

Chasing the Trillions

What MDB Lending Can – and Cannot – Mobilise

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Abstract

This paper examines how additional private financial resources can be mobilised through the use of multilateral development bank (MDB) funds. It focuses on identifying the leverage potential of different financing instruments, improving their mobilisation efficiency, and examining how greater leverage can promote development outcomes while safeguarding the financial sustainability of MDBs. Its contribution is a comparative synthesis that brings together mobilisation mechanisms, differences in the public resources and risks underlying leverage ratios, and development impact.

The analysis covers six categories: debt instruments, equity instruments, risk-transfer instruments, guarantees, advisory services and policy-based lending. It compares their characteristics, including the level of intervention, mobilisation mechanisms, constraints addressed and time horizons. It also distinguishes transaction-level private direct and indirect mobilisation from broader catalytic effects arising through market development, institutional strengthening and policy reforms.

The comparison shows why instruments cannot be assessed by a single leverage ratio. MDB lending, guarantee exposure and expenditure on advisory services represent different commitments of public resources and risk. Similarly, private finance linked to a transaction cannot be measured in the same way as subsequent investment enabled by policy reform. Available evidence therefore indicates differences in mobilisation potential rather than an established empirical ranking of instruments.

The paper argues that leveraging efficiency can be increased by moving to more powerful approaches and by better targeting instruments to binding investment constraints. It examines how this can enhance the development impact and financial viability of MDB/DFI portfolios through two channels: a financial/portfolio efficiency channel and a development/catalytic channel. However, a high leverage ratio does not necessarily indicate superior performance. It may reflect investment in easier markets, weak additionality or an understatement of public risk. Conversely, a lower ratio may be consistent with greater additionality in a fragile market or pioneering sector.

These findings highlight the importance of assessing leverage alongside additionality, development impact and financial sustainability. Using concessional funds through blended finance instruments can be costly and can reduce the resources available for other development priorities.

Therefore, the development finance institutions (DFIs) must strictly apply the additionality principle and further operationalise the principle of using minimum concessionality. If interpreted too generously, there is a risk of creating leverage without sufficient development impact.

The paper provides specific recommendations for refining the use of financing instruments and integrating transaction-level support into a broader market-shaping approach that draws on the strengths of policy-based lending and technical assistance. Higher leverage should not be pursued as an end in itself; its value depends on its contribution to additional development impact.

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Abstract

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Abbreviations

DAC	Development Assistance Committee
DFI	development finance institution
IEG	Independent Expert Group
MDB	multilateral development bank
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
PCE	private capital enabled
PDM	private direct mobilisation
PIM	private indirect mobilisation
PPDM	portfolio private direct mobilisation
TPDM	transactional private direct mobilisation
TPM	total private mobilisation
USD	United States dollar

1 Introduction

The United Nations Conference on Trade and Development (UNCTAD) (2024) estimates that an additional USD 4 trillion per year is needed for developing countries to achieve the Sustainable Development Goals. With public development finance under pressure, greater mobilisation of private finance is therefore receiving increased attention. Multilateral development banks (MDBs¹) have been the predominant mobilisers of private finance, accounting for 71 per cent of private finance mobilised in the Organisation for Economic Co-operation and Development (OECD) dataset during the period from 2021 to 2024 (OECD, 2026a). Separately, the joint multilateral development banks (MDBs) and development finance institutions (DFIs) report records USD 108.7 billion in long-term private finance mobilisation in low- and middle-income countries in 2024 (MDB Task Force on Mobilization, 2026a). These figures underscore the need to examine how MDBs can improve mobilisation while preserving development impact.

In general terms, MDBs leverage their limited resources in two distinct domains. The first domain concerns expanding their own financing capacity, mainly through capital-market borrowing, and repeated replenishments of their concessional windows. They use different forms of capital, such as callable capital and hybrid capital, to support borrowing for a given level of paid-in capital. Retained earnings also strengthen MDBs' equity base and thereby support their capacity to borrow from capital markets. This paper focuses on the second domain, notably on how MDBs mobilise additional funds through the use of their resources. It considers the extent to which MDB financing instruments and lending modalities can attract additional private investment to maximise development outcomes. Drawing on the instrument categories reported by the MDB Task Force on Mobilization (2026a) and extending the analysis to policy-based lending, this study examines six categories: debt instruments, equity instruments, risk-transfer instruments, guarantees, advisory services and policy-based lending.² The first four categories can be used in blended finance structures; they are not necessarily blended finance in themselves.³

A wealth of literature exists on leveraging private capital through MDB lending. A significant portion of this literature focuses on technical and empirical issues. Several reports addressing the measurement and improvement of the efficiency of private capital mobilisation have been published by the OECD, the MDBs (in particular the MDB Task Force on Mobilization), and the DFI Working Group on Blended Concessional Finance for Private Sector Projects, and these are referenced throughout this paper. The G20 Independent Expert Group (IEG) (2023a, 2023b) has played a key role in presenting the theoretical and empirical case for increased MDB mobilisation. Other literature focuses on specific leveraging instruments and their potential (see Section 4). Mazzucato and Vieira de Sá (2025) question the emphasis on filling financing gaps through private capital mobilisation, highlighting limited additionality and imbalanced public-private risk sharing. They argue that blended finance should serve as a targeted tool within a mission-oriented approach to development finance. Zattler (2024) argues for moving beyond

1 For brevity in this paper, the term MDBs will include both DFIs and MDBs, except where statistical sources distinguish between them.

2 We exclude mobilisation through co-financing arrangements between development actors as these arrangements do not mobilise funds additional to the development system but only to the individual MDB that originated the respective project.

3 The DFI Working Group (2018) defines blended finance as the combination of concessional finance from donors or third parties with normal DFI own-account finance and/or commercial finance from other investors. The OECD (2025c) defines blended finance as the strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries. In both cases, broader policy reforms, institutional strengthening and general enabling-environment measures may catalyse private investment but are normally not themselves classified as blended finance.

transaction-level blended finance, emphasising policy-based lending, market creation and better coordination of MDB initiatives.

The work of Attridge and her co-authors examines the potential and limitations of mobilising private capital through MDB and DFI financing. It highlights the need to assess MDB interventions beyond mobilisation volumes and leverage ratios, considering additionality, development outcomes, financial sustainability and alternative uses of public resources. Attridge and Engen (2019) question whether limited public funding can unlock trillions in private investment and caution that an excessive emphasis on mobilisation may undermine poverty reduction efforts in the poorest countries. Attridge and Gouett (2021) find that, despite rising mobilisation ratios, private finance mobilised by the institutions studied remained below expectations, while their investment in low-income countries remained modest. Extending this critique, Attridge (2025) challenges the assumption that large pools of private capital can readily be directed towards development priorities. She advocates reforms to MDB and DFI business models, combined with policy reforms, risk mitigation and market development.

Building on this literature, this paper examines leverage as a cross-cutting question for MDB instruments and lending modalities. Its contribution is a comparative synthesis that brings together mobilisation mechanisms, differences in the public resources and risks underlying leverage ratios, and development impact to clarify the conditions under which greater leverage can support development objectives.

Firstly, the paper compares the mechanisms through which different instruments mobilise investment, including those whose effects are indirect and more systemic, and the conditions under which they may be effective. The analysis does not seek to rank instruments by a single leverage ratio. It explains why leverage ratios are difficult to measure and to compare. A dollar of MDB lending, a dollar of guarantee exposure and a dollar spent on advisory services do not represent equivalent commitments of public resources or risk. Nor can private finance linked to a transaction be measured in the same way as subsequent investment enabled by policy reform. Instead of ranking financing instruments by their leveraging ratios, the paper focuses on increasing **mobilisation efficiency** by better understanding their respective characteristics and better targeting them to the constraints on investment.

Secondly, the paper discusses the potential effect of enhanced leveraging on MDB development outcomes and portfolios. It sets out a framework which puts leverage in relation to **development outcomes and financial sustainability**. It illustrates how moving towards more efficient leveraging instruments can increase both development impact and financial viability, while poorly targeted instruments can be costly and generate little or no additional development impact.

Section 2 distinguishes formal mobilisation, generation and broader catalytic effects. Section 3 examines how the six instrument categories attract additional investment and assesses their mobilisation potential and efficiency. Section 4 reviews the available data and their limitations. Section 5 considers the conditions under which the various instruments generate development impact while maintaining financial sustainability. Section 6 discusses ways to further increase their leverage and developmental effectiveness. Section 7 concludes.

2 Direct and indirect mobilisation; catalytic effects

When discussing the leveraging of private finance for development purposes, it is helpful to distinguish formally measured direct and indirect mobilisation from broader catalytic effects. Direct versus indirect mobilisation concerns the MDB's role in securing finance for a supported activity; broader catalytic effects concern investment influenced by an earlier intervention

beyond that activity. In October 2026, the MDB Task Force on Mobilization, in their *2024 Joint Report*, issued new methodologies that distinguish between private capital generation, mobilisation and catalysation (MDB Task Force on Mobilization, 2026e). Under generation, MDBs raise funds on the strength of their own creditworthiness, with repayment backed by their balance sheets (MDB Task Force on Mobilization, 2026b, Sections 1.1). This expands their financing capacity beyond the resources provided directly by shareholders.

Under the methodology used for the *2024 Joint Report* (MDB Task Force on Mobilization, 2026a), **private direct mobilisation** (PDM) refers to private finance committed on commercial terms to a specific transaction due to the active and identifiable involvement of a DFI. The private investor typically participates in the same project, financing package, fund or issuance as the public institution. Examples include commercial banks joining an MDB-arranged syndicated loan, institutional investors purchasing part of a bond issuance anchored by a DFI, and private investors contributing capital to a fund alongside an MDB. In each case, classification as PDM requires evidence of the institution's active and direct role in securing the private commitment. This reporting attribution does not, by itself, establish counterfactual additionality. Of the aforementioned financing instruments, debt, equity, risk-transfer instruments, guarantees and certain transaction-related advisory services can support direct mobilisation, subject to the applicable qualification rules. While most blended finance instruments focus on direct mobilisation, some can also contribute to broader catalytic effects.

Private indirect mobilisation (PIM) is defined as financing from private entities provided in connection with a specific transaction for which an MDB proves financing, but where no MDB plays an active or direct role in securing the private entity's commitment of finance. An example is private investment in a fund alongside an MDB under these conditions (World Bank Group, 2018, p. 17). The sum of PIM and PDM is termed total private mobilisation (TPM).

The revised methodology from October 2026 further distinguishes transactional private direct mobilisation (TPDM), associated with the first financing of record, from portfolio private direct mobilisation (PPDM), associated with subsequent financing that replaces or assumes risk from an earlier financing. This distinction concerns the financing stage, not an instrument's general catalytic potential (MDB Task Force on Mobilization, 2026c, Section 1.4.1).

This transaction-related category should be distinguished from broader **catalytic effects**, such as a local bank expanding subsequent lending or an issuer accessing capital markets independently at a later stage. MDB or DFI involvement may also demonstrate the commercial viability of a new technology or market, improve financial sector capacity, establish investment standards, reduce information asymmetries and create a track record to facilitate subsequent private investment. Another example of a broader catalytic effect occurs when investment conditions are improved through policy-based lending or technical assistance. Compared with transaction-based blended finance instruments, these instruments typically address economy-wide, sectoral, institutional, or project-preparation constraints. Such catalytic effects are difficult to attribute and quantify. Consequently, they are often discussed separately from formally measured PDM and PIM. Throughout this paper, references to indirect effects beyond PIM concern these broader catalytic effects.

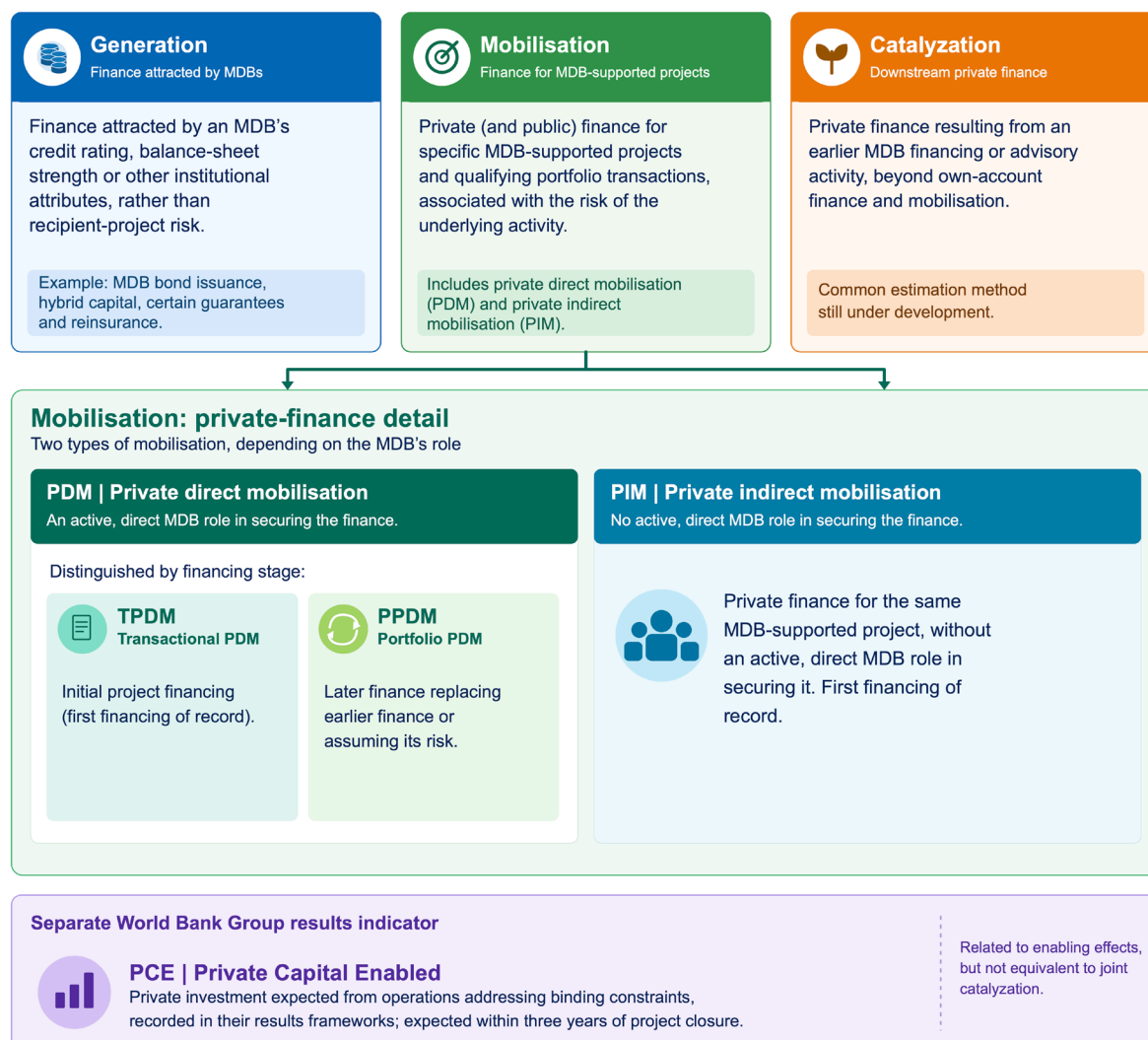
The 2026 Catalyzation Progress Note of the MDB Task Force on Mobilization (2026d, pp. 1-3) sets out principles for catalysation that require intentional design, a defined time horizon and credible evidence; unexpected spillovers without a deliberate, identifiable link would not qualify. A common estimation methodology remains under development.

Separately, the World Bank Group has developed a broader category, termed **private capital enabled (PCE)**, alongside (transaction-level) private capital mobilisation. According to the World Bank Group (2022, Annex A, p.20), PCE captures the monetary value of private investments resulting from operations that address binding constraints to private investment.

These investments are expected to materialise within three years of project closure and recorded in the operation's results framework. These constraints may be physical, operational, policy-related, legal, regulatory or institutional. PCE remains a World Bank Group results-framework indicator and should not be treated as interchangeable with the emerging joint catalysation indicator, or combined with mobilisation without checking for overlap.

Figure 1 distinguishes the revised joint measurement strands and separately identifies the World Bank Group's PCE indicator. It compares frameworks, rather than presenting a continuum of additional, additive financing.

Figure 1: Different concepts of private capital mobilisation, catalysation and enabling



Source: Authors

3 Characteristics of financing instruments and mobilisation efficiency

How do the above financing instruments⁴ attract additional investment? What are their specific characteristics and potentials? The following section attempts to answer these questions, based on the relevant literature.⁵

(a) Debt instruments: reliable and readily measurable mobilisation. Debt instruments offer mobilisation potential, particularly through syndicated loans, credit lines to other financial institutions, and subordinated debt. In a syndication, a development finance institution (DFI) originates or arranges a loan, retains part of it and brings commercial banks or institutional investors into the same financing. Participating lenders benefit from the development institution's due diligence, documentation and monitoring capacity, as well as its relationship with the borrower. This reduces information and transaction costs, enabling lenders to finance transactions that they might not have undertaken independently. A similar mechanism applies to jointly arranged bond issuances, where the MDB may support the structuring process and investor outreach, or act as an anchor investor. Providing credit lines to local financial institutions and other intermediaries can stimulate additional financing. Financing in local currency, in particular, has additional benefits: it does not expose the partner country to exchange rate risk, and it helps develop the local financial sector. Subordinated debt is financing that ranks below senior creditors in the event of default or liquidation. This means that it is repaid only after senior debt has been satisfied, but before equity holders. By absorbing losses ahead of senior lenders, it improves the borrower's capital structure and can help attract additional private financing that might otherwise not be available.

With exceptions such as credit lines to financial intermediaries, debt instruments generally offer relatively predictable and straightforward mobilisation potential, and are relatively easy to measure. However, this is also their main limitation, as the related mobilisation is generally linked to specific transactions and borrowers. The leveraging potential varies considerably. Halland et al. (2021, p. 16), citing the Blended Finance Taskforce (2018), report that MDB private-sector windows mobilised approximately USD 1.5 of private finance per dollar of their own resources in 2016, including direct and indirect mobilisation. This aggregate covers different financing instruments and does not establish a debt-specific mobilisation ratio. Syndicated loans have a higher potential, but no aggregate leverage coefficient is available as this ratio is strongly influenced by the MDB's retained financing share and by country and borrower risk. Credit lines also have considerable mobilisation potential, but aggregate ratios are neither available nor meaningful. Subordinated debt can mobilise additional private finance by placing the development bank in a secondary-creditor position and allowing it to absorb greater potential losses, thereby encouraging participation by other investors (Griffith-Jones et al., 2020, pp. 26–27). Attridge and Novak (2022, p. 64) report a private capital mobilisation ratio of approximately 3:1 for the Huruma Fund, which combines public first-loss capital and subordinated debt. This illustrates the potential of a layered financing structure rather than a leverage ratio attributable to subordinated debt alone.

4 In the typology used here, financing instruments partially overlap. For example, guarantees or equity investments may also involve risk sharing.

5 The availability of literature is uneven. Debt, guarantees and blended-finance instruments are covered relatively well, whereas securitisation, risk transfers and, in particular, policy-based lending are discussed more often in broader MDB reform and enabling-environment literature than in mobilisation and statistics papers. Further information can be found in Cull et al. (2024), OECD (2025a, 2025b), IEG (2023a, 2023b), the World Bank's Independent Evaluation Group (World Bank Group, 2020), and the MDB Task Force on Mobilization (2026a).

(b) Equity instruments: lower immediate mobilisation but potentially larger catalytic effects. Investments in private equity, venture capital and infrastructure funds can attract private investors through anchor commitments and specialised portfolio management. Public and private investors can participate on equal terms, or the development institution can adopt different loss-sharing, return or exit strategies to enhance the investment proposition for commercial participants. Equity is therefore particularly valuable in cases where the main issue is a shortage of risk capital, uncertain revenues, immature business models or weak governance, rather than a lack of debt.

Equity can mobilise private co-investment at the transaction level, although its subsequent financing and wider catalytic effects are less readily measurable. Its mobilisation potential depends on the investment structure, valuations and investor risk appetite, making a general ranking against debt funds difficult to justify. Pari-passu equity allows MDBs to invest alongside private investors on the same terms, while junior or first-loss equity can provide additional protection to private investors by absorbing losses ahead of them. This protection may increase mobilisation, but entails greater risk absorption by the MDB or another public provider and does not imply a consistently higher ratio. Equity also has potentially substantial catalytic effects. It strengthens the investee's capital base, supports additional borrowing, absorbs business and construction risks, and can improve governance and signal confidence in unfamiliar markets or business models.

(c) Risk transfers: high scalability and balance-sheet recycling. Transactions through which MDBs transfer part of the risk of existing portfolios to private insurers or financial counterparties – through securitisations, credit insurance, guarantees or synthetic risk-transfer structures – can free up capital and enable additional lending. The securitisation of debt or equity converts an existing pool of relatively illiquid assets into marketable debt securities that can be purchased by pension funds, insurers and asset managers. These securities can be divided into tranches with different repayment priorities and risk-return profiles. A development institution or concessional provider may also retain a junior position to enhance the credit profile of the senior securities.

Risk-transfer instruments, in particular securitisation, can operate at portfolio scale. Their mobilisation effect works through two channels. Firstly, in a true-sale securitisation, private investors provide funding by purchasing securities backed by assets transferred from the originator. In a synthetic credit-risk transfer, the assets remain on the originator's balance sheet and only specified credit risks are transferred; this does not provide new funding equal to the full portfolio value. Secondly, transferring or reducing the risk associated with the portfolio can free up capital and balance sheet capacity, allowing the originator to offer new loans. Whether and how much capacity is released depends on the risk transferred and its treatment under the relevant capital framework. A secondary sale may replace existing financing without increasing resources for the original investment, while an unfunded transfer need not provide immediate cash. Any subsequent expansion of lending depends on the capacity released and its actual redeployment. Reported mobilisation, capital relief and additional lending therefore require separate assessment. The original financing, any secondary sale and subsequent lending must be distinguished to avoid double counting (OECD, 2025c). The revised methodology clarifies reporting categories, but evidence on comparable recycling and leverage ratios remains limited.

According to the MDB Task Force on Mobilization's (2026c, Section 3.6) revised rules, qualifying portfolio sales, reinsurance of MDB guarantee exposures and subsequent transfers of credit risk are recorded as PPDM. Qualifying unfunded credit-risk transfers at the original financial close are TPDM (MDB Task Force on Mobilization, 2026c, Section 3.6). Recycling is therefore not synonymous with generation. Ordinary MDB bond issuance is generation; the classification of guarantees or reinsurance depends on the risk and repayment structure, not simply on their names or balance-sheet effects.

(d) Guarantees and insurance products: high mobilisation through targeted risk transfer.

Guarantees mobilise private finance by allocating specific risks from investors or lenders to MDBs/DFIs. Guarantees usually protect against the failure to repay an underlying debt. By reducing losses for private financiers, these instruments can render projects that would otherwise be incompatible with investor mandates, credit limits and prudential requirements viable. Although cash payments are required only if the covered risk materialises, guarantees create contingent exposures and may require capital allocation from the outset. The amount of private capital mobilised can exceed the MDB resources committed, depending on coverage and the denominator used. Insurance products mobilise private finance by transferring defined risks from investors or lenders to an MDB, such as MIGA. Typical products cover political risks, credit default, breach of contract, currency inconvertibility, expropriation, trade-related risks or other project-specific events. By protecting investors against losses that they are unwilling or unable to bear, insurance can improve the risk-return profile of an investment and make projects compatible with internal risk limits and regulatory requirements.

Guarantees can be highly leveraged where the covered risk is the main obstacle to investment. They are generally capital-efficient mobilisation instruments, particularly when extended beyond individual transactions to cover entire portfolios, or when linked to policy reforms such as the combined International Bank for Reconstruction and Development (IBRD) and Multilateral Investment Guarantee Agency (MIGA) Policy-Based Guarantee Plus (PBG+) programme.⁶ The OECD (2025c), drawing on earlier research, reports that guarantees can mobilise five times as much private finance as loans; this should not be interpreted as a universal ratio across institutions and contexts. Similarly, insurance products can achieve high leverage because only the insured risk, rather than the full investment amount, is transferred to the insurer, and claims arise only if the covered event occurs. The amount of private investment supported can therefore substantially exceed the insurer's expected loss or capital allocation, particularly where coverage is partial or applied to portfolios. Leverage is especially high when a clearly identifiable risk is the main obstacle preventing otherwise viable private investment. As with guarantees, however, leverage ratios depend strongly on the coverage share, risk profile, pricing and whether leverage is measured against nominal insurance exposure, expected losses or capital actually set aside.

(e) Advisory services for private investment: enabling projects and markets. An advisory service can mobilise private finance in various ways. At the transaction level, it can transform an early-stage concept into an investable project by clarifying costs, revenues, risks and contractual responsibilities. It can also reduce the costs that private investors would otherwise incur when assessing unfamiliar markets. At the market level, technical assistance can establish standards, taxonomies, reporting systems, credit information and institutional capacities that facilitate repeated private investment.

Upstream advisory services and technical assistance primarily catalyse private capital by creating the conditions for investment. The effectiveness depends on the credibility and implementation of reforms, political commitment, institutional capacity, and the extent to which the identified policy constraints genuinely impact private investment. Technical assistance can have a high catalytic effect relative to its direct financial cost, as comparatively small grants can help to unlock much larger investments. Under the revised methodology, qualifying transaction-oriented advisory support can be reported as TPDM. Upstream preparation and market-development activities do not qualify as mobilisation and are relevant instead to the developing catalysation framework (MDB Task Force on Mobilization, 2026c, Section 3.1.1; 2026d).

6 The PBG+ structure combines a first-loss guarantee from IBRD with second-loss cover from MIGA. In June 2026, the World Bank Group announced such a package for Argentina to support up to USD 2 billion in commercial financing, linked to policy and institutional reforms (World Bank Group, 2026).

(f) Policy-based lending: potentially broad but predominantly catalytic effects. MDBs can support the mobilisation of private investment by providing governments with general or sector-specific budget support linked to policy and institutional reforms. Related instruments, such as results-based financing programmes, link disbursements to the achievement of specified programme results. Unlike project or corporate loans, policy-based financing affects private investment primarily through broader catalytic effects. It achieves this by supporting reforms that improve the wider legal, regulatory, institutional, and macroeconomic environment in which firms and investors operate. The catalytic potential of policy-based financing can be significant and widespread, as a single reform programme can impact investment conditions across an entire sector or economy. The associated private investment takes place over a longer period and is difficult to attribute solely to the financing intervention. Private investment often depends on political stability, market demand, and complementary reforms.

Policy-based financing is important because transaction-focused blended finance cannot indefinitely compensate for a weak enabling environment. While guarantees, concessional loans or first-loss capital can temporarily make individual transactions viable, they cannot substitute for predictable regulation, effective institutions, sound macroeconomic management or credible public counterparties. Therefore, the relationship should be complementary and mutually reinforcing: policy reforms create the conditions in which blended-finance instruments can operate effectively, while initial blended-finance transactions can demonstrate commercial viability, generate information, and support the development of new markets. Supporting “green” policy reforms may be particularly beneficial in countries where fiscal, regulatory, trade and financial policies favour the traditional “brown” economy. This is likely to be the case in many developing countries, for example due to substantial fossil fuel subsidies. In such cases, a comprehensive reform package involving policy-based lending, advisory services, and coordinated public and private investments can be highly effective — particularly if these instruments are coordinated among development agencies and partner governments, for instance through country platforms.

Taken together, the available evidence and theoretical mechanisms regarding these financing instruments suggest differences in mobilisation potential rather than fixed leverage coefficients or a robust empirical hierarchy. Compared with conventional own-account lending, syndicated lending offers scope to mobilise additional private finance within a transaction, while guarantees and subordinated or first-loss structures can support larger volumes of private financing relative to the public resources placed at risk. Selected structured funds also illustrate the potential for high mobilisation ratios. However, comparable empirical evidence remains limited, and these assessments draw partly on illustrative transactions. Comparisons also depend on whether private financing is measured relative to MDB commitments, guarantee exposure or public risk capital. Higher ratios cannot simply be extrapolated across MDB portfolios, since they depend on transaction design, underlying project viability and private-investor appetite. In difficult markets, more public risk absorption may be required and achievable leverage may consequently decline.

It is also useful to distinguish transaction-level mobilisation potential from broader catalytic potential. Guarantees, syndications and structured first-loss instruments can have substantial and comparatively measurable transaction-level mobilisation effects. Equity can attract co-investors and support subsequent borrowing, while also generating longer-term demonstration and market-development effects. Advisory support and policy-based financing can operate further along this spectrum: although transaction advisory services can support identifiable mobilisation, the effects of project preparation, institutional reform and improvements in the enabling environment are generally harder to quantify and attribute. These interventions may nevertheless influence private investment across entire markets or sectors.

Table 1 compares the principal MDB/DFI financing instruments discussed above, notably their mobilisation mechanism and type, the constraints addressed, the level of intervention, indicative

mobilisation potential, the time horizon and the ease of measurement. The medium/high classifications reflect cautious qualitative assessments based on theoretical mechanisms and available illustrative evidence; they do not represent estimated leverage ratios or an established empirical ranking.

The table presents instruments along a continuum from transaction-level instruments with comparatively direct and measurable mobilisation effects to systemic interventions that shape the wider investment environment. Debt and equity provide financing directly, while risk-transfer mechanisms and guarantees mobilise private capital by reallocating or mitigating risk and, in some cases, releasing institutional financing capacity. Policy-based lending and market-development advisory services operate mainly through policy, institutional, project-preparation and market-development channels, making their effects more catalytic and longer-term. Transaction advisory services can also support mobilisation directly. The ordering does not imply a ranking of effectiveness, and the boundaries between categories may overlap.

The assessments in the “mobilisation/leverage potential” column are indicative. Ratios depend on the structure of the transaction, the risk of the country/borrower and, critically, the denominator used. An important first step towards better comparison of leveraging ratios would be to agree on a common approach whereby the default ratio should be expressed as the amount of private capital mobilised relative to a common reference denominator – either the DFI’s capital committed or its risk exposure. This default ratio should then be adapted to the respective instruments.

Table 1: Mobilisation characteristics and potential of MDB/DFI instruments

Instrument/ subtype	Mobilisation mechanism & type	Primary constraint addressed	Typical level of intervention	Mobilisation/ leverage potential	Broader catalytic potential	Time horizon	Ease of measurement/ attribution
(a) Debt – syndicated loans	MDB arranges/originates loan and brings in commercial lenders; mainly direct mobilisation	Debt availability; information and transaction costs; lender confidence	Transaction/ borrower	Medium–high; often above ordinary lending, but no robust aggregate coefficient	Medium; mainly linked to the financed transaction	Immediate	High
(a) Debt – credit lines	MDB funds an intermediary; same-activity finance may be mobilisation; wider market effects are catalytic	Weak local intermediation; limited access to finance	Financial intermediary/ portfolio/final borrower	Medium–high; considerable potential, but aggregate ratios are not meaningful	Medium–high; can deepen local financial markets	Immediate to medium-term	Medium–low
(a) Debt – subordinated debt	Junior debt absorbs losses before senior lenders and crowds in senior capital; direct mobilisation	Excessive senior-lender risk; weak capital structure	Transaction/ firm/fund	High; depends on seniority, risk absorption and transaction structure; no robust general ratio.	Medium–high; can strengthen capital structures and enable later borrowing	Immediate to medium-term	Medium–high
(b) Equity instruments	Anchor/pari-passu/junior equity attracts co-investors and strengthens the capital base; direct + follow-on effects	Shortage of risk capital; uncertain revenues; immature models; governance	Firm/fund	Low–medium immediate; strongly structure-dependent; junior/first-loss equity can be much higher	High; follow-on finance, governance, signalling and demonstration effects	Medium to long-term	Medium
(c) Risk transfer/ securitisation	Investors buy exposures or assume project risk; qualifying subsequent transfers are PPDM	MDB capital/ balance-sheet constraints; concentrated portfolio risk	Portfolio/ balance sheet	Scalable; no robust aggregate ratio for released capacity or subsequent lending	Further lending depends on capital relief and redeployment; not itself a catalytic measure	Transfer; lending may follow	Transfer measurable; capital relief and additionality assessed separately

Instrument/ subtype	Mobilisation mechanism & type	Primary constraint addressed	Typical level of intervention	Mobilisation/ leverage potential	Broader catalytic potential	Time horizon	Ease of measurement/ attribution
(d) MDB guarantees + insurance	MDB/insurer assumes defined credit, political or project risks; direct risk mitigation/credit enhancement	Specific risks, investor mandates, credit limits and prudential constraints	Transaction/ portfolio	High; guarantees can mobilise substantially more than loans; ratio depends on coverage and denominator	Medium–high; portfolio structures can support repeated investment	Immediate	High for direct mobilisation; lower for capital- efficiency effects
(e) Advisory services	Transaction advice: qualifying TPDM. Upstream preparation and market development: potential catalytic effects	Project-preparation, information and institutional-capacity gaps	Project/ institution/ market	Potentially high relative to cost, but no credible general financial leverage ratio	High; can create pipelines, standards and market infrastructure	Transaction close/medium to long-term	Higher for transaction advice; lower for upstream effects
(f) Policy- based lending	Budget support linked to policy/institutional reforms improves the enabling environment; predominantly catalytic	Legal, regulatory, institutional and macroeconomic constraints	Sector/ economy	Potentially broad, but no meaningful transaction-level leverage ratio	Potentially very high and systemic if reforms are implemented effectively	Long-term	Very low

Source: Authors' compilation.

Table 2 presents our suggested leverage ratios for the selected financing instruments. The ratios relate the amount of private capital mobilised to the DFI's commitment, with the numerator and denominator specified according to the characteristics of each instrument. They provide a starting point for more transparent and consistent reporting. However, differences in risk exposure, maturity and capital requirements mean that these ratios should not, on their own, be interpreted as directly comparable measures of mobilisation efficiency or development impact.

Table 2: Suggested leverage ratios for the selected financing instruments

Financing instrument	Suggested leverage ratio
Syndicated loans	Private syndicated debt mobilised/DFI own-account loan commitment
Credit lines	Private financing ultimately mobilised through the credit line/DFI own-account loan commitment
Subordinated debt	Private senior debt mobilised/DFI own-account commitment (subordinated capital)
Equity instruments	Private equity/DFI equity investment (own account)
Unfunded risk transfer	Credit-risk exposure assumed by private counterparties/DFI capital or risk exposure
Funded securitisation	Private financing raised through asset sales/DFI capital or risk exposure committed

Note: Instrument-specific ratios are not adjusted to a common risk or capital basis and should not be interpreted as directly comparable measures of efficiency.

Source: Authors compilation

Figure 2 conceptually positions the principal MDB mobilisation instruments along two dimensions: their distance from the financing transaction and the depth or systemic reach of the constraint they address. Syndicated loans, subordinated debt and guarantees or insurance operate predominantly at transaction level and generate comparatively direct and attributable mobilisation, while credit lines, equity and portfolio risk-transfer instruments increasingly address intermediary, portfolio or broader financing constraints. Market-development advisory services and, in particular, policy-based lending operate further upstream by improving project, institutional or economy-wide conditions for private investment; their effects may therefore be broader and more catalytic, but are also less directly attributable to individual financing transactions. The positioning is indicative and does not imply a ranking of effectiveness or leverage. It is also important to note that there is some variation in the conceptual positioning of the respective instruments. For example, guarantees are often transaction-specific, but can also be designed as portfolio guarantees. Advisory services span this continuum: transaction advice can mobilise finance directly, while market-development support can have broader catalytic effects. The right-hand end of the continuum refers to broader catalytic effects, not the formal statistical category of PIM.

Figure 2: Conceptual positioning of MDB/DFI mobilisation instruments

Notes: Positions are indicative and reflect typical mobilisation channels and attribution; they do not rank effectiveness or leverage. The positions indicate economic mechanisms, not formal reporting categories; transaction-oriented advisory support may lie closer to the financing transaction.

Source: Authors

4 Data on mobilisation and leveraging

The pertinent statistics are primarily disseminated through two systems: the joint MDB-DFI Task Force mobilisation reports and the OECD-DAC mobilisation statistics (OECD, 2025b). As the OECD (2025a) outlines, the two systems diverge in important respects, both in terms of coverage (the OECD includes other official development finance institutions as well as MDBs) and conceptually. The *2024 Joint Report* (MDB Task Force on Mobilization, 2026a) distinguishes between PDM and PIM. Together, they constitute total private mobilisation (TPM).

As is reported in Table A2.36 of the *2024 Joint Report* (MDB Task Force on Mobilization, 2026a, p. 48), debt instruments account for approximately 40 per cent of reported TPM in low- and middle-income countries in 2024, followed by equity instruments (around 21%), advisory services and guarantees (each accounting for around 15%), and risk transfers (accounting for around 10%). Equity instruments exhibit a bias towards PIM, while guarantees and advisory services demonstrate a pronounced bias towards PDM.

The availability of reliable and aggregate data is constrained in three important ways. First, the historical dataset records transaction-linked mobilisation, not broader catalytic effects from policy-based lending or upstream technical assistance. PIM must not be interpreted as a measure of those wider effects. This limitation should not be confused with the revised framework's explicit coverage of subsequent portfolio transactions. Secondly, as demonstrated above, the data are only available for a limited number of fairly generic financing instruments. Thirdly, it is evident that both the OECD headline statistics and the joint MDB report do not, on their own, provide the matched financing and risk data needed to assess comparable leverage ratios. The data provide insight into the extent to which private finance was associated with each

instrument; however, they do not offer a corresponding measure of MDB own-account finance deployed through each instrument. Nor are the reported volumes estimates of net additional investment relative to a no-MDB counterfactual.

The absence of data is partly explicable. Firstly, monitoring leverage ratios has the potential to create adverse incentives for development agencies. For instance, it could result in the prioritisation of easier transactions in middle-income countries over more developmental, yet more challenging, investments in fragile or low-income countries. Secondly, as already argued above from a methodological perspective, it is challenging to measure, attribute and compare the leveraging impact of the various instruments. In the context of interpreting mobilisation values, it is imperative to consider the prevailing context, including the level of market development. This is due to the significant influence that market development exerts on the mobilisation of capital within the private sector. Besides, the denominator itself means different things for different instruments. One dollar of an MDB loan is not economically equivalent to one dollar of guarantee exposure, one dollar of first-loss capital or one dollar spent on technical assistance.

Bearing these qualifications in mind, it is assumed that there is considerable scope to increase the leverage ratio of MDBs' lending portfolios. According to the IEG (2023b), MDBs have historically only mobilised approximately 60 cents for every dollar of their own funds. Attridge and Engen (2019), using data for nine MDBs/DFIs over 2013–2015, calculate that, for every USD 1 of own-account commitments, USD 0.37 of private finance was mobilised in low-income countries, USD 1.06 in lower-middle-income countries, and USD 0.65 in upper-middle-income countries. These sample-specific figures are not directly comparable with estimates using different institutions, periods or denominators. The IEG (2023a) proposed a mobilisation rate of between USD 1.5 and USD 2.0 for every dollar lent through non-sovereign channels, compared to the rate of 0.6:1 reported at that time. Broader catalytic effects require a separate assessment.

In particular, broader catalytic effects may be significant. The IEG (2023a, pp. 40–41, Figure 4) presents a scenario in which USD 260 billion in annual private foreign investment by 2030 could be partly catalysed by MDB-supported policy reforms and improvements in investment conditions. This is a scenario estimate, not an observed mobilisation amount. In a separate scenario analysis of the energy transition in emerging markets and developing economies excluding China, Systemiq (2026) estimates that changing the financing mix could reduce annual development and catalytic financing requirements in 2035 from USD 985 billion to USD 430 billion. These are financing flows, not MDB shareholder capital requirements.⁷ As posited by Strinati et al. (2025), USD 1 of catalytic equity has the potential to unlock up to USD 30 of total project investment.⁸

7 An example is the World Bank's USD 1 billion Mexico Sustainable and Inclusive Finance Development Policy Loan (P503988). Its programme document estimated USD 11.2 billion in private capital enabled by 2025 (World Bank Group, 2024, pp. 14 and 28). This was an expected enabling effect, not a realised mobilisation amount or an attributable 11:1 leverage ratio. A subsequent implementation report recorded MXN 23 billion, which approximately equals USD 1.13 billion at the exchange rate prevailing on 27 March 2025 (Banco de México, 2025), in sustainable sovereign bond issuance, but did not report an aggregate realised enabling amount (World Bank Group, 2025, pp. 3–4).

8 See, for example, World Bank Group (2023). Broccolini et al. (2021) examine MDB participation in international syndicated lending. They find positive direct and indirect effects on subsequent cross-border bank lending and estimate that USD 1 of MDB lending is associated with approximately USD 7 of additional bank lending over a three-year period. This is an estimate of associated additional bank lending, not a reported transaction-level mobilisation ratio.

5 Efficiency conditions of leveraging

5.1 The potential effect of enhanced leveraging on DFI development outcomes and portfolios

DFIs are increasingly adopting a portfolio approach to managing development outcomes and financial viability. Rather than seeking to maximise the financial performance of each project individually, this approach manages investments as a diversified portfolio. This allows them to balance higher-risk investments with a greater development impact against lower-risk, financially robust operations, thus optimising the portfolio's overall risk-adjusted return and development contribution. Some MDBs/DFIs have operationalised this approach. For instance, the Independent Finance Corporation's (IFC, 2021) AIMM (Anticipated Impact Measurement and Monitoring) tool evaluates development impact, and RAROC (Risk-Adjusted Return on Capital) provides a measure of financial sustainability. Together, these tools support the balancing of development impact, risk and financial performance across investment portfolios (IFC, 2021, p. 28). This implies, amongst other things, that financing private sector projects in social sectors is not excluded; however, all projects must have an anticipated satisfactory development outcome. This may be more challenging for social sector projects. AIMM also measures anticipated results against a defined counterfactual.

What is the impact of enhanced use of leveraging instruments on the portfolio approach? Broadly speaking, greater use of leveraging instruments can improve an MDB/DFI portfolio through two channels: a financial efficiency channel and a development/catalytic channel. In terms of financial efficiency, leveraging instruments can enable a DFI to make better use of its own balance sheet. For example, syndicated loans spread financing across several lenders, which can lower origination, due diligence and monitoring costs for participating investors. Guarantees and risk-sharing instruments focus support on specific risks rather than financing the entire investment, meaning a relatively small amount of MDB capital can support a greater volume of private lending. Securitisation can transfer seasoned exposures to investors and release balance-sheet capacity for new lending. The reported transfer amount is not equivalent to capital relief or to additional lending; the net effect depends on transfer costs, retained risks and actual redeployment. Standardisation and portfolio structures can also reduce transaction costs and diversify risk.

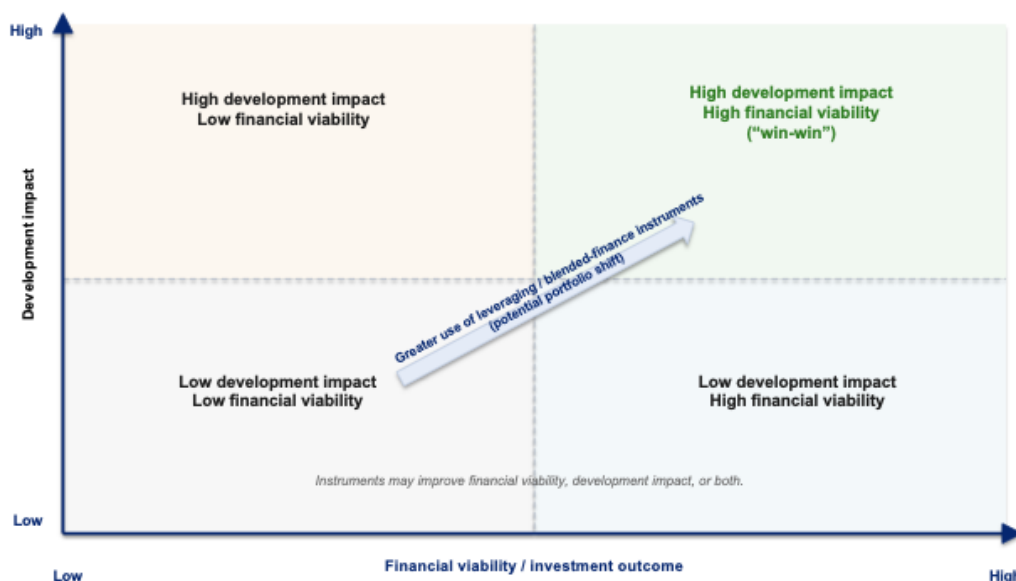
In terms of development outcomes, where mobilised private capital is additional, a given amount of MDB resources can support a larger volume of investment. Furthermore, some interventions generate effects beyond the transaction itself. For example, a syndicated loan can introduce commercial banks to borrowers, countries or sectors that they subsequently finance independently. Guarantees can establish a risk-performance track record, making unfamiliar assets more appealing to investors. Securitisation can transform development finance assets into an investable asset class, thereby broadening the investor base. Moreover, policy-based lending, technical assistance and regulatory reforms can have an even wider catalytic effect, as they address constraints applying to entire sectors or economies, such as weak regulation, deficient institutions or insufficient project pipelines, rather than merely making one project financeable.

Figure 2 outlines possible combinations of development impact and the financial viability of lending portfolios. It also illustrates the effect that more efficient leverage instruments can have on portfolios compared to less efficient ones. The potential impact of enhancing the use of these instruments is indicated by the diagonal black arrow. Greater use of well-targeted leveraging instruments can increase both development impact and financial viability. It can move the portfolio upwards and to the right simultaneously: upwards because the MDB's resources generate more investment with potentially broader market effects, and rightwards because risk is diversified or transferred, capital is recycled, and transaction and intermediation costs can

fall. This comparison should hold the MDB's available public resources and overall risk-bearing capacity constant; otherwise, an apparent improvement may simply reflect the commitment of more resources or the assumption of greater public risk.

However, higher reported financing volumes or leverage ratios alone do not demonstrate greater development impact. It is important to recognise that the above effects are not guaranteed. Critical literature on blended finance has similarly stressed that higher mobilisation does not necessarily imply greater additionality or development impact, particularly where private finance is mobilised for projects that were already close to commercial viability (Attridge & Engen, 2019; Mazzucato & Vieira de Sá, 2025). Related evaluation literature also stresses the need to distinguish financial mobilisation from financial and development additionality and to assess outcomes against an appropriate counterfactual (Winckler Andersen et al., 2021). Blended finance, for example, can reconcile the tension between impact and financial viability by compensating investors for risks or costs associated with producing development benefits that are not adequately rewarded by markets. However, poorly targeted blended finance instruments could increase the respective DFI's financial viability while adding little or no development impact. Therefore, the figure should not be interpreted as indicating a straightforward win-win relationship between the development impact and financial viability. Genuine trade-offs remain: additionality may require greater financial risk-taking and entry into less bankable markets, while a high leverage ratio may indicate that a project was close to commercial viability.

A further limitation of the graph is that it does not distinguish between low- and middle-income countries. Financial viability and development impact may vary across these groups: in some middle-income country contexts, investments may be commercially viable but offer limited additional development benefits, whereas in low-income countries, substantial development potential may coexist with weaker financial viability. Similar differences arise across sectors, depending on revenue potential, investment risks, and the development needs addressed. These relationships are context-specific rather than determined by income group or sector alone. Where concessional resources are required, the assessment should also consider whether using scarce ODA for blended finance offers greater development benefits than alternative uses. Mobilization policies should therefore consider not only the amount of private finance directly mobilised per dollar of MDB resources, but also the nature of the public risk assumed, additionality, expected development impact and longer-term catalytic effects. Leveraging is therefore not an objective in itself; its value should be judged by whether it contributes to stronger and more additional development impact.

Figure 3: Development impact and financial viability of MDB/DFI investments*Potential effect of leveraging and blended finance*

Notes: The figure is conceptual. The effect depends on the instrument, project and market context and does not imply that every intervention moves investments diagonally.

Source: Authors, based on graphs in Liebenthal et al. (2005).

5.2 Principles for the use of blended concessional finance

Against this backdrop, the MDBs have developed enhanced principles for the use of blended concessional finance for private-sector projects (DFI Working Group on Blended Concessional Finance for Private Sector Projects, 2021). These principles emphasise additionality, crowding-in and minimum concessionality commercial sustainability, market reinforcement and the promotion of high standards.

The minimum concessionality principle requires that concessional support be limited to the minimum needed to make an investment viable; it does not require a distortion-free policy environment. However, policy and market distortions are widespread in developing countries. It would be unrealistic to use blended finance only in a perfect policy setting. Conversely, using public funds to compensate for all kinds of policy failure is problematic. Therefore, this principle needs to be operationalised. If the minimum concessionality principle is interpreted too generously, there is a risk of creating leverage without sufficient development impact. The operationalisation should ensure that blended finance instruments use no more concessional support than necessary to move a project that would otherwise be considered high-impact but commercially unattractive horizontally towards the upper-right quadrant by reallocating risk, reducing financing costs, absorbing first losses and extending maturities without sacrificing the desired development impact.

Poorly targeted concessional finance may displace commercial financing that would otherwise have been available, rather than generate additional investment. This risk of crowding out reinforces the need to assess financial additionality and limit subsidies to the minimum necessary (Attridge & Engen, 2019; OECD, 2025c). Moreover, properly operationalising the minimum concessionality principle is particularly relevant because of the current fiscal situation in both donor and recipient countries. Both groups of countries are struggling with high debt and fiscal stress. The IMF (2023) warns of the fiscal costs of relying heavily on spending-based climate policies. In this context, we argue that scarce concessional resources should be used

selectively and that blended finance should be carefully targeted. Conversely, greater focus should be given to improving policy frameworks, particularly through policy-based lending and relevant technical assistance, while recognising that sovereign policy-based loans also add to public debt.

6 Policy recommendations

Based on the above analysis five sets of recommendations can be highlighted:

1. MDBs should calibrate their use of instruments more carefully to the binding constraints on private-sector investment, while preserving additionality and development impact. To this end, they should give more consideration to the full range of leveraging instruments:
 - Consider shifting the composition of financing instruments away from conventional lending towards instruments with higher leverage potential such as portfolio guarantees, local currency financing and catalytic equity (Systemiq, 2026), where these address the main constraints on investment and preserve additionality and development impact.
 - Most importantly, adopt a more proactive approach, moving beyond direct, transaction-level mobilisation to broader catalytic effects by addressing broader project-readiness, market, policy and institutional constraints. As argued by Zattler (2024), policy-based lending has the potential to be a particularly efficacious instrument, and this could be employed more systematically, in conjunction with other instruments such as technical assistance and blended finance. This approach is particularly promising in countries looking to green their economies or specific sectors.
 - Better identify the respective market failures that impede private investment and target instruments on those binding constraints. This helps MDBs to optimise the use of their limited capital, concessional resources, and risk-bearing capacity. It can result in a reduction of unnecessary subsidies and the risk of crowding out the private sector.
 - Adopt a wholesale approach to reduce transaction costs and diversify risk, through: (a) the enhanced use of aggregation approaches such as portfolio guarantees, credit lines to financial intermediaries, securitisation and structured funds, and (b) the standardisation of instruments and mechanisms to reduce complexity and costs, and better meet the needs of private investors, including institutional investors – particularly domestic ones (Zattler, 2024; OECD, 2025d).
 - Enhance efforts to move towards an “originate-to-share” business model by shifting more of the portfolio towards instruments that allow balance sheet recycling. For example, securitisation and portfolio credit-risk transfer or insurance allow MDBs to originate and subsequently transfer some or all of the credit risk or assets to private investors, potentially freeing up capital for new lending (Zattler, 2024; Systemiq, 2026).
 - Place greater emphasis on mobilising domestic financial resources, including savings held by local pension funds and banks (Volz et al., 2024; Zattler, 2024). One way to achieve this would be to provide credit lines to domestic financial intermediaries designed to encourage additional lending from their own resources. MDBs could also support local-currency bond issuance through credit enhancement to attract domestic institutional investors, including pension funds. This could broaden the range of potential investors and help to deepen local capital markets.
2. MDBs and shareholders should be careful not to treat the leveraging of private capital as an end in itself. One important safeguard against public resources being used to subsidise

private investments with little or no development impact is to strictly apply and further operationalise impact assessment instruments such as the IFC's AIMM. These instruments assess and monitor market impact and other development impacts and can be complemented by a separate analysis of risk-adjusted financial performance across investment portfolios using measures such as RAROC (IFC, 2021, p. 28). They must be refined further, particularly with regard to the market impact of projects and portfolios, and made more transparent. As Lee et al. (2026) have outlined, DFIs currently do not report ex-ante or ex-post market impact scores or ratings at project level. This makes it difficult for shareholders and other external stakeholders to evaluate the effectiveness of mobilisation instruments in achieving higher development outcomes.

3. MDBs should collaborate more effectively, both internally and externally.
 - Instruments should be better tailored to the specific situations and binding constraints of individual countries. To this end, MDBs should align their analytical work with country programmes and operations, while also enhancing cooperation between their sovereign and non-sovereign arms.⁹ For example, support for fiscal and regulatory reforms should be provided alongside upstream diagnostics and downstream support.
 - MDBs (and donors) should sing from the same hymn sheet (Le Houérou & Lankes, 2023), i.e. align their support as closely as possible with the policies of partner governments. This entails reducing fragmentation, increasing efficiency, sharing costs and pooling risks. Country platforms are promising vehicles for this. Most importantly, the sovereign and non-sovereign branches of MDBs must work more closely to overcome related challenges.
 - As many have suggested, including the OECD (2026b) and Attridge and Engen (2019), MDBs should be more transparent in their mobilisation operations. They should also make their data and data sources more transparent and traceable, including those relating to own-account investments in blended finance structures.
4. The MDBs should systematically integrate the mobilisation of the private sector into their business models.
 - They should review their mandates and capital frameworks in order to explicitly include private capital mobilisation. They should also review their risk management (including reputational risk) with regard to incentives, oversight, accountability and governance (Zattler, 2024; Systemiq, 2026).
5. Donors should weigh blended finance against alternative uses of scarce ODA in LICs.
 - Donors should carefully weigh the benefits of using ODA for blended finance against its risks and alternative uses. Grants supporting country-led policy reforms, financial-sector development and capacity-building in low-income countries may achieve development objectives more transparently and effectively than direct subsidies to private investors. As blended finance has only limited reach in the poorest countries and is unevenly distributed across sectors, expanding its use could reinforce existing allocation

⁹ As the IEG (2023b) points out, there has been a disconnect between the top-down approach (e.g. technical assistance for policy reforms) and the bottom-up perspective of investors. Advisory services have been provided in a fragmented manner, with little linkage to key policy reforms. The World Bank has made significant progress by moving towards a single WBG client and operating architecture, supported by integrated functions, while retaining separate legal entities and balance sheets. However, more integration is needed, in particular by further dovetailing analyses and operations (see Zattler & Schmiege, 2025).

imbalances. Donors should therefore ensure that mobilising private capital does not divert ODA from the countries and sectors most in need (Attridge & Engen, 2019).

7 Conclusion

This paper examines the mobilisation potential and efficiency of MDB financing instruments based on their characteristics. A comparison reveals that instruments cannot be evaluated using a single leverage ratio because they address different constraints, commit public resources and risk in different ways, and generate effects over different time periods. While transaction-level instruments can attract private finance through financing and risk sharing, advisory services and policy-based lending can improve investment conditions more broadly. Their efficiency depends on the circumstances of the country in question, the constraints being addressed, and how the instruments are designed, deployed and combined. Reported mobilisation volumes therefore only partially reflect MDBs' contribution to private investment. The challenge lies in better understanding these instruments and deploying them in a more targeted and efficient manner. Instruments that aim to have broader catalytic impacts, such as supporting policy reforms, should be deployed more systematically.

However, higher leverage should not be pursued as an end in itself, as it does not guarantee better development outcomes. A high leverage ratio does not necessarily indicate superior performance. It could also imply investment in easier markets, weak additionality, or understated public risk. Therefore, there is a danger of winning the leverage battle while losing the development war. Shareholders who advocate for higher leverage ratios should demand greater transparency regarding mobilisation-related data and consider more complex metrics that encompass development impact and broader catalytic effects, particularly through policy reforms.

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