G20 – IFA WG

Principles of MDBs' strategy for crowding-in Private Sector Finance for growth and sustainable development

April 2017

Preamble

Achieving the objectives set forth in the 2030 Sustainable Development Agenda calls for stepping up cooperation among all partners; enhancing domestic revenue mobilization; improving public spending efficiency; mobilizing and catalyzing private finance; and enhancing the role of the private sector across a broad spectrum of development activities including agriculture, climate change, education, health, finance, infrastructure, logistics, manufacturing and services. The MDBs, within their respective institutional mandates and lending capacities, play an important role in helping their borrowing member countries implement the 2030 Agenda in coordination with other relevant parties including the private sector. MDBs catalytic role in crowding-in the private sector by supporting reforms and reducing risks, and hence the cost, of private capital is among the relevant contributions to implementing this Agenda.

Given the scale of the financing needed that the Sustainable Development Agenda requires, and the commitment of MDBs to bring the current "billions" of current development finance to attract, leverage, and mobilize "trillions" in investments of all kinds —public and private, national and global in both capital and capacity— particularly in the case of infrastructure, the MDBs are working to tap more into private sector investment. From their substantial engagement with it, the MDBs have agreed that their concerted efforts as well as those of their partners should focus on three main areas: (a) strengthening investment capacity and policy frameworks at national and sub-national levels; (b) enhancing private sector involvement and prioritizing commercial sources of financing; and (c) enhancing the catalytic role of MDBs themselves.

Because of the demand-driven nature of the MDBs' work, client countries are ultimately responsible for engaging the MDBs in catalyzing private investment. Each of the MDBs therefore works to tailor its approach to the specific opportunities in each of its member countries, taking into consideration their own development plans, specific governance and legal frameworks, political and social realities, and institutional, financial market and sectoral characteristics. The Principles on Crowding-in Private Sector Finance provide a common framework among MDBs to increase levels of private investment in support of their development objectives.

Objective

The Principles on Crowding-in Private Sector Finance reaffirm the commitment of G20 member countries and the MDBs to foster effective approaches to maximize the mobilization and catalyzation of private sector resources to support countries with the implementation of the 2030 Development Agenda – including through financial and management resources and innovation. These interventions must, at the same time, be economically viable; market-based while fiscally and commercially sustainable; balanced from a risk-reward perspective; transparent; cost effective and implementable, ensuring at all times that such interventions meet our standards for development effectiveness, our social and environmental safeguards and are aligned with our commitment to climate smart investment. The adoption of these Principles is expected to complement the MDBs' high standards of delivery with an enhanced focus on crowding-in commercial finance as part of the billion to trillions commitment

Principles

1. ***Recognizing the primacy of country ownership***

Ultimately, countries remain responsible for the nature and composition of the support they seek from MDBs, whose role is to provide the best possible advisory and financing resources to their borrowing members. Regional and country level strategy documents provide a key instrument to facilitate dialogue between MDBs and country-level authorities and stakeholders.

2. Creating an investment-friendly environment

Through financing and capacity building, MDBs, in accordance with their own remit and governance, already support upstream reforms to enhance a country's investment climate, enhance market liquidity and strengthen project management capabilities and governance. Sector policies, regulations, and institutional reforms fostering transparency, which strengthen investor confidence and encourage projects to be undertaken in a fiscally responsible manner, have been pursued for some time. MDBs have also directly supported private sector investments with significant demonstration (by testing new country-level frameworks) and systematic (by promoting knowledge diffusion and coordination among investors) effects.

In addition, MDBs have also developed standardized and wholesale solutions to reduce transaction costs for private investments and create a pipeline of commercially viable, bankable projects; and worked to deepen local financial and capital markets whenever possible and improve domestic supervisory financial regulation. MDBs will further enhance these efforts whenever the country demands it and the projects allow it, without compromising project quality and the achievement of the Sustainable Development Goals (SDGs). Sustainability and resilience considerations will also de-risk investments in infrastructure by ensuring long-term value.

3. ***Expanding and standardizing credit enhancement***

While MDBs have worked for some time on risk-sharing instruments, more efforts will be devoted to expand and standardize such instruments in the form of guarantees, insurance products, blended finance, equity investment, and liquidity backup facilities to enhance opportunities for private support of public objectives (Annex 1). MDBs will work to crowd-in investors with access to local currency financing, thereby mitigating foreign currency risk and minimizing hedging costs.

4. ***Prioritizing commercial financing***

Where appropriate, MDBs will pursue cost-effective, non-government-guaranteed commercial financing, contributing to the optimal use of scarce public resources.

5. ***Blending concessional resources and private capital***

The gap between the economic/social and the commercial returns of a project resulting from positive externalities that the private sector cannot capture is at the basis of MDBs interventions. When such a gap is particularly wide (*e.g.*, infrastructure services for poor consumers, innovative clean energy technologies, *etc*.), a mix of public and concessional finance can be deployed, and targeted subsidies considered. Where appropriate and included in an MDB's remit, the design of broad budgetary support/macroeconomic interventions includes measures to strengthen the environment for private sector participation. MDBs have established common principles for using concessional finance in private sector operations (blended finance) and have agreed to work together to review these principles and ensure consistent application.

6. ***Reviewing incentives for crowding-in private sector resources***

MDBs will periodically review and strengthen their internal incentives for crowding-in and catalyzing commercial finance, while ensuring that those incentives do not reduce the focus on quality and the responsiveness to the unique and evolving needs of their borrowing member countries towards the SDGs.

Reporting

MDBs will collectively report annually on the private financing they have mobilized and catalyzed using a standard methodology jointly developed for this purpose (Annex 2).

Annex 1: Innovations and emerging harmonization in IFI Credit Enhancement Tools

Risk Mitigation remains an important area of activity for the MDBs, and is critical to accelerating the amount of private sector finance coming into emerging market infrastructure. It is also a crucial area where MDBs can act as agents for mobilization and catalyzation of private sector finance.

Over the past years, the MDBs have individually created a large number of different risk mitigation tools to attempt to respond to the need to lower the risk premium levelled on emerging market infrastructure projects by banks, equity providers, and institutional investors alike.

Among these are US$4.3bn in guarantees from the Multilateral Investment Guarantee Agency (MIGA), which resulted in co-financing from the private sector amounting to US$27.3bn. MIGA guarantees help address political risks like government restrictions on converting local currency to foreign exchange, expropriation, breach of contract on the part of governments, and an inability by governments (or government-owned companies) to pay lenders.

The WEF report on 'Risk Mitigation Instruments Infrastructure Gap Assessment' (July 2016)[1], surveyed banks, equity providers, and institutional investors with respect to their perceptions of the primary risks in infrastructure investment. The results showed that 'top deterring factors' causing such actors not to participate in emerging market infrastructure finance are **changes in laws, currency risks and construction risks**. The report concluded that a significant scale-up in the use of risks mitigation tools would require, *inter alia*:

- a limited number of common products that are available globally to help create a tradable infrastructure debt asset class by increasing standardization in the underlying debt instruments. The instruments could be offered in combination with MIGA's existing products[2];
- the establishment a harmonized dispute resolution mechanism; and
- the creation of a global/regional risk mitigation facility with or without direct participation of the MDBs, offering a standardized set of products. Such a facility would have the potential to strengthen local capital markets if applied to local currency bond financing.

It is noteworthy that less than 5 per cent of all MDB-financed infrastructure projects utilize any of the existing MDB risk mitigation instruments. It is also important to recall that institutional investors (i.e., pension funds and insurance companies) are bound by strict fiduciary rules to invest only in investment-grade rated projects. The fact that the vast majority of projects in emerging markets are rated below investment grade acts as a barrier to achieving a higher level of private sector infrastructure investment from this vast pool of resources, estimated by the OECD to be in the range of US$ 75 trillion. The potential prize is obvious: even if only 1 per cent of this vast global asset pool (*i.e.*, US$ 750 billion) were to be allocated into the sector, and assuming the existence of a sufficient pipeline of well-prepared projects, the much discussed global infrastructure gap could begin to be closed.

[1] http://www3.weforum.org/docs/WEF_Risk_Mitigation_Instruments_in_Infrastructure.pdf
[2] https://www.miga.org/investment-guarantees/overview/types-of-coverage/

In response, the IFIs have begun to develop and roll out new innovative risk mitigation/credit enhancement products that provide potential for large scale replication and that complement the set of existing instruments pioneered and established by MIGA. What follows are some examples.

EBRD and MIGA's new innovative 'Risk Mitigation Scheme' product provides a critical new form of targeted credit enhancement that uses an unfunded 'stand-by' facility to complement MIGA political risk insurance products, in this case, expropriation, currency transfer restriction and inconvertibility, and breach of contract on key project agreements covering government obligations. The product has great potential to be replicated across many markets and sectors for PPPs and particularly in countries with a sub-investment grade rating (*e.g.*, BB or BA) where there is a history of PPPs.

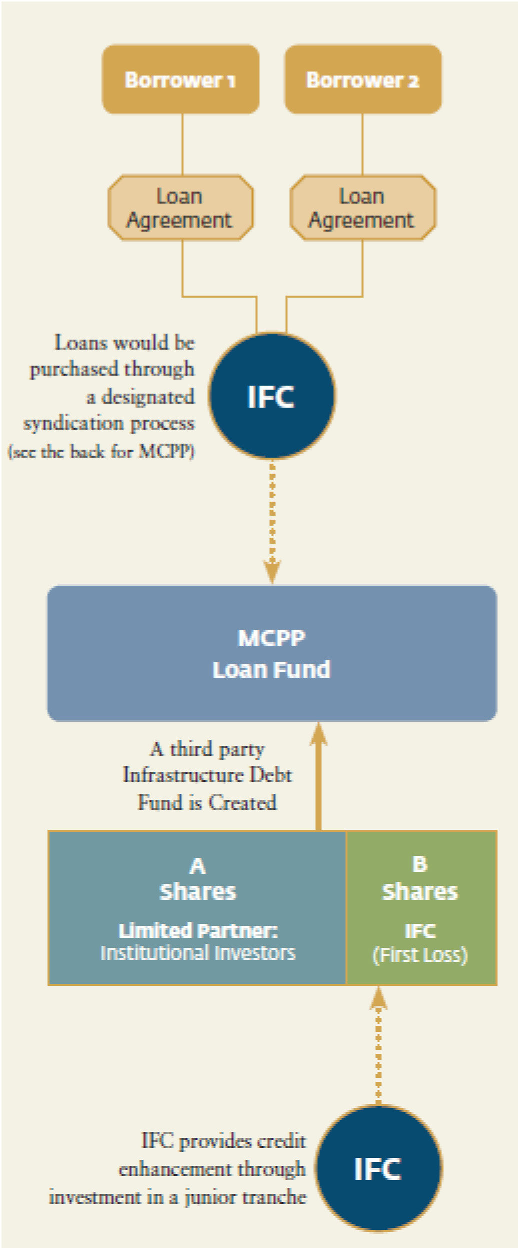
Its first usage was for Elazig Hospital PPP, which reached financial close in December 2016, where for the first time two MDBs worked together to create a complementary product to mitigate risk and challenges faced by bond investors who want to invest in infrastructure in emerging markets. The project will provide healthcare services to 1.6 million people in Elazig, a city of 350,000 in eastern Anatolia, and the surrounding provinces. Under the scheme, initially sub-investment grade project bonds benefited from separate unfunded liquidity facilities from EBRD during both construction and operational phases which, when coupled with MIGA's political risk insurance, resulted in an uplift to an investment grade rating: Moody's rated the Elazig Hospital project bond (EUR 288m), the first greenfield project bond in Turkey, two notches above Turkey's sovereign rating.

With a debt to equity ratio of 80:20, the debt portion of the €360 million greenfield hospital PPP was financed through the issuance of a €288 million bond by ELZ Finance S.A. who will on-lend the proceeds to the project consortium. The bond is the first "green and social" project bond in the history of Turkey. Furthermore, the project bond benefits from the first liquidity-backed political risk insurance for a greenfield project bond offered by MIGA and EBRD.

Development financing support was provided to the project bond issuance including bond subscription by the bilateral institutions Proparco and FMO. Multilateral support was provided as follows:

- A €89 million EBRD liquidity facilities supporting the construction and operational phases of the project which perfectly complement MIGA's political risk cover. The first facility covers payment risks during construction to increase resilience to cost overruns and delays, while the second is made available during operations to keep debt payments current in the event of delayed availability payments due to protracted international arbitration in the event of termination;
- A 20-year MIGA political risk guarantee in support of a €288 million bond and MIGA guarantee to equity investment in the project, covering currency inconvertibility and non-transferability, expropriation, and breach of contract, is backed up by the unfunded liquidity facilities from the perspective of the private sponsor.; and
- A €80 million IFC investment in the project bond on a parallel basis in an unenhanced tranche;

The transaction represents a milestone in the cooperation between IFIs for the creation of an innovative new risk mitigation instrument.



A second recent innovation on credit enhancement, the **IFC MCPP (Managed Co-lending Portfolio Program) Infrastructure** product is a financing structure designed to enable a significant scale up of IFC's debt mobilization from institutional investors in emerging market infrastructure. The MCPP allows institutional investors a means of investing on a syndicated basis in IFC financed projects via a third-party infrastructure debt fund. The Swedish International Development Cooperation Agency (SIDA) provides key support in the form of a guarantee, as described below.

MCPP Infrastructure enables institutional investors to leverage IFC's ability to originate and manage a portfolio of bankable infrastructure projects. It offers institutional investors a portfolio that has sufficient scale and diversification through a cost-effective portfolio syndication process, and provides credit enhancement though an IFC first-loss tranche to create a risk-return profile akin to an investment grade profile, thus clearing a key capital constraint linked to fiduciary/regulatory controls placed on institutional funds. For each project where IFC provides debt financing, the institutional investors will purchase a portion of the loans originated by IFC on a syndicated basis through the MCPP platform. Each loan will be established to meet the commercial and regulatory requirements of large institutional investors. The following diagram depicts the MCPP product:

The syndication process creates an emerging-market loan portfolio for institutional investors that mirror IFC's own investments. The portfolio is constructed following a passive and rules-based allocation process, where an MCPP investor is offered a portion of each new eligible loan that IFC makes. Under MCPP, investors receive priority access to IFC's pipeline, benefit from IFC's experience in managing emerging market loans, and lend on the same terms and conditions as IFC.

IFC and Sida are engaged in an innovative partnership to mobilize private capital for infrastructure to meet global development priorities. Credit enhancement is achieved through the creation of a junior tranche providing first-loss cover for the institutional investors. IFC's investment will be in a first-loss position, subordinated to other senior investors, improving the risk position of the senior investors to an investment grade profile. Sida shares risk through a guarantee which covers the first loss on a portion of the loan portfolio. The Sida-supported loans relate to projects that meet their development priorities as a donor, with a focus on IDA-eligible countries. Particularly for low-income countries where the risk profile of PPPs are typically high, the MCPP has potential to be used on a broad scale.

A third innovation on risk mitigation and credit enhancement is the **Regional Green Bond Facility by the IDB Group** (RG-X1250). Its purpose is to provide an alternative financing mechanism for Energy Efficiency (EE) projects through the issuance of green Asset-backed Securities (ABS). A second objective of the Facility is to contribute to the development of Latin America and Caribbean (LAC) debt capital markets, by introducing green ABS under the highest available standards by following the *Green Bond Principles* and fostering social and environmental responsible investments among local institutional investors.

The IDBG Regional Green Bond Facility totals US$400 million in Loans and Partial Credit Guarantees (PCGs) and will mobilize investment from other development partners: in fact, it is expected that the Facility will be complemented with an up to US$195 million reimbursable co-financing and a grant of US$2 million from the Green Climate Fund (GCF), and at least US$50 million in co-Loans from the China Co-financing Fund for Latin America and the Caribbean (China Fund). Other co-financiers such as the Climate Investment Funds (CIFs) may participate in the financing of the Facility. Institutional and private sector investors are expected to bring-in at least US$750 million by investing in the green ABS issued in the capital markets.

- the first project under this Facility is a Green Bond Securitization Program to *Petróleos Mexicanos* S.A. de C.V. (PEMEX), which will support a US$400 million green ABS program that will provide financing to a pool of EE projects developed by a Mexican Energy Service Company (ECON Servicios Energéticos Integrales S.A.P.I., S.A. de C.V) in different PEMEX facilities. The EE projects will target the replacement of 30-year old and inefficient equipment, and will improve operational efficiency in terms of energy use (including the reduction use of heavy fuels), reliability and security of electricity supply, and reduction of greenhouse gas (GHG) emissions.

- IDB's contribution this program consists of a 6-year warehousing loan of up to US$100 million IDB loan and an up to US$50 Co-Loan from the China Co-Financing Fund to accumulate and standardize energy efficiency projects for their further securitization, and up to US$ 100 million in Partial Credit Guarantees ("PCG") to provide credit enhancement to the green asset-backed securities (ABS).

As a credit enhancement financing solution, the IDBG Green Bond Facility has been recognized by the G-20 Climate Finance Study Group in Turkey (September 2015) as best practice to unlock the EE market through capital markets securities with significant development impact, as besides its contribution to the development of LAC debt capital markets by introducing green ABS of the highest standards, it also fosters social and environmental responsible investments among local institutional investors. In addition, the energy savings per EE project are expected to be at least 15% against project baseline and the GHG emission reductions for the Facility are expected to be at least 17,000 tCO2e per million of US$ invested.

Another innovative example of credit enhancement tools where more than one MDB can collaborate is the **financing through B-Bonds**, which were first used by the IDBG and IFC to help Costa Rica finance its hydro-electrical plant *Reventazón*, the largest water power in Central America, at a massive cost of US$1.4 billion. The Costa Rican government looked for financing partners, including the private sector, to make it happen. The IDB first responded with a sovereign-guaranteed (SG) loan of US$250 million to foster power generation. Of the loan's total amount, US$98 million were allocated to support the *Instituto Costarricense de Electricidad* (ICE) investment in the *Reventazón* hydroelectric project. As the owner of *Reventazón*, ICE made an equity investment for a total of US$475 million. The private sector window of the IDB financed US$335 million through its A/B loan program. The International Finance Corporation (IFC) and four state-owned local banks provided financing totaling US$579 million.

- The IDB's A/B loan program is a useful tool to mobilize financing because it attracts banks and institutional investors as co-financiers of IDB-supported projects. The IDB offers the A portion of the loan from its own resources and partners with other financial institutions to provide the B loan. Under this structure, the IDB is the lender of record in the transaction and acts as lead lender and administrative agent for the entire A and B loan facility. The A/B loan structure offers benefits for both the borrower and the financial institutions partnering with the Bank.

- For the *Reventazón* project, the IDB offered the A portion with a US$200 million non-sovereign-guaranteed (NSG) loan and partnered with other private investors to provide US$135 million financing through a B-bond. In designing this operation, the IDBG aimed to leverage its preferred creditor status to attract institutional investors in the capital markets, thus benefiting the borrower with access to significantly longer tenors than would have been available from the typical commercial banks that participate in B-loans. The IDB's involvement also stimulated private investor participation by reducing the operation's risk. In addition to fostering renewable energy and protecting biodiversity, the *Reventazón* project has been a prominent source for learning about the potential of innovative financing structures that have since been used in other partnerships with the private sector. The B loan structure used for the *Reventazón* project was the first of its kind for the IDB, providing a blueprint for scaling up the mobilization of non-traditional funding sources such as institutional investors for future projects of this scale. The benefit of the *Reventazón* project goes beyond funding structures; it's about the use of innovative financing to help a country like Costa Rica raise its standard of living while protecting its natural resources.

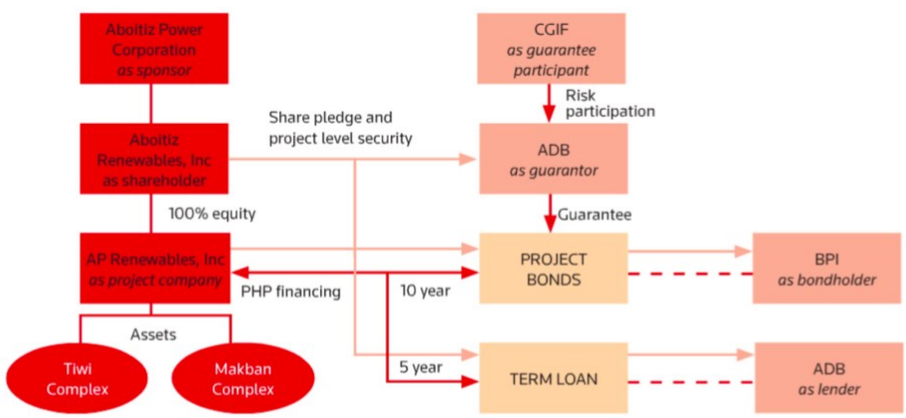
ADB recently closed several project bond credit enhancements in the Philippines and India. ADB and the India Infrastructure Finance Company Ltd. (IIFCL) developed **ADB's Credit Enhancement of Project Bonds Facility,** a Rs7.2 billion ($128 million) project bond guarantee facility to draw more institutional investors into critical infrastructure projects in India. ADB's Credit Enhancement of Project Bonds Facility issued two partial credit guarantees in 2015, the first for the ReNew Power Ventures Private Ltd. and the second for Hindustan Powerproject. In the first issue, ADB and IIFCL guaranteed a Rs4.51 billion ($68 million) project bond for ReNew Power Ventures Private Ltd., a New Delhi-based independent power producer. The bond refinanced bank loans taken to fund a wind power plant in western India. This was a landmark achievement, as credit enhancement is the crucial missing link that will allow institutional investors to invest in these bonds. In the second instance, ADB provided a partial credit guarantee under the facility to Hindustan Powerprojects in connection with its issuance of a Rs1.3 billion ($19.6 million) project bond. Hindustan used the bond proceeds to refinance its 15-megawatt solar power plant in Porbandar, Gujarat in India. Through an IIFCL first-loss partial credit guarantee, with an ADB counter-guarantee, the bond achieved a CRISIL rating of AA+.

These transactions under ADB's Credit Enhancement of Project Bonds Facility demonstrate clearly that credit guarantees can make infrastructure projects appetizing for risk-averse institutional investors. But given the tredmedous infrastructure demands in India, more is required. While IIFCL can guarantee a maximum 50% of bond principal and specialized commercial banks can guarantee up to 20%, to achieve a rating of AA, most infrastructure projects require credit enhancement well above 20%. In neither case, can they provide a full 100% credit wrap necessary for a rating of AAA, a must-have for some institutional investors.

In 2016, the **Project Bond Financing of Tiwi MakBan Geothermal Power Plants** by ADB, Credit Guarantee & Investment Facility (CGIF), and Bank of Philippine Islands (BPI) refinanced AP Renewables Inc.'s (APRI) capital expenditure (including acquisition and plant rehabilitation) and ongoing operations and maintenance at Tiwi and Makiling- Banahaw (MakBan), the 7th and 4th largest geothermal facilities in the world. CGIF is the multilateral facility established by ASEAN+3 governments and ADB to develop ASEAN+3 bond markets. APRI is a wholly owned subsidiary of the Aboitiz Power Corporation (APC), a leading developer and operator of power generation and distribution assets in the Philippines.

ADB provided a partial credit guarantee to support APRI's issuance of PHP10.7 billion ($225 million equivalent) project bonds and a PHP1.8 billion ($37.7 million equivalent) project loan. ADB's credit enhancement was risk-participated by CGIF. The security package was devised to address (i) complexities due to project development by the government (particularly with respect to land) and (ii) security and enforcement options available for an entirely Philippines-based project and sponsor.

FIGURE 1 - FINANCING STRUCTURE



The financing was a 'first-of-a-kind' transaction on various fronts:

1. It was the first certified Climate Bond anywhere in the Asia-Pacific region.
2. It was the first credit-enhanced project bond in the Southeast Asian region (ex-Malaysia) since the Asian financial crisis. ADB's partial credit guarantee in local currency was instrumental to the feasibility of bond issuance by increasing investor appeal.
3. It was the first local-currency project bond in the Philippine power sector, and the first credit-enhanced project bond in the Philippines.

As a Climate Bond, the Tiwi-Makban issuance introduced a new type of climate finance in the Asia-Pacific region. Institutional investors in many countries increasingly seek to integrate environmental, social, and governance factors into their investment processes, and green bonds can address such needs. To qualify as green, a bond issuance should meet voluntary guidelines for impact, additionality, and transparency. One emerging subset of green bonds are climate bonds, with environmental benefits certified by the Climate Bond Initiative, an independent standard-setting organization, under rigorous, objective standards. The Tiwi-Makban issuance has shown that climate finance can play a role in funding Asian infrastructure.

Annex 2. MDB Task Force on Measuring Private Investment Catalyzation—Update on Progress (February 2017)

As described in the joint MDB/IMF paper 'From Billions to Trillions: Transforming Development Finance'[3], the MDBs are committed to catalyzing larger amounts of capital from private investors and other institutional investors to support the financing of the Sustainable Development Goals.

In January 2016, the Heads of a group of MDBs[4] agreed to convene a Task Force to develop a joint framework and methodology to measure private investment catalyzed by the MDBs. The outcome of the Task Force will enable the MDBs to measure private investment catalyzed on a consistent basis, applying common definitions, and to report on their contributions to catalyzing private investment for a range of development priorities, including climate change and infrastructure.

In October 2016 and January 2017 the MDB Heads endorsed proposals from the Task Force which establish a set of common definitions and metrics and a proposed methodology to measure mobilization of private capital within MDB-financed projects and advisory projects. They also endorsed a methodology to aggregate mobilization across MDBs without double-counting, and to jointly report on the total amount of private financing mobilized by the MDBs, starting in 2017. They also agreed to continue work on a shared approach to measuring catalyzation of private investment beyond or after the MDB project.

The MDBs are preparing a first joint report using the agreed terms and methodology, which will be published ahead of the MDB Global Infrastructure Forum on April 22, 2017. This will report on total direct and indirect mobilization by the MDBs in 2016, from private investors and other institutional investors. This will be based on new project commitments[5], and will break out the amount of reported mobilization which finances infrastructure, using a shared definition of infrastructure. Direct mobilization is an auditable number based on MDB financial records. Indirect mobilization is an estimate based on MDBs' partial information about other financing sources involved in the projects they finance.

The methodology builds on, and is consistent with, ongoing MDB joint reporting on private cofinancing of climate investments. To facilitate greater alignment on the development community's efforts to catalyze private finance, the Task Force has discussed its emerging methodology with other Development Finance Institutions (DFIs) and the OECD, and sought alignment with OECD definitions and mobilization metrics where appropriate. The MDB methodology currently covers a wider range of financial products than OECD reports on MDB mobilization, and differs in its treatment of guarantees

[3] From Billions to Trillions: Transforming Development Finance (2 April, 2015)
[4] African Development Bank, Asian Development Bank, Asian Infrastructure Investment Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, International Finance Corporation , Islamic Development Bank, New Development Bank and the World Bank .
[5] Or approvals where commitment data not available.

and attribution rules. The Task Force notes interest from a number of bilateral DFIs in adopting the MDB methodology. The process of aggregation could be adapted to aggregate across MDBs and bilateral DFIs.

Key Terms and Definitions

Private Entity: Legal entity that is (a) carrying out, or established for business purposes and (b) financially and managerially autonomous from national or local government. Excludes multilateral and bilateral financial institutions, export credit agencies, and banks with formal public policy objectives. Excludes any legal entity that is majority owned or controlled by national or local government whether directly or indirectly, unless it is organized to provide financial and managerial autonomy or unless it is a registered commercial bank. Excludes any entity whose primary purpose is to benefit or promote specific national interests, whether majority government-owned or not.

Other Institutional Investors: Insurance Companies, Pension Funds, Sovereign Wealth Funds and other Institutional Investors investing primarily on a commercial basis.

Private Direct Mobilization: Private financing on commercial terms due to the active and direct involvement of MDB leading to commitment (i.e. requiring mandate letter, fees linked to financial commitment or other validated/auditable evidence of active and direct involvement). Direct mobilization does not include sponsor financing. This includes loans, equity, guarantees, risk and capital market products and Islamic finance products[6]. In the case of guarantees, the total amount of the loan/equity being guaranteed is counted as direct mobilization.

Private Indirect Mobilization: Financing from private entities provided in connection with a specific activity for which the MDB is providing financing, excluding financing directly mobilized by the MDBs (Private Direct Mobilization). Private Indirect Mobilization includes sponsor financing which is not counted as part of Private Direct Mobilization. Private Indirect Mobilization does not imply any causality, but measures the private investment alongside the MDB financing.

Private Mobilization or Cofinancing: Total of all financing from private sources provided in connection with a specific activity for which the MDB is providing financing. Equal to the sum of Private Direct Mobilization and Private Indirect Mobilization.

Private Investment Catalyzed: Private financing that results from the development impact of an activity, or multiple activities. These flows could come as a result of an improved investment climate (which lowers levels of risk and costs to the private sector), better infrastructure, improved business environment, or similar changes. Includes Private Cofinancing.

Infrastructure: Underlying physical foundation or civil works (including integral and/or dedicated equipment) that support economic and social development. For purposes of joint reporting, the sectors that automatically classify as infrastructure are:

- Energy (includes electricity generation, transmission, distribution)
- Water and waste management (water and sanitation, solid waste, irrigation, flood control)

[6] Financial products and services provided to the client in accordance with Shari'ah (Islamic) principles.

- Transport (roads, ports, airports, urban transport, railway, fluvial and maritime transport)
- Telecommunications
- IT within infrastructure sectors
- Social Infrastructure (investments in physical facilities eg schools, hospitals)
- Excludes captive infrastructure, i.e. infrastructure reserved for the private use of a firm.