardon me, GEMS. Data on loss rates and recovery rates for private sector and subsovereign transactions. And the World Bank and IFC went even further and provided historical data dating back to 1985 and 1980. And the regional (AUDIO DISTORTS) part, I want to underscore the Inter-American Development Bank. I mentioned Ellen Goldfein earlier. Last month, the private sector arm of the Inter-American Development Bank, IDB Invest, adopted an ambitious originate to share agenda that will mobilize much higher volumes of impactful private investment for Latin America and the Caribbean and work in tandem with the public sector side IDB to transform investment and business climates in the region. EBRD, to cite another regional development bank, is setting robust targets for increasing co-financing, and one example is the work they're doing in Egypt with the country platform called (UNKNOWN). Adopting updated outcome-focused corporate scorecards, Nancy made this point as well, will have track how well increased private capital mobilization translates into improved lives and livelihoods in developing countries.

Again, the North Star is impact. Alright. Now, by turning quickly to some of the draft proposals that the panel will be discussing in more details. The proposals provide, I believe, a great new framework to revise the next joint MDB report on mobilization, and I want to highlight a few important points. I was really pleased to read in the Publish What You Fund Proposal that quote, incentives are key to increasing private capital mobilization. End of quote. I strongly agree and believe that the MDBs should reward impact which mobilization should increase rather than rewarding financing volumes from MDBs own balance sheets. We know that incentives are closely tied to culture. And we know that culture is very difficult to change. And so we will continue to urge the World Bank and the regional development banks to develop robust incentives, including staff rewards, ambitious targets and transparent reporting to increase private capital mobilization with strong development impact. And we should not assume that the sovereign side does not have a role here.

A strong private sector, strong private capital mobilization requires a strong and enabling public sector. The goal is for the sovereign and private sector sides to closely collaborate on policy reform, advisory services and technical assistance to sequence reforms and investments to get the most mobilization bang for the buck. So we've been really supportive of the World Bank's work on private capital enabled panel to describe what that means. And we welcome the broader concept just to add a new term of private capital capitalization, which should be a huge part of what the international financial institutions do to accelerate countries development. When countries put the right macroeconomic policies in place, including through an IMF program, the MDBs and the development finance institutions need to provide further support to drive private sector development, support private investment and generate jobs. This is an important part of the system working as a whole, and we encourage further development on private sector capitalization.

As something to measure going forward. I would also like to touch on disclosure or data transparency, which is also a key part of the Publish What You Fund proposal. I already spoke about the GEMs database, and we really applaud the recent increase in disclosure. And we need to continue to press for disaggregation and to expand disclosure on the GEMs data, which we consider to be a global public good. We've asked the GEMs Steering Committee to report on efforts to make additional progress by the annual meetings in October. And we would welcome further steps to increase access to and the usability of the GEMs data in line with what the Publish What You Fund proposes. We've also gotten the feedback from investors that they just don't want data shipped over to them. They want to engage with World Bank and IFC staff to really understand the data and see what the use case might be of the data so that they themselves can come into emerging markets more forcefully. Let me end now with what I think the real work ahead is.

Change management is hard. Ultimately, to make the reforms stick and to achieve the impact we must see at speed and at scale, a fundamental culture change is needed. Without it, we will not be able to deliver greater responsiveness to the major challenges facing emerging markets and developing countries, and we will not be able to fully leverage private capital to achieve development results. The proposals that will be further discussed today can make a significant contribution to making the cultural change behind private capital mobilization happen. And so I warmly applaud the work presented here today, and I am confident that it will also be well received by the leadership of the MDBs. Thank you very much. (APPLAUSE)

GARY FORSTER:
So good morning, ladies and gentlemen, and welcome to the launch of this exciting work on private capital mobilization. I'm Gary Forster. I'm the CEO of Publish What You Fund. And I'm going to spend a few minutes giving you an overview of this work, explaining why it matters, the process we went through, and our recommendations. But first, what is mobilization? In short, we're talking about the different ways DFIs can attract finance from private institutions, either into individual investments or into their balance sheets. As DFI business models change, we're seeing new and innovative ways that DFIs can mobilize and transfer risk to the private sector. Examples such as the African Development Bank's room to run securitization and recent hybrid capital issuance will be familiar to many in this room. In our report, we argue that these innovations should also be considered as mobilization and counted and disclosed appropriately. So why does private capital mobilization or PCM matter? We're currently faced by a series of global challenges, not least climate change and conflict.

Accordingly, there are calls for reform of and more resources for MDBs and DFIs. One of the most urgent calls has been to increase private capital mobilization to close the ever-growing SDG financing gap, as Nancy said, in 2023, the G20 Independent Expert Group recommended that mobilization be increased to $240 billion a year annually by 2030, and current mobilization rates have stagnated at just under $64 billion. So the bottom line is that without significant change, current mobilization practices will not deliver the scale of financing necessary to meet global demands. The two leading ways to capture mobilization, the OECD and MDB Mobilization Taskforce approaches have added value to the debate, but both have limitations in how they conceptualize, measure, and disclose PCM. The demand for better and more granular data comes from the private sector, policymakers, and shareholders, and from DFIs themselves as they learn to look from their peer institutions. It is against this backdrop that Publish What You Fund is launching our draft proposal today.

This proposal has two major components, measurement and disclosure. Over the past 12 months, we've conducted multi-stakeholder consultations, including expert working groups with bilateral interviews with DFIs, shareholders, private sector representatives, and subject matter experts. The draft proposal presented here defines in detail both an improved measurement approach and the disaggregated project-level disclosure that is a prerequisite to reaching PCM at scale. The document contains much more detail, but let me hit the highlights. We propose a broader definition of mobilization that considers some new approaches and instruments. The result is that more mobilization will be captured than is currently being measured. We also offer solutions to some of the sticky issues, such as the timing of investments, attribution, risk, DFI effort in mobilizing the investment, and the definition of private capital itself. Finally, we address issues of counting mobilization, what should be counted, how, when, both to avoid double counting and to present as accurate a picture as possible.

So the diagram on the screen visualizes our mobilization approach. Catalyzation is depicted on the left of the dotted line. It is an important topic, but our focus today is on mobilization. For measurement purposes, we've split mobilization into three main baskets, balance sheet mobilization, primary PCM, and secondary PCM. And in the full report, you'll see that each of these baskets is broken down into a lot more detail describing the different instruments which produce each type of mobilization. While we have expanded the mobilization baskets, it is critical that they are reported separately, both to more precisely measure private capital mobilization and also to avoid double counting. And this in itself reinforces the need for more granular disclosure. So let's talk about disclosure. Improved measurement is going to be the first step. But the second and probably more critical is disaggregated disclosure at a sufficient level to understand and analyze private capital mobilization. The current state of transparency is wholly inadequate to do either.

Generally, mobilization disclosure is currently aggregated with only limited levels of disaggregation. At times, it is just groups of DFIs disclosing combined total figures. This is problematic for several reasons. Not all mobilized capital is equal. The amount of risk taken by private investors varies dramatically between instruments and contexts. And aggregations have the tendency to mask outliers in the data that can mislead data users. Our proposal calls for levels of disaggregation that will address the above concerns. We propose disclosure by investment, instrument, country, sector, amounts mobilized, and the typology of the mobilized party. So, for example, whether the mobilized party is a domestic bank or a regional private equity fund, for example. Importantly, we are not calling for the disclosure of the name of the mobilized party. In developing this proposal, we considered the concerns raised by DFIs about commercially sensitive information and potential breaches of client confidentiality.

We believe that project-level disclosure, by typology and not client name, provides the needed balance between sufficient disclosure and protection of commercially sensitive information. This last point is underscored by numerous discussions with private investors, who have stated that they are comfortable with this kind of disclosure, this typology disclosure, and believe it can be easily handled within existing agreements. Moreover, blanket non-disclosure ignores the fact that much of this information can already be found through other sources. ODA-qualified investments, for example, can and do disclose this type of granular information. And much of the information we're talking about here is also available on third-party sites. So without disaggregated disclosure, the efforts to improve measurement of mobilization will yield only marginal benefits. This data is essential to ensure strong analysis, accountability, learning, and ultimately increasing the scale of mobilization. Our proposal is open for consultation until the 14th of June.

Then, over the summer, we will refine the approach to produce a final version to be launched in the autumn. You can find the consultation materials on our website. For those of you in the room, you can scan the QR code on the handout on your seat. I encourage you all to engage with this. And for those of you who have already submitted comments which we've been unable to incorporate because of time, thank you very much. We will get to them. So before I hand over to the panel, I'd like to say a big thank you to the Publish What You Fund team who have pulled all of this together and specifically recognized the work of Paul James, who led the research and has engaged with many of you in this room. It's springs week. So Paul is an event on the other side of town with the MDB Challenge Fund who funded this work. He's hoping to join us at the end of the session today. I'll leave you with this. DFI reform efforts have been under active discussion by a range of stakeholders, and several serious proposals have pointed to the need to change the way business is done.

Mobilization is a critical part of these reforms and this is the moment to realize these changes. The proposal here balances the needs of shareholders, private sector institutions, and DFIs, and perhaps most importantly, the populations that DFIs seek to serve. On the issue of measurement, we've captured many of the issues that have been under discussion for several years, and we think the final round of consultations can produce a serious and achievable approach to measuring mobilization. That being said, disclosure is where we really need the voice of shareholders and the private sector. Based on many conversations with clients and mobilized parties, we've suggested an approach which meets the expectations of market actors. We cannot afford to have business as usual where disclosure stays at unacceptably aggregated levels. If that happens, we will fail to reach the scale of private capital mobilization that is needed. This is an important moment to push for real change. We have been working at Publish What You Fund.

We have been working on DFI transparency in one way or another for more than ten years. The biggest leaps forward have always come when shareholders demand it. It's time for a leap forward. I would now like to invite our panelists to the stage. Thank you very much. (MUSIC PLAYS)

NANCY LEE:
This is an agenda that really has to be pursued with a lot of very specific changes, including changes in cultures. And I also wanted to say, as you heard Gary just described, one of the real virtues of Publish What You Fund's work is the wide consultation process they undertook in order to develop their recommendations. So it was really with all of the stakeholders, the institutions themselves, the private sector, the shareholders, all of the people who really could benefit from this data. And so it's really only an organization like Publish What You Fund that really could bring all of these stakeholders together. So it's really an invaluable contribution. So we have a panel with voices from different perspectives. But I want to start with the private sector because, as Gary just said, the private sector is really a principal consumer and beneficiary of enhanced measurement and disclosure. So you're from GFANZ. You have a critical perspective on how to make the partnership between private financial institutions and the MDBs not just more catalytic, but more impactful, something that Alexia also stressed.

And you also have a role in supporting the World Bank's private sector development lab. So what would you list as the highest priorities for change in the way the MDBs operate in partnership with the private sector? And what kinds of information do the MDBs have that would fill critical knowledge gaps that at the moment really are impeding private investment?

BEN WEISMAN:
Well, thank you, Nancy, and thank you to Publish What You Fund and for the CGD for hosting this event and Publish What You Fund for putting together this great report and this whole process. I guess just starting with what GFANZ is because people probably don't know. So we're Glasgow Financial Alliance for Net Zero, net coalition of about 675 financial institutions from more than 50 countries that have all committed to net zero by 2050. And what that means is, essentially, these institutions have committed to scaling transition finance to support the decarbonization of the global economy. And so GFANZ, since its beginning, has been really focused on the question of how can we get more private finance

to emerging markets and developing economies, given that if we don't have a global transition, that includes the countries where demand for energy is growing most rapidly, then we're simply not going to be able to achieve global climate goals. And so that's sort of how we came into this question of how do we better mobilize private finance.

So I think the question of MDB evolution and what better MDBs can do to mobilize finance sort of starts with the question of why can't private financial institutions invest at the scale that's necessary in emerging markets and developing economies? And I think most of us all understand this. But fundamentally, like when we're talking about private finance investing at scale and particularly international private finance investing at scale in emerging markets and developing economies, institutions generally run up against either fiduciary or regulatory, depending on the institution they are. Risk limitations that are just either based on real or perceived risks that, over time, have made it kind of difficult for financial institutions to get to the scale that we are talking about here, if we're going to hit these climate and development goals. Sort of since 2021, when GFANZ was founded, have been agitating about what better could MDBs do to get finance flowing. And so we were particularly pleased when Ajay Banga took over as president of the World Bank last year and initiated this process through the Private Sector Investment Lab.

And so our co-chair, Mark Carney, co-chairs that that initiative. And we've been pleased to sort of serve as an informal secretariat for that work. And so I think just very quickly, like, what are the areas we've focused on through the lab, which I think represent what we think MDBs can do better to mobilize private investment. And we've been very honored to work closely with folks like Kruskaia to support this work. But just quickly, there are about five topics we've really dug deep into. The first is guarantees. So what could the World Bank do to scale the provision of guarantees, which are a proven tool that we know works at mobilizing private finance? And how can they introduce new guarantees that might be able to do things that they currently can't do? The second is around foreign exchange risk. When you talk to investors, often that's the first thing you hear in many country contexts is just that the degree of foreign exchange volatility is so extreme, and the inability to get long term and fairly priced hedging or other risk mitigation instruments just prevents lending altogether, or investment.

The third area is country platforms. So how can the World Bank and MDBs better participate and support country platforms? And I think this really starts to get at the difference between what they're doing with their financial capabilities, which I think would fall under this mobilization question, and what MDBs are doing with technical and sort of policy assistance type things which fall probably more accurately under the capitalization and enablement bucket. The fourth area is equity and junior capital. So how can the World

Bank and other MDBs invest the equity that they're providing in a way that's more catalytic? And I think this starts to get into why the disaggregation is really helpful, because when you look at an equity investment, if you just consider equity investments in funds, you probably are not getting a full, accurate representation of how effective that junior capital might be at scaling debt down the line, for example. So if you're only looking - And again, even in the report, we're only looking at a 12-month window, which makes sense logically.

But if you don't know exactly what kind of investment that is, where it's in, what types of of funds it's supporting, it's really hard to then figure out down the line. Did this actually mobilize significant additional debt financing from the private sector as well? And then the last piece is around originate-to-distribute, where we've been working closely with IFC to really support their efforts around WESP, the Warehoused Enabled Securitization Program that they've already announced, but also try to figure out, are there different ways we can do more of this secondary mobilization to really move more risk off the MDBs' balance sheet to the private sector. And across all of these, I think, the question of more disaggregated data is useful for the private sector. When we started this initiative of the World Bank Private Sector Investment Lab, we really wanted to start from the question of what are the most effective instruments and how can we scale those? And it turned out that was a very, very difficult question to answer apart from things like guarantees, which we know by definition are effective.

Other types of investments, it's hard to say this has been effective in this context or in this sector. And so I think when private sector investors are sort of thinking about what kind of information they need, just to go back to what Alexia was talking about earlier, the question of credit data, that's the biggest issue in many cases. Financial institutions just don't have long track records lending in many economies. And that limits their ability or their understanding of the context and therefore their ability to lend. And so the GEMs database, the first release, I think, is very valuable. The additional data that the World Bank and IFC put out is very valuable. That's kind of a separate piece. Like the data that we're talking about here is really trying to understand what types of investments actually work at mobilizing private finance. You have a handful of financial institutions that are probably very excited to be first movers and to develop new tools alongside the MDBs. I don't think most mainstream private financial institutions fit in that category, and therefore understanding that a certain type of tool has been really effective at mobilizing and seeing that other financial institutions are engaged at scale is probably the kind of data that they're looking for.

NANCY LEE:
Thanks, Ben. That is really a good… You covered a lot of ground very efficiently, and it was

helpful at the end that you made the distinction between the credit performance data, which is the GEMs data, which helps the private sector assess risk, and the mobilization data, which helps the private sector figure out what markets, what sectors, what regions have the potential for more investment. But it also helps shareholders decide what their policies should be with respect to the kinds of instruments should be supported for mobilization. And it also helps the institutions themselves as they start setting targets for mobilization. It's really helpful for them to know where they can get the most bang out of the buck from mobilization. So before I turn to Kruskaia, I just wanted to note, as I should have at the beginning, please feel free to comment on the YouTube chat window or tweet at CGDev hashtag CGDTalks or email at events@cgdev.org. So we welcome lots of online conversation on this in-person conversation.

Now, Kruskaia, so IFC is standing is one of the institutions at the center of this effort. The shareholders have certainly been putting a spotlight on this as really an essential contribution to filling these finance gaps. We just heard that IDB Invest just had a capital increase because of this shift to an institutional strategy of originate-to-distribute. But the World Bank is moving forward with its own evolution. This is an opportunity to describe how IFC's mobilization approach is evolving over time, changing over time, and how its approach to mobilization disclosure is also evolving over time.

KRUSKAIA SIERRA-ESCALANTE:
Nancy, thank you very much. And again, thank you for the Center for Global Development for the invitation. And I want to acknowledge Gary's and the team, very close engagement that he had with a number of us. So thank you very much for that. I think that basically this is a good moment to continue the conversation. And as Ben has mentioned, with the Private Sector Investment Lab, we really have felt that we have had a partner, a sounding board, to think about some of these things. In particular, I have been engaged on the originate-to-distribute conversation, and it has been quite helpful to hear their views as well. With respect to your specific question, I think the evolution roadmap is setting for us basically the specifics of how we're going to go into this. I think, we heard from Alexia, the corporate scorecard that is very clear expectation that we will be putting a private capital mobilization and a private capital-enabling information out there. And that will be very important to continue to see how we are moving forward with respect to that.

But I think another point that is important to highlight is that it is the combination of strategies and tools that we have in this. So we are still working on upstream and advisory services. I think you mentioned, Nancy and Alexia as well, how important is the enabling environment. And again, it is the private capital mobilization that we are putting. And again, as the World Bank Group, in the last three fiscal years, it has been 100 billion that we have put out there. Three-fourths of it, it has been IFCs. So the enabling part, which is again the other part, many of you will know it as Catalyst and it is what comes after. So it's not related to the investment. It's not related to the transaction. But what is that opening, the door to other things to come. And I think for that, addressing barriers through upstream work, through advisory services continues to be essential. The scalable platforms, when it comes - in some cases with the utilization of concessional finance, I was interested to hear, Nancy, your point that it's not only the commercial money that is drying up but also some of the concessional funding.

And for us, these scalable platforms become very important. Project by project, granular mobilization will continue to be important. It is the bread and butter of what many of the MDBs do. But if we are going to do the leapfrogging, it has to be through the different platforms. And you noted, Ben, as well, local currency becoming quite important with respect to that engagement as well and an analysis. Probably the originate-to-distribute is something that it's front and center to what we are thinking today, Nancy. From the IFC perspective, that means…

KRUSKAIA SIERRA ESCALANTE:
That is not only about going back to our assets and trying to find a way to de-risk a portion of it, which others have done. It was mentioned that Room to Run has the synthetic securitization aspect of it. For us, we will have an inaugural issuance that we need to look at assets back. But it's the intentionality going forward. It's basically saying and it's the call from the shareholders. It's not about originating and holding. It is about originating with expectations that you will distribute. And that has a lot of work that we need to do. It needs the input from the private sector. They will be the off-takers of the security. So we need to understand that this will be something that is of interest to them. And that's where we have found very, very helpful insights with our initial conversations with the private sector investment lab on that, just to get a sense of what will be relevant for them. You had mentioned, again, data sharing with the market. It's very important. And again, I think GEMS comes at a really great moment.

And the additional disclosure of the World Bank Group with respect to nonperformance is also quite important. With respect to what we heard from Gary as to what are some of the other aspects of disaggregation, the joint MDB report already is bringing something in this next edition, which we expect that will be published this week for calendar year 2022 data.

NANCY LEE:
This week?

KRUSKAIA SIERRA ESCALANTE:
This week for calendar year 2022 data. And on that, we are already bringing some disaggregation on region and income. So again, some understanding of what the call is and moving into that. We also are trying to bring some climate as a separate reporting category. So that will also bring a deal. And then I will link back to products. You will see in that report that there is quite a lot of information about what are some of the new products that the banks have been utilizing, whether it's securitization, whether it's the B bonds, whether it's the platforms like the call-ending platform that IFC has, MCPP, and how that is helping us to move in addition to our traditional syndication products. So you will get the spotlight from a perspective of narrative on that this time. But I think this is effectively what we are trying to do. And we expect as we come to the next report, which again, we're a little bit late on the 22 data, but we hope to catch up with the 23 data coming up for the annual meetings.

We will continue to do that. In March, we got together with the other DFI's and the MDBs and also agreed that there is so much movement with respect to new definitions, new products, that we need to come together and decide whether our definitions need to be changing. We have harmonized and reported on that since 2017, but there are changes that we would like to do. So there are three sub-working groups within our task force for the MDB mobilization that will be doing some work in the next few months. One will be on mobilization and definitions with respect to that. The other one is about the catalyzation, the enabling part. And the third one is about the methodology and the reporting. So again, if we're going to work as a group and be able to come to all of you stakeholders with what we can do together, I think it's important that we do this work internally and we don't have much time. So in the next few months, we will continue to do that. So I'll stop there, Nancy. But lots of moving pieces and we are trying to keep engaged on all of them.

NANCY LEE:
Excellent. So we've sort of thrown a lot of different complicated taxonomy at you. So we're basically talking here about the traditional way to look at mobilization, which is how much money inside a transaction is mobilized by MDB involvement in that transaction. And then there's the question of what happens after the transaction, as Kuruskaia was saying. What are the sort of follow-on mobilization effects? And then there's the question if you have a set of assets that the MDBs are holding on their balance sheet, can you mobilize private finance by transferring the risk from those assets to the private sector? So these are for more mature performing assets. And then there's the question of the enabling environment, which is the whole issue of how the sort of public sector-facing side of the bank operates to improve the investment climate. I was very pleased to hear Alexia's reference to this separate diagnostics effort, as well as what the IFC calls upstream development. And we're

very fortunate, by the way, to have Hans Peter here, who was like one of the founding fathers of this enabling environment, upstream development approach.

But before we hear from Hans Peter, I think it would be a good thing to hear from a major shareholder. So just to sort of pick up where Alexia took off, what's your initial reaction to PDB, what you fund's work, and just from your perspective as a shareholder for accountability reasons, what kinds of data are most useful to you as you assess the performance of these institutions?

MARGARET KUHLOW:
OK. Thank you. First, I wanna do just a little bit on our work around MDB evolution to put this just in context and come back to your question by starting where you just left off with Kruskaia, so if I can remember the curve. Our efforts on MDB evolution, as Alexia mentioned, started with the Secretary's call back in October of 2022 for the institutions to evolve to better address global challenges or those things that have impacts across borders because they're not really set up to take a cost in one place for a benefit that lives somewhere else. And we're seeing these kinds of global challenges like climate change, like conflict of fragility, like pandemics, really putting pressure backwards, downwards pressure on our ability to meet the sustainable development goals across the world. So it's no longer enough to concentrate on the kinds of things that the institutions traditionally do. They had to start looking at how they deploy new instruments, how they look at cross-border, within border, different tools in order to address these different kinds of challenges, because without that, they're not gonna continue to make progress on SDGs.

We split that work in four different areas. Mission vision, you all will have seen that the World Bank adopted a new vision statement at the annual meetings, which incorporates these sort of global challenges within their dual mission of ending extreme poverty and promoting shared prosperity now on a living planet. We also have seen progress in the second area of operational models, which is, for example, their launch of the crisis response toolkit, a whole range of items under the operational updates. Incentives, I want to come to that last, because sometimes the most interesting part is the fourth area, the financing. So most of our work around increasing financial capacity in the institutions up until now has been applying, implementing the recommendations of the G20 Capital Adequacy Framework review recommendations. It's in that context that we're also looking at how the banks can increase their mobilization of private capital because we know there's not going to be enough public money to address and meet the SDGs.

So we must bring the private sector along. We now know that there are private sector investors who are interested in looking at how you invest in SDGs, how you invest in emerging markets, how you invest in developing economies. And doing that along with institutions that have literally decades of experience doing that is one really effective way. So how do we mobilize that private capital? We look at, and this is where the report is extremely helpful, we're looking at both targets, transparent reporting against targets, and the incentives that that puts in place. Because if you're only measuring an institution by how much money they put out, they actually have a disincentive to mobilize private capital. You have to give them an incentive to mobilize private capital. A clear target for that mobilization and clear measurements of how the data underneath helps you understand and helps give staff the incentive to mobilize. Now I want to put a couple of really important caveats around this.

We likewise don't want, with targets for private capital mobilization, to disincentivize the extremely important upstream work on the investment climate. You don't want an institution not focused on how to improve the investment climate because it doesn't count against their private capital mobilization targets. When you give a banker a clear target, they deliver. So you want to make sure you understand the incentives that that target brings you. So that's why it's important and extremely helpful in the context of the report that you are starting to put more shape to how you measure private capital enabled or private capital catalyzed. And I hear this from the institutions, in fact. If they're able to get a transaction together, they spend a ton of time, and then they realize there could be a private investor actually to finance this. You want them to have an incentive to hand it off if it can be handoff, not to hold them to account for making big numbers by holding that transaction in.

So the details in the targets and the details in what is measured and how is measured is extremely important to set the proper incentives because at the end of the day, what we really want is as much capital as possible targeted at addressing the sustainable development goals. And that's why we're so interested in mobilizing private capital. That's why this effort really takes us a long way. We have been making this case within all of the institutions. All of the institutions will have heard us, and it's great to have more detailed report to help make the case.

NANCY LEE:
That's really helpful, Margaret, and it also relates to Alexia's point about impact. You don't want to disincentivize transactions that are, as they say, additional, that catalyze investment or mobilize investment that wouldn't otherwise have happened, or that don't focus enough on making it a transaction with real development impact. It's a lot for the institutions. But now, really, it's time to turn to Hans-Peter. Hans-Peter was in the trenches, both in the EBRD and in the IFC, in the mobilization world, and in really changing fundamentally the IFC approach mobilization while he was vice president there. So I would

love to hear your reaction to the work itself, publish what you find is work, what it's measuring, its taxonomy, and also, if you wanna react to any of the comments that others have made on this panel, I would welcome that as well.

HANS PETER LANKES:
Thanks, Nancy, and thanks for having me here, and thanks for painting me in that fatherly brush. So before I go to what I wanted to say, which everybody has already said, so I have to see how I can add value, I just want to react to something Margaret said, which I find really, really central. And actually, Ben said that as well. It's this incentive question. And just put it out, if you look at commercial banks, not just investment banks, but the larger commercial banks that have in the past been heavily engaged in project finance, for instance, they all operate on the basis of originate and distribute. Why? Because that makes financial sense. Why does it make financial sense? Because capital has a cost. So if we look at what's the problem, why we're lacking incentives here, why do we have models for the past 60 years that are about packing your balance sheet with long-term assets and holding on to them, it's because DFI's don't really feel the cost of capital. I think that's the fundamental issue here, and it's got to do with their governance.

Our boards don't really look for how much profit are you making. It's not the metric. But because they don't do that, they also don't really look at the efficiency of the capital use. And on the CAF panel, that was one of our constants. Now to this report, which I find incredibly useful and timely, and well done. And I want to really thank Gary and Paul and the others for this consultation process that you've had. I think this is gonna be a very impactful report. And I'll take sort of the example of, or I'll start with where Alexia and Nancy had started, which is what it's all about. We're trying to raise tremendous amounts of funding for SDGs, for climate goals. On our count, the DFI's would have to triple their mobilization levels from 60 to 180. And they would have to do that very fast. So we always have this idea that it's 2030, but in reality, it is by 2030. And that means we have to get there earlier if we want to reach anywhere these goals. So this has to happen fast. And in order to do that, we need to understand what this is about.

And when we were, Nancy and I were both helping on the IEG report last year, where we're doing that, it's not always clear what we're talking about. We had huge discussions about what's the mobilization part, what's the MDB-DFI contribution, what is it out there that they're not directly involved with. And some of that circulated around these new models of engagement, these new business models that we all now understand the DFIs and the sovereign MDBs have to move towards, which is to operate on a platform basis, to operate on a balance sheet basis, to load off their portfolios like the private sector banks are doing. And to do that, so not to operate on a project-project transaction-based level, which is just too complex, too individually tailored to work for the large numbers that we're looking for. So we have to look for platforms, which means we have to look for standardization of transactions. We have to look for portfolio approaches, which is why Kruskaia and the team are designing these warehouse platforms.

This is a very different way of operating, and it means operating like that at the inception of projects. You have to design projects from the start in a way that they are then sellable further down the road. And for that, I find it tremendously useful. There are parts of this bigger scaling-up picture that were not included in the traditional way that we had defined mobilization. It's very important to have that. Another point I wanted to make, and you kind of referred to that before, is the catalyzation enabling bit. I find it, like Margaret, very important that we don't lose track of that, just because we can measure mobilization now even better because of the work that's been done. And we have a hard time measuring catalyzation and this whole mushy enabling investment climate work. It's hard to measure that, so it becomes harder to manage towards it. And we focus on mobilization, we declare victory, when in reality, there has to be a lot of work to actually create the projects that we can then mobilize finance into.

So the upstream work that we've heard about, connecting the policy tools of the MDBs like the World Bank with the finance tools in a coherent way through joint strategies in the MDBs, those are issues that we have emphasized. There has to be an incentive to do that as well. So careful when we set these now nicely measurable mobilization goals that we don't divert attention from that. The incentives have to be there. And the third and quick point I wanted to make, the one part that I've always been a bit queasy about in this three-part mobilization story is the balance sheet mobilization, which somewhere is more a shareholder mobilization than a MDB mobilization. It's the shareholders who are putting this money in in order to enable mobilization on the balance sheets. It's also, of course, duplicating whatever happens on the other side of the balance sheet. And so if we say we need $200 billion more in mobilization, we have to be very careful what we're actually referring to. It's not that.

We would for that have to then deduct what the MDBs themselves are doing in order to get these numbers straight. But it is true this is private money that through these channels is going to end up financing development, and therefore it's good. But we need to keep it apart, report it apart, and be very careful not to declare victory because these numbers are large. I would suspect they are about as large as the whole mobilization story that we measure today.

NANCY LEE:
Thanks, Hans Peter for further sort of clarification about what's important and what we're

talking about. I was actually going to mention one aspect which now I hesitate, which is one other way you can think about this is if you, there's a lot of discussion now about hybrid capital, adding to the capital of the institutions by selling hybrid capital either to shareholders or to the private sector. If you do it to the private sector, you're giving private sector an opportunity to put capital in the banks, which then leads to increased lending capacity. But as Hans Peter just pointed out, you don't wanna double-count. You don't wanna say you added to mobilization with hybrid capital purchase and then count the resulting lending capacity in addition to that. So that's why Gary's point about double counting is really important, it's complicated. But the other thing I would say is that there's also the question of impact. And so I wanted to go back, do another round with all of you, but let's sort of reverse the order and start with Hans Peter.

So how do you think about this question of impact versus mobilization? Because you could imagine a transaction where the MDBs jump into the transaction, it would have happened anyway, there's some additional private capital, but the MDBs don't necessarily add to the impact. Do you see a trade-off, when does it happen, and what's the way that the institutions try to avoid that trade-off?

HANS PETER LANKES:
I think in principle there should not be a trade-off. The MDBs, the DFIs, have impact frameworks, if they apply those impact frameworks well and set ambitious enough targets, it's the same projects that we're talking about, they have to go through the same filter. It should not be. I think in practice there is going to be a tension, and that's probably for two reasons. One is that the most impactful projects, at least the way that we have tended to measure the impact, are in situations in which mobilization is hard. So if you have a mobilization target, you need to see how much energy you put into these really difficult ones. And when you want to mobilize the private sector, you try to simplify things. You don't want complex transactions, and therefore, again, often transactions that incorporate conditions on governance, on ESG, on other things that you want clients to meet, you don't make it easier to attract sources of funding that don't think complex, that want to think in terms of three, four parameters.

So there will be a bit of an incentive to shift in that direction, and that's why I think it's important to protect these spaces. And the report really talks about that quite correctly. You need to have separate targets in your scorecard to make sure that you invest in low-income countries in which mobilization is lower, and make sure that you invest in innovative situations, because you know these are impactful, and it will be hard to mobilize into them. So you have to counteract that tension, I think.

NANCY LEE:
Now Margaret, maybe you could put this in the larger context of MBD reform, and give us a little bit of a sense of the views of other shareholders. As we say, non-borrowing shareholders and borrowing shareholders. First of all, what's your sense of how important private finance mobilization is across the shareholder perspective, and do other shareholders care as much about these measurement and disclosure issues as the US Treasury clearly does?

MARGARET KUHLOW:
I would say that there has been a tremendous amount of alignment on this issue among shareholders, both borrowing and non-borrowing, and I think you see that in all of the work that's been done in implementing the CAF recommendations, because those recommendations, the Capital Adequacy Reform Review from the G20, those recommendations were really about making best use of the balance sheet. That's money that shareholders have already put in the institutions, and even the borrowing countries are shareholders, they have also put money in the institutions. They do borrow, but they're shareholders, and everyone is of the same view that we have to make as much use of the capital that's already been given to the institutions as we can, and that includes things like getting better at mobilizing private capital. To the second part of your question about the disclosure and the data, I think they're also interested in understanding, and how's it working? To the question that came up earlier, it's hard to focus on which instruments or which instruments in which countries or which levels of GEM's data will really mobilize private investors outside of what the DFIs are doing or the NDBs are doing, because that's the important part of releasing the GEM's data, gives better risk disclosure for private investors in those markets, where they might be inclined but don't have the historical data to make a good risk choice.

How are the institutions actually doing that work, and what's the impact of... That the work is having. And then really quickly to touch on a point that Hans Peter mentioned, private capital mobilization is not gonna work in every country. And I think there's a danger in the gross number at missing what's happening underneath. There are some markets, some sectors in which you should have really high levels of private capital mobilization, and some places where you really should not expect a lot of private capital mobilization. You should try, but you shouldn't expect it. And we don't wanna disincentivize these institutions in particular because they're not the private sector from continuing to invest in the places where the private sector isn't going to invest. So, I think that's another important part at looking at the broad range of issues around PCM. And then just one last point too, something that Kruskaia mentioned earlier, a lot of private investors - I think actually Ben touched on this - are talking about Forex challenges.

Well, one of the things that the DFIs can do is help deepen local capital markets. If they issue a local currency bond, for example, whether or not that's attached to a transaction, that can have an extremely beneficial effect by deepening the availability of local currency within the market. So, I think we have to look at the whole range of tools in order to understand really what at the end of the day is the impact that we're all after, which is more funds for SDG-targeted investments to bring countries along the growth path.

NANCY LEE:
Yeah, absolutely. We don't actually know on this question of mobilization, particularly in difficult investment climates or countries, fragile countries. We know that mobilization is lower because the transactions are smaller and there are fewer transactions. But we don't actually know - this is something that would be really nice to know - whether the mobilization per dollar of MDB commitment is different, actually. And one of the virtues of this effort was we might know this. So, Kruskaia, then quickly from your side, there's a lot of virtue in this joint reporting that you were talking about. We sort of get a picture across the institutions. No institution is sort of in the spotlight and singled out. But on the other hand, harmonizing definitions and methodologies across institutions is very difficult. So, just give us a sense. Is the best way to go forward to keep the emphasis on joint reporting? Or do you see a role for reporting by individual institutions, as the IFC just did actually on recovery rates in the Gem State?

KRUSKAIA:
Thank you. I think a combination of both makes quite a bit of sense, and it has been what we have done. So, from 2017, there is the joint report, but also individual institutions have continued to publish their numbers, whether they call it something slightly different, whether they include products that even if we are able to harmonize, if they are not very used by all of us, maybe it doesn't make sense to include them in the actual definition. So, I think there is value to maintain what we have been doing, which is this dual reporting with the objective, though, that if we are going to present an overall number, the harmonized report has been quite helpful and it has worked well. So, we do hope that our efforts to continue to expand definition, fine-tune the methodology will take us to the possibility of having even a more fit-for-purpose upcoming report later in the year.

NANCY LEE:
Good. So, you're saying both have a role?

KRUSKAIA:
Yeah.

NANCY LEE:
Yeah. Ben, I just wanted to end, before we go to the audience, with a sort of critical question, which you're well placed to answer, which is this question of sensitivity about disclosure of business confidential information. So, I know that the MDBs themselves are worried about that, but the private sector is the best place to answer the question of what they're sensitive about. So, what is your sense of, well, what they're worried about? What kinds of disclosure would be troublesome and how the private sector sees the right way to approach that?

BEN WEISMAN:
So, I certainly can't speak on behalf of the whole private sector, but I think the sort of point made in the report which Gary alluded to earlier, just that there's a way to do this at a disaggregated level that's still anonymized. And I think that holds true. And when we talk to participants within GFANZ or within the private sector investment lab, most of them will say that we're already putting out press releases, or what have you, that include a lot of the information that we're talking about here, potentially even more information than would be sort of disaggregated and distributed by the MDBs. So, I think there's certainly an opportunity to think like at a country, sector, and then transaction level without mentioning client names, without mentioning any other identifying details. Like there will be specific circumstances where we're talking about a really small economy with one very obvious company who that could be. But in many of those cases, information is being disclosed already.

And so, I think finding the right balance and just trying to do it and recognizing that on the part of the MDBs and DFIs, it's very difficult to do this and to go transaction by transaction. But it's still worth trying, I think so.

NANCY LEE:
OK. Great. Got it. And I know that Publish What You Fund spent a lot of time on this issue. So, I recommend where they came out. So, we have some time to have questions from the audience. And we'll take some in the room and then we'll take some online questions. So, this gentleman over here. And if you could just identify yourself.

MATT ROBINSON:
Hi. Matt Robinson from British International Investment. First of all, thanks, Gary and team, for the report. I think a lot of it's fantastic. The points on disclosure are noted. The framework for a kind of collectively exhaustive but mutually exclusive set of buckets for new types of mobilizations is really, really welcome and will help to incentivize some of the strategies, the broader strategies that the panel have been talking about. I had two comments, maybe, that might be helpful as you try and finish the report this year, which is,

I suppose, all related to like, well, who does what next with this? The first is about the OECD, which hasn't been mentioned. From the perspective of a bilateral DFI, and I can also, I think, speak on behalf of EDFs, it's not helpful having two frameworks. And actually, we want to use this report as a moment to bring further convergence. There's actually a risk there could be divergence if the MDBs pick up some of your recommendations and the OECD doesn't.

So, I know you're thinking about that, but that's very important for some of us. I think the second and related point is at what point does this become such an important part of the agenda that it's kind of almost unfair to ask the MDBs on a kind of voluntary collaborative basis to continue to run this joint report and the guidelines around it? I mean, these teams, to the best of my knowledge, are essentially transactional teams doing syndications, designing new products. You're asking them to run a world-class reporting framework. And I think we should give thought as to what moment where we pass a threshold, where this is better put out to a kind of international standards organization as it's such an important part of the kind of MDB feature. But thanks again for the report.

NANCY LEE:
This gentleman here. And does anyone have any... Margaret, I'm sure that the shareholders would be absolutely in favour of sufficient budgetary resources to run this.

JEFF CHELSKY:
I'm Jeff Chelsky. I'm IFC manager for country private sector diagnostics. Just wanted to echo what Hans Peter said about not losing sight of capitalization. To be entirely honest, ten years ago, we had this exact same conversation. We were looking at mobilization and capitalization. And because capitalization could not be easily quantified, it fell by the wayside and we paid attention only to what we could measure. So, I think there's a lesson from the past that we should learn. The other thing is that not all finance is equal when we're looking at development impact. And a good deal of the origins of the current debt crisis in low-income countries was coming out of the European financial crisis. The drying up of project finance ended up being filled with Eurobonds and money that wasn't tied to the sort of assistance and structured approach that was necessary to have impact. So, we have countries like Zambia. Instead of using project finance, issue Eurobonds, the money does not get used efficiently and effectively.

The numerator goes up, the denominator doesn't go up and the debt-to-GDP ratio soars. So, I think we do need to differentiate. Not all private finance is equal when we're talking about development impact.

NANCY LEE:
I just wanna observe that there's a whole other - I don't know whether you'd call it mobilization or categorization - set of issues. And that has to do with when MDBs guarantee sovereign issuances. Sort of relates to your point. Either with some targeted spending or without, they can improve the terms of those issuances and therefore increase the interest of the private sector in buying those issuances and you could say that is, to some degree, mobilizing capital that wouldn't otherwise have flowed. That, as I understand, is not part of this effort for very good reasons because it really becomes impossible to determine what the role of the MDB is in the purchases of that bond. But it just is another thing that further complicates the picture. Other questions from the audience. And Samuel, do we have anything from online?

SAMUEL:
Just a comment.

KRUSKAIA:
(INAUDIBLE)

NANCY LEE:
Sure.

SPEAKER:
I just have a comment on the culture issue, which is critical. There is nothing in the MDB articles that says volume should be the basis for the culture to be rewarded, but that's become the fact. So, a culture works very oddly. And to create another culture, a counter-culture that promotes measurable standards on private mobilization or whatever and balances it with complexities of impact and so forth, this ain't easy. I mean, culture is the most difficult thing to inculcate. It comes from the top down. It's cultivated informally through stories people tell, through promotions that people get. So, I think we are struggling with the most important thing about organizations. And to do that, I would say I take my hat off if you think you can do it. Thank you.

NANCY LEE:
Kruskaia, do you wanna say… So, you're inside the institution. How do you see that issue? Your loan officers are told to achieve impact. They're told to go to more difficult environments. They're told to minimize subsidies. They're told to meet certain, I'm sure, meet certain requirements for the volume of their own account finance. How does that work inside?

KRUSKAIA:
Climate, gender, low income. You just name it. I think it works. You put it all in a blender and

you try to make the best out of it. But actually, I think you made a very good point. It has to come from the top. And I think that's... Like I mentioned that, I mean, throughout the institutions with the call of the shareholders, the message is coming from the top. I mean, the business as it is, it won't be what we need to do. So, how we're going to change? Through innovation. How we're going to change? Through measurement. How we are going to change? Through incentives. And again, it's going to be a step-by-step process that needs to accelerate in some aspects. But I think it has to come from the messaging, from the top. I wanted to quickly react to OECD being part of it. I mean, we had the OECD in March when we got together with the other DFIs to come and see if we could, at least in terms of terminology, see how we can continue to harmonize. So, again, work in progress, but we are trying to work with them.

And just to the note, when I think, as you said, there will be situations in which the disaggregation by even typology will make it difficult because you know that there will be one or two large projects that you know are going to be in that sector in that country and you effectively are providing all the data. So, it's a concern that is there and we will try to see how we make sure that we work, again, the call for more transparency together with for the private sector arm of the DFIs to think how we ensure that our private sector clients are comfortable with the level of disaggregation.

NANCY LEE:
Yeah. It does sound as if this view of the private sector in terms of what they are sensitive about and what they're not sensitive about needs to be incorporated more sort of systematically in these contracts between the institutions and their counterparties. And you need to avoid a situation where you have non-disclosure agreements that are so restrictive, that really ties hands. But, Margaret, do you want to comment?

MARGARET KUHLOW:
I want to comment. I think your cultural point is excellent, and what's the statement? Culture eats strategy for breakfast. I think what we've been pleased to see at the World Bank in particular, and we've seen it spread to the regional development banks as well, is this move to start to measure and incentivize outcomes rather than inputs. Dollars are an input. Not an outcome or an impact. And you don't want the institutions incentivized to go big and expensive when you could maybe have more impact, smaller and less expensive. The scorecard - I wanna come to the World Bank's scorecard - that discussion has been really thoughtful around this issue, and I think it's been described as wet paint - fair enough - because they want to make sure that the targets that are being selected and the way they're being measured aren't putting in place, in the meantime, perverse incentives. But there is very much from the top with this corporate scorecard and what will be measured,

an attempt to shift the culture and the institution to focus more on what the outcomes are that they're focused on, rather than what the inputs are.

But to the point earlier about - I forget who made the point on the capitalization - you lose the... Sorry, from the IFC. You lose the stuff that's hard to measure and then you end up sort of focused on the stuff that's really easy to measure, which is a dollar. So, I think it's important to keep the institution's feet to the fire on this issue. And a really good signal that we have the largest among the institutions starting to shift what they're measuring in this direction.

NANCY LEE:
So, the implication and maybe that one might draw from what you just said is that you shouldn't focus too heavily on the dollar number of capitalization of private finance. You should focus equally on the actual outcomes that are promoted by the private investment that is for the purpose of investment.

MARGARET KUHLOW:
Yeah, exactly. Yes, and.

NANCY LEE:
So, I mean, Hans Peter, and I know when we were helping to support the work of the Independent Experts Group, we were struggling with this notion of how you would measure capitalization as a contributor to these large volumes of private finance. Hans is gonna comment.

HANS PETER:
Just two quick comments on disclosure. One, to respectfully disagree - maybe not really - but with Kruskaia and we've worked together for years. And that is how afraid are these clients really of disclosure? And every time I've talked to clients, I didn't find that fear. I found it more with our investment officers than with the clients. And that's in part because, for clients, it's often kind of a badge of honor to be financed, to receive DFI finance, because everybody knows the standards are high. They meet these standards, credit and other. And secondly, if they actually manage to attract capital market funding, that even heighten this further. For many clients - I'm not gonna say for all - it is, I'm pretty sure, not such an issue. It's about making that effort and getting that second point. We said at ODI, we're finalizing. Have we finalized? Nil. Issuing this week a report on pension funds and insurance companies, European pension funds, insurance companies, financing into emerging markets, developing countries for climate and SDGs.

And it's a very interesting report. One thing that came out... And we had dozens of pension funds at ODI the other day, quite unusual. One thing that came out is that - scary, but they didn't know about the DFIs. So, it was us kind of saying and the DFIs. We had IFC with others there saying why don't you invest with us? And they were saying, yeah, who are you? And there is sort of a misperception in our part of the world. We're probably excessively inward-looking that everybody understands these things. Everybody is into this game. They all know there are these opportunities. That's not true for your average institutional investor. That became very clear. And therefore, information, going out there telling them your peers are doing this, giving them these examples in a massive way because this is an investment class that they have to roll up. That is quite clearly a valuable part of the strategy. So, disclosure is not just accountability. Disclosure is an investment strategy.

NANCY LEE:
You mean in the sense that sort of demonstrating to these investors that aren't familiar with this world that there are opportunities that they hadn't seen?

HANS PETER:
Yeah.

NANCY LEE:
Yeah. And so, you got the sense from these conversations with institutional investors that they are proactively trying to find ESG, SDG-related investment opportunities? Yeah.

SPEAKER:
I think for actors, they are a bit strong. I think they show they have appetite, particularly in the climate area. But they have cost pressures and their own limitations, their ability to look at very granular investments. I think the onus is on the MDBs and the DFIs to put together structures and, as Hans Peter said, standardize structures that reduce the transaction costs and the information costs for them to understand how they can buy into exposure to these assets.

NANCY LEE:
Yeah. And as we related to the point earlier about bundling investments together to provide sort of investments at scale with transparent disclosure. Well, I'm very happy to have been part of this conversation. I think it really touched on a lot of ground. I wanna congratulate Publish What You Fund. I think, as Gary said, if people are interested in providing input as what you fund finalizes the work to be announced, I think probably at Brookings in October. Please do that. I recommend the report that they've already produced because I think it helps you sort of understand this taxonomy of different forms of mobilization. It also explains the difference between the OECD approach and the MDB approach. So, I invite everybody to keep focused on this topic. And very glad to see that both the institutions and

the private sector and a major shareholder is really on it. So, thanks so much for coming.
(AUDIENCE APPLAUSE)