Private Capital Mobilisation: Concepts and Definitions

Authors: Neil Gregory and Margot Grubert

Date: October 2024

Disclaimer

Suggested citation

N. Gregory and M. Grubert (2024). 'Private Capital Mobilisation: Concepts and Definitions.' Brighton: Itad.

Copyright

Contents

List of tables

List of figures

Acronyms

BII	British International Investment
CIV	Collective Investment Vehicle
DFI	Development Finance Institution
FCDO	Foreign, Commonwealth and Development Office
FI	Financial Institution
GP	General Partner
LP	Limited Partner
MDB	Multilateral Development Bank
MSME	Micro, Small, and Medium Enterprise
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goals
ToC	Theory of Change

1. Introduction

Development Finance Institutions (DFIs) can only address a small part of the Sustainable Development Goals (SDG) and Paris agenda through their own investments. A key part of the role (and therefore the impact) of DFIs is to mobilise investment from others.

This note is part of the Longitudinal Mobilisation Study, which focuses on the mobilisation of private capital by British International Investment (BII). It recognises that BII's ability to mobilise other DFIs is often an essential precursor, particularly in more challenging markets. The aim is for BII and the Foreign, Commonwealth and Development Office (FCDO) to find the most effective means of mobilising private finance in different contexts. This will enable them to improve strategic choices and maximise their influence and mobilisation activities. The study complements the BII annual publication of direct mobilisation figures (using the Organisation for Economic Co-operation and Development (OECD) and Multilateral Development Bank (MDB) methodologies) by focusing on what we can learn about how BII mobilises – and under what circumstances - including the forms of mobilisation not captured by current reporting methods.

Mobilisation is a widely used term in development finance, covering a wide range of activities. However, there is often a lack of precise terminology, which makes it difficult to compare mobilisation activities, measure amounts mobilised, or learn lessons across organisations. To think strategically about how to mobilise more and measure progress toward that goal, it is important to start from agreed definitions and measurement methodologies.

Conceptually, mobilisation consists of a relationship between a DFI activity and the financing activity of private investors. Therefore, our definitions need to:

1. Define the scope of DFI activities which are related to private financing activity.
2. Define the scope of private financing which is related to DFI activity.
3. Define the causal relationships and logic chains (theory of change (ToC)) between the DFI activity and the private financing.

Once those three definitions are in place, we can then measure how much private financing has resulted from the specific DFI activity(ies).

Therefore, we propose a composite set of definitions and methodologies, which align as closely as possible to methodologies already used by MDBs and DFIs,[1] while also being analytically robust, and consistent with the underlying ToCs. By establishing a common vocabulary, we aim to ensure consistency and clarity in all future study outputs and discussions.

Section 2 clarifies basic concepts within the mobilisation context, Section 3 outlines proposed definitions and measurement methodologies, Section 4 describes BII's 10 mobilisation pathways, and Section 5 discusses reporting considerations and conclusions.

[1] The Joint MDB Methodology and the OECD Methodology. See Annex A for further information.

2. Discussion: Basic mobilisation concepts

Before examining specific mobilisation pathways, we clarify some basic concepts which apply to all types of mobilisation.[2] This discussion incorporates concepts and definitions from both the Joint MDB Methodology and the OECD Methodology, acknowledging areas of incongruence among these methodologies and within the sector more broadly.

This section lays the groundwork for the proposed definitions for BII and this study to adopt going forward. Accordingly, we discuss the rationale for selecting these preferred definitions (Section 3, Table 1).

a. **Commercial Financing.** At its simplest, a commercial financing transaction involves a cashflow from an investor to an investee, with the expectation of making a positive financial return, and accepting the inherent risks (commercial risks). Financial markets have developed ways to unbundle the cashflow from commercial risk-bearing. For example, guarantees and insurance accept risk on an entity without providing cashflow unless the guarantee is called, or a claim is made on the insurance. Conversely, a bank providing a line of credit to an SME which is fully guaranteed by a third party provides money to the SME but does not assume any risk.

   When considering the mobilisation of private capital by DFIs, are we interested in the provision of cashflow, or the provision or risk-bearing? We argue that risk-bearing is the key dimension. In a world of fiat (and digital) money, risk-free transfers of money accomplish little. What investees need are counterparties that will accept the risks in making these transfers. firms do not go out of business, or fail to expand, because no-one has money to provide to them. They do so because no-one will take the risk of doing so.[3] Therefore, in financing structures that unbundle cashflows and risk-bearing, we define the financing party as the one assuming commercial risk. In other words, private capital mobilisation occurs to the extent the private party takes on commercial risk in the transaction.

b. **Private Capital.** The definition of 'private' can also be vague, since the source of capital may have some government involvement, for instance, a financial institution with some government shareholding. Conversely, some wholly public sources of capital may operate like private investors, seeking only a risk-adjusted financial return without public policy objectives. Many sovereign wealth funds and state-owned insurance companies and pension funds are organized this way, making their investment behaviour indistinguishable from private capital. Hence, the MDB/DFI definition of private capital is expanded to include public institutions investing commercially in the same way as a private investor, as long as they have business objectives and autonomy from government in their decision making. This aligns with the broad approach to mobilising private capital to finance the SDGs in the Addis Ababa Agenda (2030 Agenda), summarised in the 'Billions to Trillions' paper, which recognises sovereign wealth funds and other public sources of capital as important sources of financing.[4]

c. **Transaction Mobilisation (including direct and indirect transaction mobilisation).** We refer to mobilisation at the time of MDB/DFI commitment to a transaction as transaction mobilisation.[5] All private cofinancing committed to a client at the time of a DFI transaction can be considered

---

[2] For more on basic concepts of private capital mobilisation, see N. Gregory (2023), Annex B.
[3] This is consistent with the MDB methodology (but not the OECD methodology).
[4] 'From billions to trillions: Transforming development finance' (2015). https://thedocs.worldbank.org/en/doc/622841485963735448-0270022017/original/DC20150002EFinancingforDevelopment.pdf
[5] The MDB methodology only covers transaction mobilisation.

to be mobilisation. This is because all private investors benefit to some extent from the MDB/DFI participation in a financing plan (due to their extensive due diligence, rigorous supervision, or the political risk mitigation from their involvement), which may have some influence on these investors participating. We classify the subset of mobilisation where the DFI has played an active and direct role in bringing the private financing into the transaction as **Direct Mobilisation**.[6] Cofinancing where the DFI role is not so direct is termed **Indirect Mobilisation.**[7]

There is an argument that where investors take different risk positions in the capital structure, then the investors taking the most risk help bring in investors with a lower risk appetite. Following this logic, equity investors mobilise directly.[8] In our view, such a broad view of mobilisation dilutes the concept and reduces its usefulness. Investors are compensated for the amount of risk they assume in a transaction, so on a risk-adjusted expected return basis, equity and debt investors in a transaction benefit equally from each other's presence. Since DFIs often take debt positions alongside private investors (including sponsors) providing equity, this broad view would imply that DFIs are directly mobilised by private investors in such transactions. Similarly, if a DFI guarantees the credit risk on a private investment, only the part of the private investment not covered by the guarantee should be regarded as direct mobilisation, as the rest of the investment remains a credit risk borne by the DFI. However, when guarantees of other types of risk (such as political risk guarantees) encourage private investment, the full amount of private investment should be considered direct mobilisation, as the private investor bears the full credit risk. With this in mind, we propose recognising all cofinancing as mobilisation.[9]

d. **Single- and Multi-Asset Transaction Mobilisation.** MDBs and DFIs have traditionally focused their attention on transaction-by-transaction mobilisation (often called projects or deals), aiming to bring in private co-investors at the time of commitment to a single client firm. As the BII paper on mobilisation pathways demonstrates, private capital may come in either ahead of the transaction – by the DFI leveraging its balance sheet to expand the pool of capital it can commit to transactions – or after the transaction – by how the DFI manages its portfolio of assets acquired through its transactions. Transactions can also mobilise financing for multiple client firms, such as investments in funds (collective investment vehicles (CIVs)) and platform companies. We will refer to this subset of Transaction Mobilisation as Multi-Asset Mobilisation. It remains within the scope of the MDB/DFI definitions methodology.

e. **Portfolio Mobilisation.** For mobilisation pathways that do not involve co-investment at the time of DFI commitment, we need to develop new definitions, as existing methodologies do not capture them. This type of mobilisation, related to an asset in the DFI portfolio, we will call this

[6] The existing BII definition of Active Mobilisation mostly aligns with this definition of Direct Mobilisation, but adds two additional cases – origination with the intent to sell later; and 'supporting the scaling of an asset class with the intention to attract new pools of capital.' In these two cases, mobilisation is expected to occur at a later point, and could be measured at that point. We propose that these activities be counted when private capital is committed, i.e. at the time of the portfolio sale (see portfolio mobilisation, below), and at the time that private capital invests in a new asset class (see catalysation, above). With these adjustments, Active Mobilisation would become synonymous with Direct Mobilisation.
[7] This distinction between Direct and Indirect Mobilisation is consistent with the MDB methodology. OECD does not make this distinction.
[8] This approach is followed in parts of the OECD methodology.
[9] This is the approach taken by the MDB methodology.

Portfolio Mobilisation.[10] It can include portfolio insurance, and partial or full sale of single assets or multi-asset portfolios.

Unlike Transaction Mobilisation, Portfolio Mobilisation does not directly bring additional financing to the underlying client. Instead, it transfers the commercial risk exposure related to the financing already delivered from the DFI to a private investor. This frees up DFI risk-bearing capacity to make new commitments.

Thus, challenges arise when aggregating different types of mobilisation, especially when comparing financing activities involving the same asset at different times. For example, a DFI may invest its own capital in a loan at commitment, later purchase private insurance for its loan portfolio, or may sell part of the loan to a private party. These activities transfer risk to a private party, so are types of mobilisation, but they involve the same asset. They reduce own account exposure to the extent that they increase mobilisation. Hence, care should be taken in aggregating own account and mobilisation amounts, to avoid double-counting, although the detailed methodology falls beyond the scope of this note, and may be addressed elsewhere within our study.

f. **Balance Sheet Mobilisation.** DFIs can also mobilise private financing by leveraging the equity on their balance sheet with debt. This increases the DFI's ability to make own account commitments to clients, indirectly expanding financing options for clients. However, when a private investor purchases the DFI bond, they do not assume direct commercial risk exposure to the underlying clients; instead, their risk exposure is tied to the DFI as a whole. If the DFI itself bears the commercial risk of its investments in private firms on its balance sheet, then the bondholder shares in that risk, and the financing raised qualifies as Balance Sheet Mobilisation.[11] On the other hand, if the bondholder benefits from sovereign guarantees or callable capital from government shareholders which cover the commercial risk, then it would not meet the definition of mobilisation, as the bondholder would be assuming sovereign rather than commercial risk.[12] As with portfolio mobilisation, new financing does not directly flow to private firms due to a balance sheet mobilisation event. The flow of financing would be captured by measuring the DFI's own account commitments. Hence, it is important not to aggregate portfolio mobilisation and balance sheet mobilisation with transaction mobilisation, or own account commitments, as this could lead to double or triple counting.

g. **Platforms.** Where a platform acts as a CIV, it can be considered to be mobilisation. If the DFI manages the platform, then it would be direct mobilisation. If the DFI is a participant in a platform managed by others, we categorise this as indirect mobilisation. However, BII also invests in platforms which are operating companies rather than investment vehicles. If private investors coinvest at the platform level, then that would be considered direct mobilisation at the time of the transaction bringing in the private finance to the platform. If private investors participate in financing sub-projects or subsidiary firms created by the platform, then their

[10] This is consistent with modifications to the MDB methodology proposed by Publish What You Fund. Publish What You Fund (2024). Crowding in: An advanced approach for measuring and disclosing private capital mobilisation. https://www.publishwhatyoufund.org/app/uploads/dlm_uploads/2024/04/Crowding-in-An-advanced-approach-for-measuring-and-disclosing-private-capital-mobilisation.pdf

[11] This is consistent with PWYF proposals.

[12] British International Investment. (2023). Discussion Paper: Understanding Mobilisation. https://assets.bii.co.uk/wp-content/uploads/2023/03/13125506/Understanding_Mobilisation.pdf.

'Understanding Mobilisation' uses the term 'Institutional Level' to describe balance sheet mobilisation and portfolio mobilisation. We propose differentiated terms because the risk being shared with private investors is different – in the case of portfolio mobilisation, they are taking risk on specific assets, while in the case of balance sheet mobilisation, they are taking risk on BII. 'Understanding mobilisation' also includes asset management in the category of 'institutional level' mobilisation. We propose including asset management in the category of multi-asset transaction mobilisation.

participation could be considered direct mobilisation at the time of the sub-project transaction if the DFI has a role in directing the activities of the platform (and therefore has an active and direct role in creating the sub-project).[13] If the DFI does not control the activities of the platform, then private cofinancing of sub-projects would not count as mobilisation.

h. **Catalysation.** Existing OECD and MDB methodologies agree that mobilisation relates to financial transaction activities of DFIs. This usually involves DFI participation in the financing, but it can also include DFI advisory services (such as technical assistance) that contribute to completing financial transaction. DFI financing and advisory activities, whether or not they involve mobilisation, may impact subsequent private investment activity. We call this wider impact on private investment, which extends beyond the scope of these mobilisation definitions, catalysation. Specifically, catalysation refers to DFI financing or advisory actions that create conditions for subsequent private capital flows.[14] This includes providing financing to clients, strengthening their financial and operational capacity to raise private capital at a later date. Catalysation can occur because of demonstration effects or signalling effects, where DFI activities change investor perceptions of the risk-return profile associated with a DFI investment. Alternatively, it can involve complementary or downstream investment facilitated by a DFI investment. Because of its broad nature and less direct connection to specific DFI activities, there is currently no agreed methodology to measure catalysation. This also falls beyond the scope of this note. Two of the mobilisation pathways identified by BII – regulatory capital to financial institutions, and other equity infusions which enable the client firm to later leverage that equity with private debt – would be categorised as catalysation rather than mobilisation.

[13] This is consistent with MDB methodology for advisory activities which are similar to the project development activities of platforms.
[14] This is consistent with both OECD and MDB methodologies.

3. Proposed definitions and methodologies[15]

Based on the above discussion of common terminology in mobilisation, and the strengths and weaknesses of various approaches, we propose the following definitions. These definitions do not cover all of the concepts mentioned above, but rather focus on those most important and useful for BII and this study.

Broadly, where the OECD and MDB methodologies are in agreement, we recommend that BII adopt the shared definitions and approaches, as they represent industry standard across MDBs and DFIs. In cases where the methodologies differ (outlined in Annex A), we have taken a view on which methodology BII should follow to best capture its mobilisation efforts and align with current industry-wide thinking.

Table 1 outlines proposed definitions and methodologies for calculating amounts of mobilisation. These definitions can be used by BII as a guide for activities involving how mobilisation data is collected and analysed, ensuring consistency and accuracy across related activities. It can also guide potential efforts by BII and other DFIs to measure and track activities over time and thus facilitate the analysis of mobilisation, including in relation to the mobilisation pathways described in Section 4.

[15] These are the methodologies for calculating amounts of mobilisation. They are intended to clarify the definitions (for example, what exactly is attributed/measured and when), rather than to provide a complete methodology for reporting or other measurement purposes.

Table 1: Proposed definitions and methodologies

Term	Definition	Methodology
Commercial Financing	Provision of capital on commercial terms (i.e. without any concessionality or subsidy).	Not relevant
Private Capital	Capital provided by a legally independent organisation operating for business reasons that are financially and managerially separate from government control.	Not relevant
Transaction Mobilisation	Investment made by a private entity as part of a transaction involving a DFI.	Private capital flows to a client as part of a transaction involving a DFI, committed at the same time or within 12 months as the DFI commitment (or completion of the DFI advisory mandate). Measured at the time of commitment of the transaction, or within 12 months of the first DFI commitment to the transaction.
Direct Transaction Mobilisation[16]	Funding from a private entity on commercial terms, facilitated by a DFI's direct and active participation, leading to a financial commitment. Evidence of this involvement may include mandate letters, fees tied to financial commitments, or other verified proof of the DFI's direct role in securing commitments from other private financiers. This excludes sponsor financing. For equity investments, the DFI must play an active and direct role in arranging cofinancing. Being an anchor investor is not sufficient justification.	Attributed to the DFI that demonstrates an active and direct role, with adjustments made for guarantees or unfunded risk participations. Each reporting DFI distinguishes its own direct transaction mobilisation, [17] mobilisation by other DFIs, and indirect transaction mobilisation. To prevent double-counting and ensure proper attribution, each DFI reports 100% of its own mobilisation, 0% of mobilisation by other DFIs, and a prorated share of indirect mobilisation based on its share in total DFI commitments for the activity. Counterpart DFIs do not report any private cofinancing flows classified as the direct mobilisation of another DFI. The measurement is taken at the date of the mobilisation commitment. Measured at the time of DFI commitment or within 12 months of the first DFI commitment by the amount of cofinancing facilitated by the DFI. This applies to all instruments.

[16] Discussed in Section 2 under 'Transaction Mobilisation.'

[17] In the MDB reporting process, MDBs/DFIs cross-check on how they are reporting transactions where multiple institutions are claiming mobilisation to avoid double-counting. The client typically provides a mandate or engagement letter to an MDB/DFI, and/or pays fees, so it is clear which one can claim direct mobilisation.

Term	Definition	Methodology
Indirect Transaction Mobilisation[18]	Funding from private entities associated with a particular activity, where no DFI is directly involved in securing the private finance commitment. This encompasses sponsor financing if the sponsor meets the criteria of being a private entity.[19]	Indirect transaction mobilisation is attributed on a prorated basis, determined by the reporting DFI's proportion of all commitments made by all DFIs for a specific activity. The formula for proration involves dividing the reporting DFI's commitments by the total commitments of all DFIs. This ratio is then multiplied by the activity's indirect mobilisation to determine the indirect mobilisation attributed to the reporting DFI. Measurement of indirect transaction mobilisation typically occurs at the commitment date. Measured at the time of DFI commitment or within 12 months of the first DFI commitment by the amount of private cofinancing not directly mobilised by a DFI. This applies to all instruments.
Portfolio Mobilisation	Partial and full asset sales and risk transfers which transfer some or all of the commercial risk of one or more assets in the DFI portfolio to private investors and/or insurers. Includes equity and loan sales, portfolio risk insurance.	Measured by the amount of commercial credit risk transferred from the DFI to private investors/insurers. In reporting total DFI financing, own account exposures are reduced by the same amount as portfolio mobilisation. Measured at the time of transfer, by the amount of credit exposure transferred.[20]
Balance Sheet Mobilisation	Leveraging DFI balance sheet equity by issuing bonds on the DFI balance sheet, without sovereign guarantee or callable capital.	Measured by the amount of bonds issued by the DFI in a 12-month period. Can be compared to the equity on the DFI balance sheet (leverage ratio). Measured at the time of bond issuance.
Catalysation	DFI financing or advisory activity which creates the conditions for subsequent private capital flows. This includes financing to clients which strengthens their financial and operational capacity to raise private capital at a later date. It can occur because of demonstration effects or signalling effects.	No commonly accepted methodology.

[18] Discussed in Section 2 under 'Transaction Mobilisation.'

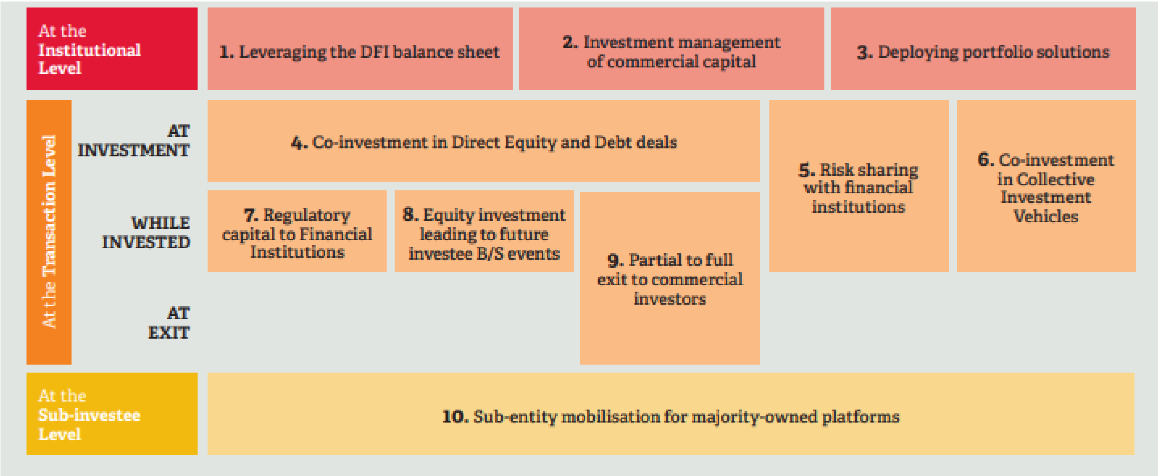
[19] By definition, sponsor financing is excluded from direct mobilisation. All sponsor financing is counted as indirect mobilisation.

[20] For example, the sale of a loan with an outstanding balance of $100m is counted as $100m of mobilisation; a 50% partial risk guarantee on a $100m loan balance is counted as $50m of mobilisation (that is, $100m x 50%).

4. Mobilisation pathways

Based on the above proposed definitions, we can categorise the 10 mobilisation pathways identified by BII (see Figure 1).

Figure 1: Mobilisation pathways



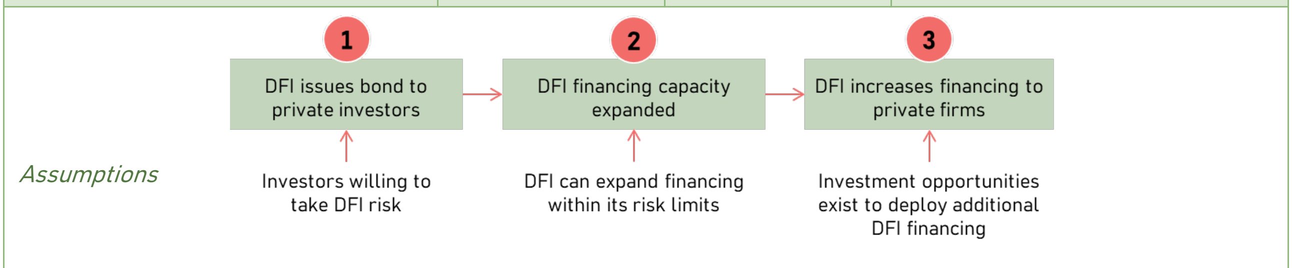
Source: BII (2023); 'Understanding Mobilisation'[21]

We can also make these pathways more precise by laying out the causal logic chain in simple ToCs. This will allow us to identify appropriate metrics to measure mobilisation through each pathway. Measurement takes place at the time of commitment of the private investors' funds.

It should be noted that some of these pathways may also help catalyse private investment, through demonstration and signalling effects (for example, a BII investment with a client or in a fund may encourage other investors to consider investing with the same client or fund; a BII investment in a sector/country combination which has not previously attracted much private capital may demonstrate the investment opportunity to private investors in that sector/country). The ToCs do not attempt to capture these catalysation effects, as they are beyond the scope of this study.

Table 2: BII mobilisation pathways

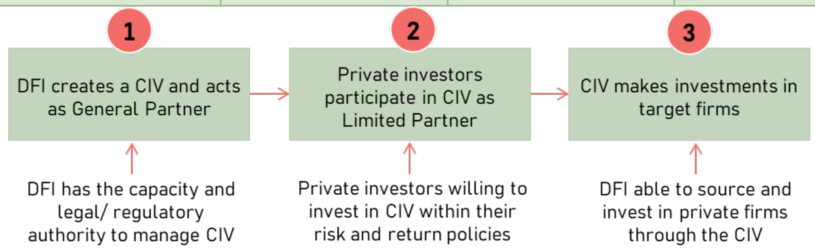
Pathway	New financing to client?	Single or Multi Asset?	Transaction (Direct or Indirect), Portfolio or Balance Sheet Mobilisation?
Pathway 1: Leveraging the DFI balance sheet	No	Multi	Balance Sheet



[21] Figure note: B/S event refers to balance sheet event.

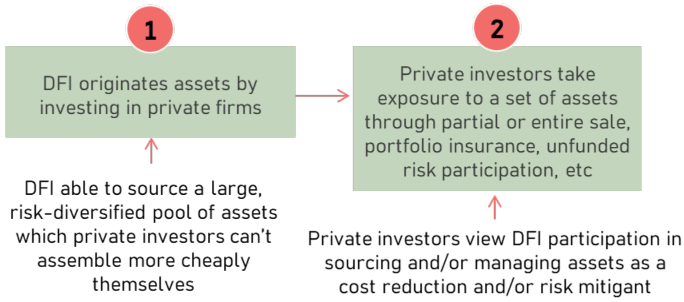
Pathway	New financing to client?	Single or Multi Asset?	Transaction (Direct or Indirect), Portfolio or Balance Sheet Mobilisation?
Pathway 2: Management of commercial capital	Yes	Multi	Transaction - Direct

Assumptions



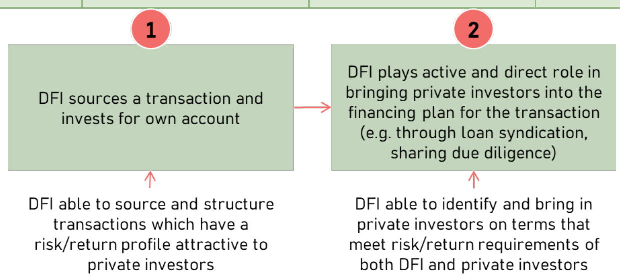
Pathway	New financing to client?	Single or Multi Asset?	Transaction (Direct or Indirect), Portfolio or Balance Sheet Mobilisation?
Pathway 3: Deploying portfolio solutions	No	Multi	Portfolio

Assumptions



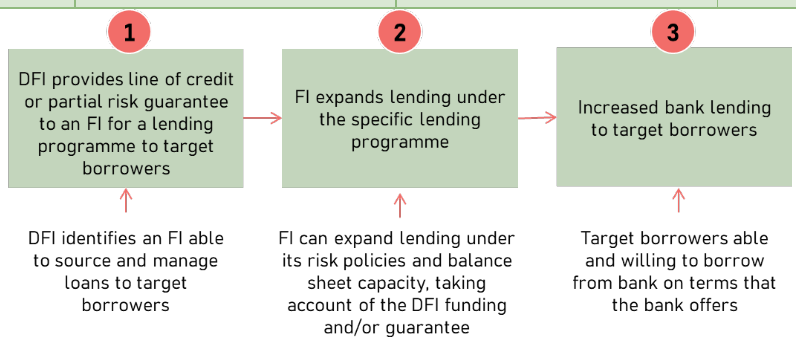
Pathway	New financing to client?	Single or Multi Asset?	Transaction (Direct or Indirect), Portfolio or Balance Sheet Mobilisation?
Pathway 4: Co-investment in direct equity and debt deals	Yes	Single	Transaction – Direct or Indirect

Assumptions



Pathway	New financing to client?	Single or Multi Asset?	Transaction (Direct or Indirect), Portfolio or Balance Sheet Mobilisation?
Pathway 5: Risk sharing with financial institutions (FIs) [22]	Yes	Single or Multi	Transaction – Direct

Assumptions



[22] Mobilisation is counted as the amount of additional risk exposure that the FI takes (i.e. over and above the amount provided or guaranteed by the DFI). The effect of this increase in FI lending on the other activities of the FI beyond the target program is not considered.

Pathway	New financing to client?	Single or Multi Asset?	Transaction (Direct or Indirect), Portfolio or Balance Sheet Mobilisation?
Pathway 6: Co-investment in collective investment vehicles	Yes	Multi	Transaction – Direct or Indirect

1. Private asset manager acts as GP for a CIV investing in target firms →
2. DFI participates in the CIV as an LP and anchor investor →
3. Private investors participate in the CIV as a result of DFI participation →
4. CIV makes investments in target firms

Assumptions

1. Asset managers exist with the capacity and appetite to manage CIV investing in target firms
2. DFI willing to participate in the CIV within its risk and financial return policies
3. DFI participation encourages private investor participation (e.g. because DFI due diligence on GP reassures other investors, etc.)
4. GP able to source and invest in target firms

Pathway	New financing to client?	Single or Multi Asset?	Transaction (Direct or Indirect), Portfolio or Balance Sheet Mobilisation?
Pathway 7: Regulatory capital to financial institutions	Yes	Single	Catalysation

1. DFI invests Tier 1 or Tier 2 capital into regulated FI →
2. FI subsequently able to issue additional bonds within regulatory limits →
3. FI uses expanded financial capacity to increase lending to target firms

Assumptions

1. Equity/sub-debt investment meets the DFI's risk/return requirements
2. Private investors willing to buy FI bonds at spreads that enable profitable use of the proceeds
3. FI willing and able to use bond proceeds to expand lending to target firms, within its risk limits

Pathway	New financing to client?	Single or Multi Asset?	Transaction (Direct or Indirect), Portfolio or Balance Sheet Mobilisation?
Pathway 8: Equity capital leading to future investee capital raising	Yes	Single	Catalysation

1. DFI invests equity in private firm →
2. Firm subsequently raises equity or debt from private investors

Assumptions

1. DFI equity investment meets its risk-return requirements
2. Expanded equity base and/or participation of DFI in equity encourages private investors to invest, or invest on better terms for the firm

Pathway	New financing to client?	Single or Multi Asset?	Transaction (Direct or Indirect), Portfolio or Balance Sheet Mobilisation?
Pathway 9: Partial or full exits to commercial investors	No	Single	Portfolio

1. DFI invests equity in a firm →
2. After a period, DFI sells some or all of the equity to a private investor

Assumptions

Investors willing and able to buy the equity at a price that meets DFI's return expectations. Equity investment terms don't impede sale.

Pathway	New financing to client?	Single or Multi Asset?	Transaction (Direct or Indirect), Portfolio or Balance Sheet Mobilisation?
Pathway 10: Sub-entity mobilisation by platforms	Yes	Multi	Sub-investments of DFI controlled platforms: Transaction – Direct

1. DFI invests in a platform →
2. Private investors participate in investments in sub-entities

Assumptions

1. Platform able to originate and manage investments in sub-entities with attractive risk/return profiles
2. Private investors willing and able to invest alongside the platform in sub-entities

5. Conclusion and reporting considerations

The definitions proposed in this note have various implications when it comes to measuring and reporting on mobilisation. BII currently reports metrics on its mobilisation activity through three channels: BII's annual review, the MDB/DFI Joint Report, and the OECD's mobilisation reporting.

I. **Annual review.** BII presents its mobilisation efforts in its annual reporting using specific figures and ratios to illustrate the amount of private-sector capital it has mobilised alongside its own commitments, using both the OECD and MDB methodologies. BII commitment and mobilisation figures are charted over time, and an abbreviated version of this chart is repeated, using climate finance mobilisation figures, in the report's sustainability section.

   Ratios are used to illustrate how much capital is mobilised for every $100 of BII's own commitments. For example, the 2023 review states that BII mobilised $63 from the private sector for every $100 of its own commitments according to both the OECD and MDB methodology.

   The pathways covered align with the OECD and MDB methodologies and include the following:

   - Pathway 4. Co-investment in direct equity and debt deals.
   - Pathway 5. Risk-sharing with financial institutions.
   - Pathway 6. Co-investment in CIVs.

II. **MDB/DFI Joint Report.** BII is among the reporting institutions whose mobilisation efforts, according to the MDB methodology, are aggregated and analysed in the MDB/DFI Joint Report.23 Individual figures for BII are not disclosed.

   The pathways included in this reporting are:

   - Pathway 4: Co-investment in direct equity and debt deals.
   - Pathway 5: Risk-sharing with financial institutions.
   - Pathway 6: Co-investment in CIVs.

III. **OECD mobilisation reporting.** BII's mobilisation figures are reported in OECD's mobilisation reporting.[24] Using its own methodology, OECD compares various MDB/DFI mobilisation amounts, including BII's, as disaggregated by the methodology's six designated instruments.[25]

   The pathways covered by these instruments are:

   - Pathway 4: Co-investment in direct equity and debt deals.
   - Pathway 5: Risk-sharing with financial institutions.
   - Pathway 6: Co-investment in CIVs.

---

[23] MDB Task Force on Mobilisation (2023). 'Mobilisation of Private Finance by Multilateral Development Banks and Development Finance Institutions in 2020 and 2021.' https://www.ifc.org/content/dam/ifc/doc/2023-delta/mdbs-joint-report-on-mobilisation-of-private-finance-2020-21.pdf.

[24] OECD (2023). 'Private finance mobilised by official development finance interventions.' Development Co-operation Directorate, OECD Publishing, Paris. https://www.oecd.org/dac/2023-private-finance-odfi.pdf.

[25] Instruments: Guarantees, syndicated loans, shares in CIVs, Direct Investment in Companies/Special Purpose Vehicles, credit lines, and simple co-financing.

The OECD and MDB methodologies do not capture all the ways in which DFIs can mobilise resources. This limitation is relevant and has been highlighted in BII's papers, such as 'Understanding Mobilisation'.[26] Consequently, BII's current reporting using these methodologies provides an incomplete picture of its mobilisation efforts. Notably, this means current methodologies and reporting do not cover all the mobilisation pathways.

To support a comprehensive understanding and reporting of mobilisation across all relevant pathways, there is a need for definitions of key terms beyond the existing OECD/MDB definitions. This note provides these additional definitions to enhance clarity and completeness in mobilisation reporting. In proposing a consistent methodology, we have considered the recommendations from the Publish What You Fund working group on mobilisation measurement and disclosure. The definitions and methodology we propose are consistent with its recommendations.[27]

We will use these definitions to guide and clarify future research outputs under the Longitudinal Mobilisation Study. Beyond the study, BII could consider using these definitions to guide measurement and reporting of its mobilisation and help measure progress towards achieving its mobilisation goals. However, BII should carefully consider the benefits against the potential costs before deciding to adopt them, which would include additional effort and a potential risk of greater confusion for external audiences given already existing methodologies.

---

[26] British International Investment (2023). Discussion Paper: Understanding Mobilisation. https://assets.bii.co.uk/wp-content/uploads/2023/03/13125506/Understanding_Mobilisation.pdf.

[27] Publish What You Fund (2024). Crowding in: An advanced approach for measuring and disclosing private capital mobilisation. https://www.publishwhatyoufund.org/app/uploads/dlm_uploads/2024/04/Crowding-in-An-advanced-approach-for-measuring-and-disclosing-private-capital-mobilisation.pdf

Annex A: Comparing OECD and MDB definitions

This note discusses both the OECD and MDB definitions and methodologies for calculating amounts of mobilisation. As mentioned in Section 3, where these methodologies are consistent, we recommend that BII adopt the shared definitions and approaches, as they represent industry standard. However, there are several differences, as highlighted below. In developing the proposed definitions in Section 3 (Table 1), these differences required us to take a view on which methodology BII should follow to best capture its mobilisation efforts and align with current industry-wide thinking.

The differences are as follows.

- **Cofinancing**. The MDB definition is more tightly focused on financing within a specific transaction. This allows for more precise measurement, so should be followed. The OECD measurement of direct investments in firms attributes mobilisation to DFIs participating in the transaction. This attribution is based on their risk allocation (50%) and the amount of cofinancing (50%). Under our proposed definition, this would be counted as indirect mobilisation. We propose following the simpler MDB measurement of indirect mobilisation, which considers the face value of private financing in the transaction without adjusting for the risk allocation amongst co-financiers, as discussed in Section 2.
- **Guarantees, risk-sharing facilities, lines of credit**. We propose measuring these based on the credit exposure taken by private investors resulting from the use of these instruments. This approach differs from measuring the total financing enabled by these instruments, which partly reflects credit exposure borne by DFIs (and is therefore measured by own account exposure).
- **Syndicated Loans.** We propose measuring syndicated loans as a direct mobilisation activity. In this approach, the DFI undertaking the syndication (and sometimes remaining the lender of record) counts the amount of private finance raised by the syndication as private direct mobilisation. The OECD methodology only attributes 50% of the syndication amount to this DFI, crediting the other 50% to other DFIs participating in the syndication.
- **Collective Investment Vehicles.** We propose that when the DFI manages the CIV or otherwise plays an active and direct role in bringing in private financing, the amount of private financing is counted as direct mobilisation by that DFI. The OECD methodology does not distinguish between DFIs that manage or actively fundraise for the CIV; it measures mobilisation based on the DFI's position in the capital structure. Since in most CIVs DFIs invest on the same terms (same risk profile) as other investors, the OECD methodology is not relevant. When a DFI takes a higher risk position in a CIV, this should be counted as indirect mobilisation unless the DFI also plays an active role in the fund.

Annex B: References

British International Investment (2023). Discussion Paper: Understanding Mobilisation. Available at: https://assets.bii.co.uk/wp-content/uploads/2023/03/13125506/Understanding_Mobilisation.pdf.

Gregory N. (2023). Taking Stock of MDB and DFI Innovations for Mobilising Private Capital for Development, Centre for Global Development Policy Paper 290.

MDB Methodology for Private Investment Mobilisation - Reference Guide (2018). https://documents1.worldbank.org/curated/en/495061492543870701/pdf/114403-REVISED-June25-DocumentsPrivInvestMob-Draft-Ref-Guide-Master-June2018-v4.pdf.

MDBs and DFIs Joint Report (2023). Mobilisation of Private Finance. Available at: https://www.eib.org/attachments/mdb-joint-report-2020-2021.pdf.

MDB Task Force on Mobilisation (2023). 'Mobilisation of Private Finance by Multilateral Development Banks and Development Finance Institutions in 2020 and 2021.' https://www.ifc.org/content/dam/ifc/doc/2023-delta/mdbs-joint-report-on-mobilisation-of-private-finance-2020-21.pdf.

OECD (2018). Measuring Mobilisation: Briefing on efforts to harmonise OECD and MDB measurement methodologies. https://one.oecd.org/document/DCD/DAC(2018)25/En/pdf.

OECD (2020). DAC methodologies for measuring the amounts mobilised from the private sector by official development finance interventions. Available at: https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-Methodologies-on-Mobilisation.pdf.

OECD (2021). Making Blended Finance Work for Sustainable Development: The Role of Risk Transfer Mechanisms. Available at: https://one.oecd.org/document/DCD(2021)16/en/pdf#:~:text=Risk%20sharing%20facilities%2C%20including%20funded,and%20Medium%20Enterprises%20(MSMEs).

OECD (2023). Private Finance Mobilised by Official Development Finance Interventions. Available at: https://www.oecd.org/dac/2023-private-finance-odfi.pdf.

Publish What You Fund (2024). Crowding in: An advanced approach for measuring and disclosing private capital mobilisation. Available at: https://www.publishwhatyoufund.org/app/uploads/dlm_uploads/2024/04/Crowding-in-An-advanced-approach-for-measuring-and-disclosing-private-capital-mobilisation.pdf.

World Bank (2015). 'From billions to trillions: Transforming development finance.' https://thedocs.worldbank.org/en/doc/622841485963735448-0270022017/original/DC20150002EFinancingforDevelopment.pdf.

We provide expert monitoring, evaluation, learning and strategy services to help build a more equitable and sustainable world for all.

itad.com @ItadLtd Itad mail@itad.com

Itad Ltd
International House
Queens Road
Brighton, BN1 3XE
United Kingdom

Tel: +44 (0)1273 765250

Itad Inc
c/o Open Gov Hub
1100 13th St NW, Suite 800
Washington, DC, 20005
United States