

Joint MDB Statement of Ambitions for Crowding in Private Finance¹

Background

These Ambitions build on the recently approved Principles for MDBs' Strategy Crowding in Private Sector Finance for Growth and Sustainable Development, and the 2016 Joint Declaration of Aspirations on Actions to Support Infrastructure Investment. The ambitions focus on the operationalization of the Principles.

The MDBs jointly commit to:

- 1. Work with client countries to help them strengthen their governance of sustainable infrastructure, including around planning, prioritizing, budgeting and disclosure.** Efforts to support countries by means of project preparation facilities and capacity building will be further enhanced.
- 2. Review the range of credit enhancement products and expand where feasible.**
- 3. Review and strengthen internal incentives for mobilization of private sector financing.** MDBs will also work to align incentives so as not to crowd-out private sector financing where it would be appropriate.
- 4. Identify additional opportunities to work together and provide complementary advisory and financing products where appropriate.**
- 5. Pursue opportunities for standardization, harmonization, and standard-setting, where appropriate.**

In addition, to increase private investors' appetite for long term sustainable investments, MDBs will work with partner countries to identify and structure sound projects, remove barriers to investments by means of a more effective investment framework, create the appropriate business environment for constructors and operators, and develop appropriate risk mitigation instruments.

On the basis of these efforts to enhance the investment environment, and subject to the principle of country ownership and the recognition that countries remain responsible for the nature and composition of the support they seek from MDBs, MDBs commit to increasing overall private sector mobilization by 25-35% over the next 3 years.

MDBs will report annually on progress on mobilization of private capital across all asset classes in accordance with the procedures set out by the *MDB Task Force on Private Investment Catalyzation*.

¹ The MDBs included in this Statement include: AfDB, ADB, EBRD, EIB, IADB, IsDB, NDB, and the World Bank Group.

Annex I 2016 MDB Mobilization of Private Finance

The data contained in this annex disaggregates the data published in the April 20th *“Mobilization of Private Finance by Multilateral Development Banks: 2016 Joint Report”* (www.worldbank.org/mdbmob). This reported the MDBs’ aggregate amount of Direct and Indirect Mobilization from private investors and other institutional investors (including insurance companies, pension funds, and sovereign wealth funds) on a consistent basis. Please refer to the *“Joint MDB Reporting on Private Investment Mobilization: Methodology Reference Guide”* (www.worldbank.org/mdbmobguide) for further information and detailed methodologies.

The data is disaggregated by country income group (i.e. low income countries, low income countries and other least developed countries, middle income countries, and high income countries) and by institution. “Low income countries”, “middle income countries” and “high income countries” are defined using the World Bank Atlas method. “Least developed countries” are defined as per United Nations Committee for Development.

All Countries

ALL COUNTRIES OF OPERATION – ALL SECTORS		
From Private Investors and Other Institutional Investors (Long Term):	Total (US\$ billion)	Of which Infrastructure (US\$ billion)
Direct Mobilization	49.9	7.1
Indirect Mobilization	113.7	61.5
Total Mobilization	163.6	68.7

ALL COUNTRIES OF OPERATION– ALL SECTORS	
From Private Investors and Other Institutional Investors:	Total (US\$ billion)
Direct Mobilization - Short Term	3.7

ALL COUNTRIES OF OPERATION– ALL SECTORS			
Total Long Term Financing	Private Co-financing (US\$ million)	Private Direct Mobilization (US\$ million)	Private Indirect Mobilization (US\$ million)
ADB	8,995.0	459.5	8,535.5
AfDB	1,908.9	1,088.4	820.5
AIIB	5.0	0.0	5.0
EBRD	9,950.4	1,479.6	8,470.8
EIB	90356.5	36502.7	53853.8
IDBG	1,655.8	703.3	952.5
IsDB Group	12,446.8	945.2	11,501.6
WBG	38,313.4	8,706.3	29,607.1
-IFC	20,144.2	4,144.5	15,999.7
-MIGA	7,211.3	3,977.8	3,233.4
-WB	10,958.0	584.0	10,374.0
TOTAL	<u>163,631.7</u>	<u>49,884.9</u>	<u>113,746.7</u>

ALL COUNTRIES OF OPERATION – INFRASTRUCTURE ONLY			
Infra Financing	Private Co-financing (US\$ million)	Private Direct Mobilization (US\$ million)	Private Indirect Mobilization (US\$ million)
ADB	8,576.1	303.4	8,272.7
AfDB	1,908.9	1,088.4	820.5
AIIB	5.0	0.0	5.0
EBRD	3,530.3	1,200.7	2,329.6

EIB	31,650.0	283.5	31,366.5
IDBG	1,201.6	268.5	933.1
IsDB Group	7,155.6	25.0	7,130.6
WBG	14,648.40	3,964.00	10,684.50
<i>-IFC</i>	<i>7,733.8</i>	<i>1,713.0</i>	<i>6,020.9</i>
<i>-MIGA</i>	<i>2,160.0</i>	<i>1,667.0</i>	<i>493.0</i>
<i>-WB</i>	<i>4,754.6</i>	<i>584.0</i>	<i>4,170.6</i>
TOTAL	<u>68,675.9</u>	<u>7,133.4</u>	<u>61,542.5</u>

Low Income Countries²³

LOW INCOME COUNTRIES – ALL SECTORS		
From Private Investors and Other Institutional Investors (Long Term):	Total (US\$ billion)	Of which Infrastructure (US\$ billion)
Direct Mobilization	1.0	0.2
Indirect Mobilization	4.9	1.1
Total Mobilization	5.9	1.2

LOW INCOME COUNTRIES – ALL SECTORS			
Total Long Term Financing	Private Co-financing (US\$ million)	Private Direct Mobilization (US\$ million)	Private Indirect Mobilization (US\$ million)
ADB	19.2	0.0	19.2
AfDB	863.4	123.4	740.0
AIIB	0.0	0.0	0.0
EBRD	0.0	0.0	0.0
EIB	300.0	147.8	152.1
IDBG	0.0	0.0	0.0
IsDB Group	2,896.7	428.7	2,468.0
WBG	1,799.80	289.20	1,510.60
-IFC	1,696.8	193.2	1,503.6
-MIGA	56.0	56.0	0.0
-WB	47.0	40.0	7.0
TOTAL	<u>5,879.1</u>	<u>989.1</u>	<u>4,890.0</u>

LOW INCOME COUNTRIES – INFRASTRUCTURE ONLY			
Infra Financing	Private Co-financing (US\$ million)	Private Direct Mobilization (US\$ million)	Private Indirect Mobilization (US\$ million)
ADB	7.1	0.0	7.1
AfDB	863.4	123.4	740.0
AIIB	0.0	0.0	0.0

² Low-income economies are defined as those with a GNI per capita, calculated using the World Bank Atlas method, of US\$1,025 or less in 2015.

³ Data split by country income level was not disclosed in the 2016 joint reporting at the time of publication.

EBRD	0.0	0.0	0.0
EIB	36.7	0.0	36.7
IDBG	0.0	0.0	0.0
IsDB Group	94.0	0.0	94.0
WBG	1,799.80	289.20	1,510.60
<i>-IFC</i>	<i>189.4</i>	<i>6.3</i>	<i>183.1</i>
<i>-MIGA</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>-WB</i>	<i>42.8</i>	<i>40.0</i>	<i>2.8</i>
TOTAL	<u>1,233.4</u>	<u>169.6</u>	<u>1,063.7</u>

Low Income Countries and Other Least Developed Countries⁴

LOW INCOME COUNTRIES AND OTHER LEAST DEVELOPED COUNTRIES – ALL SECTORS		
From Private Investors and Other Institutional Investors (Long Term):	Total (US\$ billion)	Of which Infrastructure (US\$ billion)
Direct Mobilization	2.2	1.0
Indirect Mobilization	5.8	2.6
Total Mobilization	8.0	3.6

LOW INCOME COUNTRIES AND OTHER LEAST DEVELOPED COUNTRIES – ALL SECTORS			
Total Long Term Financing	Private Co-financing (US\$ million)	Private Direct Mobilization (US\$ million)	Private Indirect Mobilization (US\$ million)
ADB	0.0	0.0	0.0
AfDB	863.4	123.4	740.0
AIIB	5.0	0.0	5.0
EBRD	0.0	0.0	0.0
EIB	300.0	147.8	152.1
IDBG	0.0	0.0	0.0
IsDB Group	3,020.7	470.7	2,550.0
WBG	3,805.10	1,445.90	2,359.30
-IFC	2,581.2	678.1	1,903.2
-MIGA	1,176.9	727.8	449.1
-WB	47.0	40.0	7.0
TOTAL	<u>7,994.1</u>	<u>2,187.8</u>	<u>5,806.3</u>

LOW INCOME COUNTRIES AND OTHER LEAST DEVELOPED COUNTRIES – INFRASTRUCTURE ONLY			
Infra Financing	Private Co-financing (US\$ million)	Private Direct Mobilization (US\$ million)	Private Indirect Mobilization (US\$ million)
ADB	0.0	0.0	0.0
AfDB	863.4	123.4	740.0

⁴ Low-income economies are defined as those with a GNI per capita, calculated using the World Bank Atlas method, of US\$1,025 or less in 2015. Least developed countries are defined according to the United Nations Committee for Development Policy (CDP) as low-income countries confronting severe structural impediments to sustainable development. There are currently 48 countries on the list of LDCs (as of May 2016) which is reviewed every three years by the CDP.

AIIB	5.0	0.0	5.0
EBRD	0.0	0.0	0.0
EIB	36.7	0.0	36.7
IDBG	0.0	0.0	0.0
IsDB Group	144.0	30.0	114.0
WBG	2,549.80	839.80	1,710.00
<i>-IFC</i>	<i>550.8</i>	<i>128.0</i>	<i>422.8</i>
<i>-MIGA</i>	<i>1,120.9</i>	<i>671.8</i>	<i>449.1</i>
<i>-WB</i>	<i>878.1</i>	<i>40.0</i>	<i>838.1</i>
TOTAL	<u>3,598.8</u>	<u>993.1</u>	<u>2,605.7</u>

Middle Income Countries⁵

MIDDLE INCOME COUNTRIES – ALL SECTORS		
From Private Investors and Other Institutional Investors (Long Term):	Total (US\$ billion)	Of which Infrastructure (US\$ billion)
Direct Mobilization	15.5	5.8
Indirect Mobilization	49.7	24.9
Total Mobilization	65.2	30.8

MIDDLE INCOME COUNTRIES – ALL SECTORS			
Total Long Term Financing	Private Co-financing (US\$ million)	Private Direct Mobilization (US\$ million)	Private Indirect Mobilization (US\$ million)
ADB	8,965.6	459.0	8,506.6
AfDB	1,045.5	965.0	80.5
AIIB	5.0	0.0	5.0
EBRD	6,421	1,167.0	5,254.3
EIB	7,866.3	4,384.6	3,481.7
IDBG	1,481.3	615.8	865.5
IsDB Group	4,406.1	296.5	4,109.6
WBG	35,014.70	7,645.90	27,368.90
-IFC	17,439.5	3,658.6	13,781.0
-MIGA	6,664.2	3,443.3	3,220.9
-WB	10,911.0	544.0	10,367.0
TOTAL	<u>65,205.7</u>	<u>15,533.7</u>	<u>49,672.1</u>

MIDDLE INCOME COUNTRIES – INFRASTRUCTURE ONLY			
Infra Financing	Private Co-financing (US\$ million)	Private Direct Mobilization (US\$ million)	Private Indirect Mobilization (US\$ million)
ADB	8,565.0	303.0	8,262.0
AfDB	1,045.5	965.0	80.5
AIIB	5.0	0.0	5.0
EBRD	2,806.7	979.6	1,827.0

⁵ Middle-income economies are those with a GNI per capita, calculated using the World Bank Atlas method, between US\$1,026 and US\$12,475 in 2015.

EIB	1,391.5	0.0	1,391.5
IDBG	1,034.1	181.0	853.1
IsDB Group	2,137.7	25.0	2,112.7
WBG	13,796.10	3,381.20	10,414.90
<i>-IFC</i>	<i>7,468.3</i>	<i>1,714.2</i>	<i>5,754.1</i>
<i>-MIGA</i>	<i>2,160.0</i>	<i>1,667.0</i>	<i>493.0</i>
<i>-WB</i>	<i>4,167.8</i>	<i>0.0</i>	<i>4,167.8</i>
TOTAL	<u>30,781.5</u>	<u>5,834.9</u>	<u>24,946.6</u>

High Income Countries⁶

HIGH INCOME COUNTRIES – ALL SECTORS		
From Private Investors and Other Institutional Investors (Long Term):	Total (US\$ billion)	Of which Infrastructure (US\$ billion)
Direct Mobilization	33.4	0.6
Indirect Mobilization	59.2	35.5
Total Mobilization	92.5	36.1

HIGH INCOME COUNTRIES – ALL SECTORS			
Total Long Term Financing	Private Co-financing (US\$ million)	Private Direct Mobilization (US\$ million)	Private Indirect Mobilization (US\$ million)
ADB	9.6	0.0	9.6
AfDB	0.0	0.0	0.0
AIIB	0.0	0.0	0.0
EBRD	3,529.1	312.6	3,216.5
EIB	82,190.2	31,970.2	50,220.0
IDBG	174.5	87.5	87.0
IsDB Group	5,144.0	220.0	4,924.0
WBG	1,498.90	771.30	727.60
-IFC	1,007.8	292.7	715.1
-MIGA	491.1	478.6	12.5
-WB	0.0	0.0	0.0
TOTAL	<u>92,546.4</u>	<u>33,361.7</u>	<u>59,184.7</u>

HIGH INCOME COUNTRIES – INFRASTRUCTURE ONLY			
Infra Financing	Private Co-financing (US\$ million)	Private Direct Mobilization (US\$ million)	Private Indirect Mobilization (US\$ million)
ADB	3.6	0.0	3.6
AfDB	0.0	0.0	0.0
AIIB	0.0	0.0	0.0
EBRD	723.7	221.1	502.6

⁶ High-income economies are those with a GNI per capita, calculated using the World Bank Atlas method, of \$12,476 or more in 2015.

EIB	30,221.7	283.5	29,938.3
IDBG	167.5	87.5	80.0
IsDB Group	4,924.0	0.0	4,924.0
WBG	86.20	2.40	83.70
<i>-IFC</i>	<i>86.2</i>	<i>2.4</i>	<i>83.7</i>
<i>-MIGA</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>-WB</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
TOTAL	<u>36,126.6</u>	<u>594.5</u>	<u>35,532.2</u>

Annex II. MDB actions for crowding in private finance: some examples

The following describes some of the steps MDBs are taking to crowd in private financing. It is not meant to be exhaustive, but rather illustrative of some of the tools and efforts the MDBs are adopting in their pursuit of value-for-money private finance. Many of these tools are collaborative platforms involving more than one MDBs.

Asian Development Bank (ADB)

The combination of ADB's Asian Development Fund lending operations with its Ordinary Capital Resources balance sheet (effective January 2017) has increased ADB's risk-bearing capacity threefold, allowing a substantial increase in its lending, which will contribute to an increase in ADB's capacity to mobilize private sector investment. With ADB's enhanced ability to help address development challenges in the region, ADB is in the process of preparing a new long term strategy that will encompass products, strategies, and incentives to catalyze additional private finance. ADB recognizes the role of the private sector will continue to increase in the coming years and will continue to consider private sector financing as the first option for support where appropriate. ADB's related actions to crowd-in private finance include:

- I. Scale up and strengthen public sector operations - ADB works with its developing member countries (DMCs) to introduce and implement policy, regulatory, and governance reforms as required to strengthen public infrastructure management systems and create the enabling environment required to attract private sector investment. ADB will continue to scale up its operations backed by a concrete pipeline of projects and programs agreed with its DMCs. Infrastructure financing will remain a major focus of ADB operations and it is expected that ADB will allocate \$70 billion of its own resources to finance infrastructure development from 2016 – 2020. More than 30% of ADB's infrastructure projects seek to improve conditions in lagging areas.
- II. Develop a pipeline of bankable projects
 - **Attract private sector participation.** ADB launched the Asia Pacific Project Preparation Facility (AP3F), a \$73 million multi-donor facility that aims to increase the level of infrastructure development and enhance the quality of infrastructure in Asia and the Pacific. AP3F assists DMCs in preparing infrastructure projects that seek to attract private sector participation by supporting project preparation of individual transactions, project restructuring and monitoring, and capacity building activities. As of May 2017, AP3F has approved 11 applications with an aggregate amount equal to 16% of the fund's total budget.
 - **National Infrastructure Information System (NIIS).** ADB has fostered the development of the NIIS, an online information database system to support public sector agencies in the planning, preparing, documenting, monitoring, and financing of their priority infrastructure projects. Building on the NIIS platform, ADB, in collaboration with the Sustainable Infrastructure Foundation, developed the International Infrastructure Support System, a multi-user platform accessible to both public and private sector participants to ensure high-quality, and systematic approaches to project development.

- **Transaction advisory services (TAS).** To raise private sector investment in emerging and developing economies in Asia, ADB is supporting its DMCs in developing a solid pipeline of bankable projects by providing TAS to public sector clients to guide them from conceptualization to structuring and tendering until private investors are selected. As an advisor, ADB conducts feasibility studies, develops PPP schemes, assists the processing of bids for concessions, and supports financial close. ADB is currently advising DMC governments on 11 mandates across the region covering transport, energy, and healthcare sectors. In addition to TAS targeting public sector clients, ADB piloted another line of business to assist private sector sponsors in achieving bankable transaction structures and in raising financing for complex and innovative projects that can deliver value.

III. Scale up and strengthen private sector operations - ADB is expanding its nonsovereign operations and ADB's private direct mobilization will grow with this expansion. In 2016, ADB mobilized \$5.8 billion of cofinancing into private sector infrastructure, agribusiness, and financial intermediaries, and for other private sector enterprises through trade and supply chain financing programs. In addition to conventional cofinancing tools such as B-loans and partial credit/risk guarantees for bank loans, ADB is increasing the use of more innovative approaches, such as guaranteeing bond issuances and blending of third party funds as follows:

- i. **Credit-enhanced project bonds** offer an attractive alternative to bank financing. By mobilizing cost effective long-term capital, these bonds can help close the region's infrastructure gap. ADB backed the first certified climate adaptation bond in a Philippine firm for geothermal energy facilities. The \$225 million equivalent local currency bond came in addition to a direct ADB loan of \$37.7 million. The successful use of a credit enhancement product on project bonds reflects ADBs strategy to make innovative use of ADBs expanding balance sheet to support infrastructure investment in the Asia and Pacific region and attract new investors.
- ii. ADB is furthering its **asset management business**, where it administers and deploys third party funds in private sector infrastructure projects alongside ADB's own financing. Similar to the B-loan structure, ADB is the lender of record for the third-party funds and administers the funds on behalf of the contributor(s). ADB first began blending concessional finance from the Climate Investment Funds (CIFs) in 2012 and now has over \$260 million in CIF funding approved. ADB also established a concessional climate fund with Canada in 2013 (\$81.5 million). These funds have been critical in catalyzing a range of private sector climate transactions with strong development impacts that would not be viable on a purely commercial basis. The interventions are designed to demonstrate a track record of performance that can then be scaled up on a commercial basis and allow ADB to play an integral role in the incubation of promising project types/sectors. In 2014, ADB began playing the role of co-general partner for a specialized clean-energy private equity fund that was established with two other managers. More recently, in 2016, ADB established the \$1.5 billion Leading Asia's Private Infrastructure Fund (funded by JICA) to support high quality private infrastructure. ADB is currently negotiating with other third parties to manage pools of money on their behalf through various investment vehicles and platforms. This can be

replicated and grown with other external capital in the future and ADB sees the asset management model as increasingly important for its private sector operations over the next few years.

- iii. ADB is the first multilateral that has distributed its credit exposure on loans to the **commercial insurance market**, thereby enhancing its lending capacity and introducing commercial insurers to new markets. ADB will further integrate this distribution channel in its nonsovereign operations to increase its footprint.
- IV. Enhance partnerships - ADB will continue to strengthen its relationships with peer organizations based on a platform of complementarity, value addition, institutional strengths, and comparative advantage. In recognition of the potential to jointly address the large infrastructure gaps in the region, ADB has been collaborating with the Asian Infrastructure Investment Bank since its establishment and is coordinating with the New Development Bank on potential projects in renewable energy, energy efficiency, clean transportation, sustainable water management, and sewage treatment. These partnerships will help to ensure a more comprehensive and consistent approach to addressing financing needs in the region.

Asian Infrastructure Investment Bank (AIIB)

AIIB is mandated to foster sustainable economic development, create wealth and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors. One of AIIB's three thematic priorities that shapes and guides AIIB's portfolio and business activities is private capital mobilization. The AIIB has begun to develop a robust program of engagement with the private sector, will support a gradual transition from co-financier towards 'originator' of non-sovereign investments and eventually creator of markets. As its engagement with the private sector deepens, the AIIB will continue to refine its areas of specialization and explore options for innovative financing mechanisms, including local currency financing. A Roundtable with the Board and external stakeholders was held to discuss approaches to private capital mobilization.

European Investment Bank Group (EIB)

The efforts of the EIB Group to mobilise long-term investments have been significant both in the European Union and in the 160 countries of operations outside of the EU. In the context of the Investment Plan for Europe (IPE) and other important initiatives such as the External Lending Mandate entrusted by the EU to the EIB, the External Investment Plan currently being in its final design and the European Resilience Facility few lessons can be learnt which can be summarised in 5 pillars:

Project preparation and advisory services

EIB advisory services support project developers, public authorities and private companies with its range of technical and financial expertise to help get projects off the ground involving private sector funding. Strengthening advisory support is also provided via the European Investment Advisory Hub (EIAH), an integral part of the Investment Plan for Europe, which offers a single point of entry for advisory services for investment projects in the EU. The EIAH covers services mobilising private resources such as Hospital and Road PPP projects as well as development of investment platforms (such as SME/Urban development, Energy Efficiency, social impact bonds, bio-circular economy)

For each investment, the European Investment Bank Group makes an added value assessment to ensure compliance with policy objectives. The measure of impact is a continuous effort; and in this context the EIB Group participates to a recently created European High Level Task Force on Social Infrastructures aimed at developing, among others, appropriate metrics to measure the social impact of infrastructure maximising the added value.

The mobilisation of the private sector: definitions and measures

As stated in the billions to trillions joint document submitted to the Financing for Development conference in Addis Ababa⁷, “to meet the investment needs of the Sustainable Development Goals, the global community needs to move the discussion from “Billions” in ODA to “Trillions” in investments of all kinds: public and private, national and global, in both capital and capacity”.

EIB Group mobilises large amount of private resources leveraging the limited paid-in capital complemented by large private sector funding collected in the capital markets and appropriate co-financing modalities. In the context of the IPE, for EUR 16 bn of resources provided by the EU budget coupled by EUR 5 bn coming from its own resources, the EIB Group is committed to mobilising EUR 315 bn of investments in three years using all available co-financing sources as appropriate (capital markets, National Promotional Institutions, commercial banks, funds).

The establishment of investment platforms

The European Investment Bank Group has intensively worked at appropriate investment platforms that can facilitate the co-investment of third parties both in the EU and outside. Different modalities have been implemented including the direct investment in third party funds; a securitisation and equity platform on SMEs; the Boost Africa Initiative whereby the joint initiative with the European Commission and the African Development Bank allows investments in start-ups and young SMEs with growth potential in sub-Saharan Africa selecting specialised venture capital funds; the project bond initiative aimed at bringing to the capital market the financing of infrastructure projects; the Global Energy Efficiency and Renewable Energy Fund (GEEREF) initiated by the European Commission and entrusted to EIB Group to mobilise private investors on energy efficient projects.

Risk sharing and equity instruments

The European Investment Bank Group has worked at risk sharing instruments for more than a decade supporting all different asset classes: from infrastructure projects to research and development and innovation; from SMEs and Mid-Caps to climate change.

The IPE has been deployed following the general assessment that the economy lacked a sufficient risk absorption capacity to unlock investments that could not reach the needed bankability. The additionality of such investments, defined as investments that the EIB Group could not otherwise finance, represents an important effort towards the mobilisation of investments.

⁷ [http://siteresources.worldbank.org/DEVCOMMINT/Documentation/23659446/DC2015-0002\(E\)FinancingforDevelopment.pdf](http://siteresources.worldbank.org/DEVCOMMINT/Documentation/23659446/DC2015-0002(E)FinancingforDevelopment.pdf)

Many efforts have been made to refine the credit risk guidelines and explore delegated or quasi-delegated processes to reinforce the partnership with counterparts (both public and private) and enhance the origination of long-term investments. In this process, equity and quasi-equity investments are considered also essential to support the growth of SMEs and Mid-Caps (potentially including also builders) creating the conditions for a sustainable business.

Knowledge sharing and information dissemination to harness the private sector investment decisions

The EIB is co-leading together with IFC the Global Emerging Market (GEMs) database collecting default and recovery rates from 15 IFIs and DFIs; EIB and the Long-Term Investors Club (LTIC) partnering with GIH and OECD have tabled and are discussing a proposal to collect infrastructure data helping creating infrastructure as an asset class.

Conclusions

The European Investment Bank Group remains committed to focus on impact, quality and additionality involving appropriate co-financiers to mobilise needed investments to boost growth and employment. The mobilisation of private resources with adequate instruments remains a priority aimed at the development of self-sustainable solutions aimed at maximising the impact of scarce public resources. The IPE has been and still is transformative for the EIB Group requiring adaptation to new markets, to new counterparts but also efforts to developing new products and forms of cooperation. This experience is now in the process of being used to support development and the achievement of SDGs outside of the EU with the External Investment Plan promoted by the European Commission.

European Bank for Reconstruction and Development (EBRD)

The mobilisation of private financing is at the core of EBRD's mandate, as stated in its founding Agreement. From its inception, the EBRD has successfully attracted funds from private co-financiers to its countries of operations. Since its establishment in 1991, EBRD loan syndications activity has raised cumulative B loans of approx. USD 23 billion from more than 130 banks and other private sector investors for clients and projects in 28 countries in a range of currencies. For 2016 alone, the EBRD mobilised more than USD 1.1 billion via syndicated loans.

The EBRD continuously works to expand the range of financing approaches and instruments for crowding-in private sector investors. For instance, EBRD continues to expand its B-Loan and co-investment efforts, making good progress in sourcing non-bank lenders, in particular with impact investors who lend to SMEs or green projects. The use of unfunded risk sharing structures with insurance companies has mobilised new investors in the EBRD's portfolio on a secondary basis, freeing up capital for re-investment. The EBRD closed its first Equity Participation Fund in 2016, mobilizing long-term global institutional investors to participate for the first time in the EBRD's direct [equity investment](#) programme.

The objective of mobilisation is hard-wired in the EBRD's systems. To ensure that internal incentives are aligned toward this goal, the EBRD's scorecard contains specific targets for amounts of annual mobilised investment which is accounted for using a robust and well defined methodology. This target is set at individual team level, and makes up an important part of the evaluation of overall team performance.

With regards to infrastructure specifically, the EBRD has been an active contributor to the efforts to mobilise private sector investment, with activities ranging from upstream policy dialogue and capacity building through to lending on a syndicated basis with commercial banks or bond financing with credit enhancement.

EBRD understands that greater levels of private sector investment can be achieved when client governments have the capacity to plan, procure, negotiate and monitor PPPs and other forms of private sector participation in infrastructure. For this reason, EBRD created its Infrastructure Project Preparation Facility (IPPF) in 2015, which not only prepares individual PPPs for the benefit of governments by mobilising experienced transaction advisors but also provides policy advice to governments with regard to organisational structure, regulation, tariff regimes, and other institutional issues that form the foundation of sustainable infrastructure delivery. The IPPF, funded by EBRD shareholders with a EUR 40 million allocation from EBRD's net profit under its Shareholder Special Fund, will provide preparation for some 30 commercialised public sector projects and another 10 PPPs over a four-year period to 2019.

In addition, to unlock the investment planning potential of client governments, the IPPF is providing specific policy guidelines including, to date, for facilities management PPPs, performance-based road contracting, private sector participation in the water and district heating sectors, smart card development for public transport, and inland water transport as a form of green logistics.

Alongside other IFI partners, EBRD is also contributing to capacity building efforts, where the Bank is funding PPP Certification training for up to 20 countries. This effort is critical to promote the standardization of approach to PPP preparation at the local level.

Finally, EBRD has pioneered the area of project bond credit enhancement, by teaming up with MIGA to structure and roll out an innovative risk mitigation product with large scale replication potential. The joint EBRD and MIGA 'Risk Mitigation Scheme' offers targeted credit enhancement to project bond holders by combining an EBRD stand-by liquidity facility with MIGA's political risk insurance. The combined product has great potential to be replicated across many emerging markets with a sub-investment grade rating but seeking to undertake PPPs. Its first usage was for the Elazig Hospital PPP in Turkey, which reached financial close in December 2016, through the issuance of a 20 years EUR 288 million project bond which attracted an investment grade rating from Moody's, two notches above the sovereign, thanks to the Risk Mitigation Scheme arranged by EBRD and MIGA. The transaction represents a watershed moment in the cooperation between IFIs for project financing in emerging markets.

Inter-American Development Bank Group (IDBG)

IDBG's approach to operationalize its private finance crowding-in ambitions is centered on clients, accountable to shareholders, and suited to engage effectively with strategic development partners to mobilize resources and knowledge to the region. In this sense and subject to the principle of country ownership, and recognizing the fact that countries remain responsible for the nature and composition of the support they seek from MDBS, the IDBG expects to be able to:

- a) respond to client demand with lending levels of 35 to 60 percent of total lending in the infrastructure sectors of energy, transport, water and sanitation, and ICT, with an additional 5 to 10 percent in social infrastructure of health and education; and

- b) leverage more than US\$100 billion over the next decade with the US\$2.3 billion in fresh capital with which shareholders revamped the Inter-American Investment Corporation in 2015.

To this end, the IDBG will take actions around four pillars:

1) Registry and accounting:

- align its internal mobilization definitions (or create complementary ones) and reporting systems with the definitions agreed by all MDBs, and incorporate them in its Corporate Results Framework (CRF) and Career Point systems, with the aim to transform them into incentive-compatible mechanisms that assign internal (and external) attribution properly
- update document systems and procedures to systematically capture and register private investment mobilization

2) Internal procedures

- encourage interaction from different sectors to pool expertise and exploit synergies for complex projects
- work to align its Human Resources strategy with private investment mobilization goals, including recruitment of cadres with appropriate skills, background and experience, and capacitation opportunities for existing ones

3) Incentives

- consider the creation of incentive-compatible mechanisms in the career development system to reward staff for operations that generate private investment mobilization
- incentivize collaboration on private investment mobilization at all levels
- incorporate private investment mobilization components in the development effectiveness monitoring framework

4) Programming

- identify innovative projects with greatest mobilization potential, and work to review and develop new financial products that mobilize private investment, such as guarantees
- encourage enhancing operations through work with local and regional development finance institutions (DFIs) that have mobilization capabilities and knowledge of local markets
- improve its client engagement model by reviewing project origination, preparation and approval processes based on mobilization best practices, and revamp upstream project development through collaboration across the Sovereign-Guaranteed (SG) and Non-Sovereign Guaranteed (NSG) windows
- seek more collaboration at public and private sector lending windows in an integrated manner that enhances private financial returns and improve bankability, mobilize co-

finance partners and create catalytic effects across the region, particularly in country offices

Islamic Development Bank (IsDB)

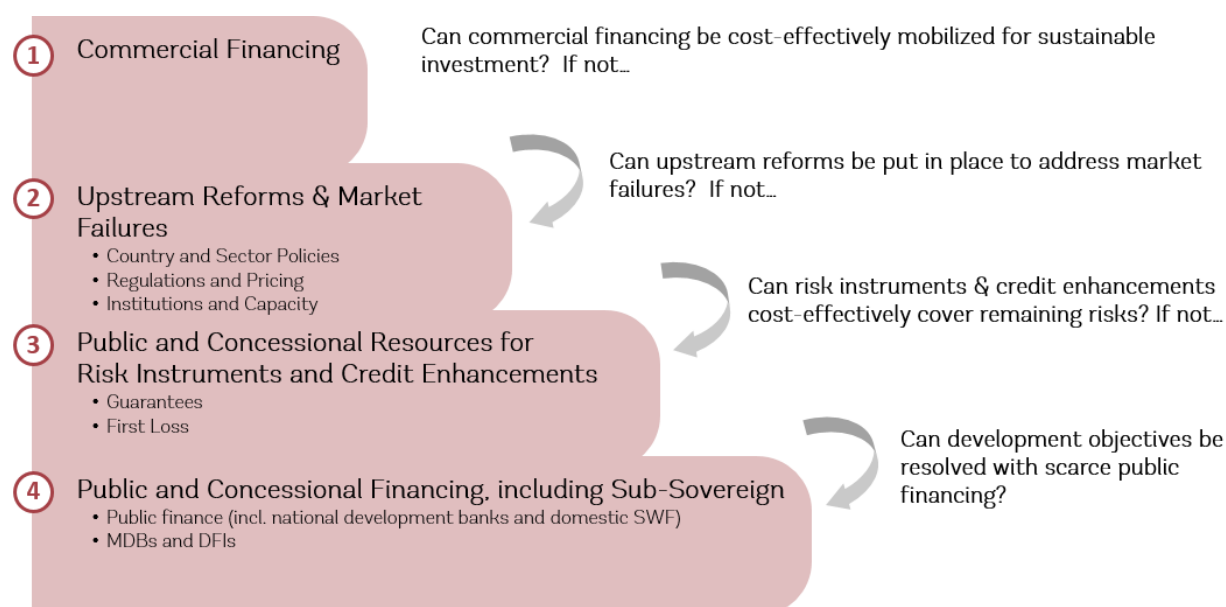
IsDB scales-up and leverages its own resources through project syndication, co-financing and other off-balance-sheet resource mobilization strategies. IsDB extends financing to infrastructure projects in its Member Countries through PPP schemes and manages the portfolio of its own and participants. In its intention to streamline part of globally available resources for infrastructure development of its Member Countries, the IsDB has introduced the first Islamic A/B Financing Structure.

IsDB is also co-managing a technical assistance facility, The Arab Financing Facility for Infrastructure – Technical Assistance Facility (AFFI TAF), with IFC. AFFI TAF is a joint initiative of IsDB, World Bank Group (IBRD and IFC), EIB and Arab Fund for Economic and Social Development. It is designed to promote regional policy dialogue on infrastructure challenges; to catalyze access to public and private finance sources; and support sustainable infrastructure projects, in particular PPPs in MENA region. In addition to helping with provision of transaction advisory services, the Facility has supported recipient countries develop laws and guidelines for PPPs in line with best practices. Ten technical assistance projects have been completed with the support of AFFI TAF so far and two projects are ongoing.

The World Bank Group (WBG)

The World Bank Group has adopted a new approach to expand the potential for accessing commercial finance. The starting point for investment decisions under this approach is that if a development project or program *can* be financed on commercial terms without government guarantees while remaining affordable, adhering to core principles of good governance and environmental and social sustainability, and offering value for money, then that investment is not a priority for concessional or public financing (figure 1). The goal of this approach is to ensure greater emphasis on upstream reforms, and move away from the use of scarce public and concessional resources as an alternative to reform.

Figure 1. Sustainable infrastructure finance through a cascade approach



Countries will make the decision whether to follow this approach, and how. The role of the World Bank Group is to help governments systematically assess options, promote the reforms needed to close the infrastructure service gap, and build capacity to do so, notably in fragile and conflict-affected countries.

This approach implies an increased and more systematic emphasis on upstream reforms at the country and sector level (“*mainstream the upstream*”) and a renewed determination to focus concessional and public resources where they can have the greatest development impact (“*shift the default*”).

This approach is framing the overall World Bank Group approach, and will be combined with other initiatives of the IFC, MIGA, and the World Bank.

International Finance Corporation (IFC)

The IFC is scaling up its mobilization efforts in the infrastructure sector through: 1) introducing customized and wholesale solutions to address infrastructure client needs, 2) efforts to de-risk markets to generate more bankable infrastructure projects, and 3) partnerships with other MDBs and IFIs. Expanding mobilization is closely correlated with increased IFC own account financing, as co-investors require IFC’s own capital at risk alongside their financing. To that end, IFC has expanded its own account financing for infrastructure projects.

IFC is creating new customized instruments and mobilization platforms that better align the needs of institutional investors with the infrastructure sector’s demand for long-term capital. The Managed Co-Lending Portfolio Program for Infrastructure (MCPPI-Infra) scales up debt mobilization from institutional investors for investment in a diversified portfolio of bankable infrastructure projects, while adding a layer of credit enhancement through a first-loss tranche to improve the risk profile. The IFC Global Infrastructure Fund, managed by IFC’s fund management arm (AMC), is another example where institutional and commercial investors co-invest with IFC in global infrastructure assets.

IFC is also bringing standardization and wholesale approaches to the infrastructure sector to increase scale and efficiencies, as well as to accelerate innovation. This allows IFC to “mainstream the upstream” by creating high impact complex transactions and providing extensive support to governments.

In order to increase the flow of high impact, viable projects, IFC is working closely with the World Bank through the Cascade investment prioritization framework, to be piloted in 10-11 countries in FY18. IFC will support this work by dedicating more resources to upstream engagement in infrastructure, by introducing enhanced risk mitigation tools and the strategic use of blended finance through the IDA Private Sector Window.

Finally, IFC is working in partnership with other MDBs and IFIs on harmonizing their different approaches to crowding in private sector finance and to blended finance. It is also leading a working group to define a framework for measuring and reporting on mobilization and catalyzation of private investment, with a specific focus on the infrastructure sector.

World Bank

Entry points for the new approach to infrastructure finance will vary depending on the country and the context, and could occur at:

- Country-level, through the launching of Infrastructure Sector Assessment Programs (*InfraSAPs*), that will look at country wide issues relevant to infrastructure (including fiscal and budgetary rules, regulatory governance, competition policy, financial market development...)
- Sector-level, through technical assistance, investment or policy lending .
- Project level, where a cascading set of filters (Figure 1) will be applied to understand the potential for expanding reliance on commercial financing.

Nine countries have already volunteered to undertake InfraSAPs with the goals of significantly increasing focused on upstream reforms.