

Scale Private Investment Mobilization Action Plan Consultations Report

Achieving the private investment mobilization objectives of the FfD4 [Outcome Document](#) and COP29 NCQG

Note: This Consultations Report has been written for organizations and persons with an intermediate understanding of private investment, development finance, blended finance, and private investment mobilization. Annex 1 provides a list of resources available to increase knowledge to an intermediate level for blended finance and private investment mobilization.

Convergence will work with partners to hold consultation sessions in April – June 2025 and will tailor the sessions to the participants' level of understanding.

For developing country governments, Convergence is collaborating with UN agencies and others to deliver Knowledge Building Sessions so the governments can achieve an intermediate level of knowledge in order to make the best decisions at the Fourth International Conference on Financing for Development (FfD4) Forum and to implement and participate in private investment mobilization activities. If you are from a developing country government, please contact the Convergence team (contact persons listed at the end of this report).

Caveat on amounts cited in Consultations Report: The data Convergence has full confidence on accuracy are (i) the Convergence Historical Deals Database and (ii) data reported from various sources and reports (e.g., the OECD private investment mobilization data). Transparency of data and usefulness of published data is not high. To derive the data for best insights requires manipulations and informed interpretations. In the consultations in April – June, Convergence will attempt to validate the amounts presented in this report. Especially the amounts currently depicted in square brackets which have required transformation and/or interpretation to derive.

EXECUTIVE SUMMARY

The United Nations Conference on Trade and Development (UNCTAD) reports the annual Sustainable Development Goal (SDG) investment gap to achieve the SDGs in low and middle-income countries (“developing countries”) has grown from \$2.5 trillion in 2015 to \$4 trillion in 2023, including an \$1.5 - 2 trillion for climate. There are insufficient financial resources in developing countries (*excluding China*) to finance the SDGs; most estimates of total financial assets in these countries are \$[18-22] trillion including around [70]% in the banking sector and \$2 trillion in public pension funds. The Financial Stability Board estimates global financial assets at \$482 trillion (88% held by the private sector and 12% by the public sector), but asymmetrically invested relative to the need: 81% in high-income countries, 14% in China and 5% in developing countries (*ex-China*). Indeed, a review of the [World Bank International Debt Statistics](#) identifies (i) cross-border private financial/investment sector flows from developed countries to developing countries were higher in the decade prior to the SDGs (2005-2015) than in the following decade during the SDGs and (ii) net cross-border flows from this segment to developing countries (*ex-China*) have averaged less than \$100 billion in the past five years (less than 2% of the annual SDG investment needs). Simply, (i)

there is not enough domestic capital and tax revenues in developing countries (*ex-China*) to fully finance the SDGs, (ii) there are more than enough global financial assets in the private sector to narrow the gap, but (iii) private investors remain invested in high-income countries and China.

At the same time, there are insufficient financial resources in public sector development finance to significantly narrow the SDG investment gap, for example: (i) the Organisation for Economic Co-operation and Development (OECD) reports OECD Development Assistance Committee (DAC) Member countries allocated \$223 billion of official development assistance (ODA) to developing countries in 2023 and (ii) multilateral development banks (MDBs) have around \$[480] billion of balance sheet capital that allows them to hold a maximum of around \$[2.2] trillion of development assets (arranging and holding a maximum of around \$[300] billion of financing commitments annually).

The only realizable way to significantly narrow the SDG Investment Gap in developing countries is to mobilize a small portion of the 88% of \$482 trillion of global financial assets held by the private sector - to invest in SDG and climate investment. The FfD3 Outcome Document (i.e., Addis Ababa Action Agenda) identified mobilization and

blended finance as potentially important tools to reduce risk and mobilize private investment: Clauses 43 (“An important use of international public finance, including ODA, is to catalyse additional resource mobilization from other sources, public and private”) and 48 (“Blended finance instruments including public-private partnerships serve to lower investment-specific risks and incentivize additional private sector finance across key development sectors led by regional, national and subnational government policies and priorities for sustainable development” and “we will therefore build capacity to enter into public-private partnerships”). But in reality, only limited progress has been made in blended finance and mobilization if scale mobilization is an objective. Investors identify high perceived risk as the main barrier to invest in developing countries: (i) 76% of the 142 developing countries are rated “B” or lower and the median sovereign risk rating is “B-” defined by the Big 3 Rating Agencies as “highly speculative” and “substantial credit risk” and (ii) currency risk and other risks are high. In general, most investment opportunities in developing countries are beyond the fiduciary and regulatory investment mandates of private investors.

Private investment mobilization results to date have been lacklustre. The highest estimation of private investment mobilization is provided in the [OECD private investment mobilization data](#): an average of \$57 billion in 2019-23 - only around 1% of the SDG investment needs. A closer inspection identifies private investment mobilization (using the MDB and development finance institution (DFI) [methodology](#), definition of private direct mobilization, and [most recent mobilization report](#))¹ is much lower – likely around \$20-25 billion per annum. The aspirations of the [MDBs’ From Billion to Trillions: MDB contributions to financing for development](#) 2015 report issued prior to FFD3 conference never materialized. Mobilizing private investment at scale has not, and will not, happen organically and voluntarily at the speed required.

Mobilizing private investment at scale equitably across developing countries requires strategically reducing investment risk in developing countries (*ex-China*) to within investors’ fiduciary and regulatory investment mandates; for example, reducing debt investment risk ratings from mostly “B” and “CCC” to “BBB” (some can be “BB”). Otherwise, we should expect private sector investors to remain invested in high-income countries and under-invest in developing countries. To create investment opportunities that will mobilize investment to developing countries



¹ Table A.2.4 of the joint MDB & DFI Report identifies \$23 billion of private direct mobilization (i.e., “financing from a private entity on commercial terms due to the active and direct involvement of a MDB leading to commitment” and \$48 billion of Private Indirect Mobilization (i.e., financing from private entities provided in connection with a specific activity for which an MDB is providing financing, where no MDB is playing an active or direct role that leads to the commitment of the private entity’s finance. PIM includes sponsor financing, if the sponsor qualifies as a private entity.” PDM is pure mobilization. Only 33% of reported mobilization is PDM (indeed, PDM also includes public sector mobilizing public sector, such as IFC mobilizing FMO).

C&C funding is described as funding with a development and/or climate impact focus able to take on risk and risk-return profile (i) beyond the private sector and (ii) beyond the mandate, ability and/or willingness of MDBs and Bilateral DFIs. This type of funding generally covers the following spectrum:

- i Full expected loss: Funding committed with a full loss expected, similar to providing a non-repayable grant
- ii Expected loss: Funding committed with an expectation of a majority or partial loss, such as taking on a high risk (e.g., “CCC”) and earning a lower return (e.g., return commensurate with “BBB” risk)
- iii Very high risk: Funding committed to take on a very high risk level beyond the norms of MDBs and bilateral DFIs (e.g., majority of exposure at “CCC” and “CC”)

Box 1. Summary of Catalytic and Concessional funding

requires using some public sector financial resources intentionally to reduce investment risk. But only very small amounts of public sector resources have been used to date to reduce investment risk and mobilize private investment – Convergence estimates:

- Around 3-4% of ODA is allocated to blended finance, but around 70% of those amounts are allocated to MDBs and DFIs who use the funds to achieve good impact but low private direct mobilization
- MDBs (e.g., IBRD and IFC) have around \$480 billion of balance sheet capital and make around \$110-130 billion of annual financing commitments using their own capital, but MIGA is the only MDB that formally reduces risk to mobilize private investment as a primary activity – less than [5]% of MDB financing commitments reduce risk to mobilize
- Bilateral DFIs (e.g., France Proparco and UK British International Investment) have around \$40-50 billion of balance sheet capital and make around \$15-25 billion of annual financing commitments using their own capital, but less than [3]% of Bilateral DFI financing commitments reduce risk to mobilize

The past decade of blended finance and mobilization can be described as non-strategic, fragmented, customized, opportunistic and a secondary/tertiary priority for most development and development finance organizations – leading to low levels of mobilization and unnecessary complexity. But the great level of trial and experimentation in the past decade (Convergence estimates there have been around 1,500 transactions to mobilize private investment) allows this Project to extract best practice mobilization to make recommendations. The most important ingredient to mobilize private investment at scale equitably across the spectrum of developing countries is Catalytic and Concessional funding (C&C funding) that can reduce investment risk in developing countries beyond the limited mandate, ability and/or willingness of development finance institutions.

The Scale Private Investment Mobilization Project (described in this report) identifies an Action Plan to achieve scale mobilization to:

- achieve the private investment mobilization objectives of the FfD4 Outcome Document and the COP29 NCQG
- ensure alignment with the mobilization “standards” described in the FfD4 Outcome Document (e.g., impact, country ownership, debt sustainability, sovereign loan affordability, share risk and rewards fairly, and very importantly standardization)
- use existing development and development finance resources and institutions optimally and
- be implementable immediately in 2025.

The Project and Action Plan are based on an empirical assessment of the past decade of 1,500+ blended finance / mobilization transactions and engagement with 100+ developing countries, OECD DAC Member countries, MDBs, DFIs, private sector investor groups, philanthropic foundations, and mobilization experts. Convergence estimates \$500+ billion of private investment mobilization (i.e., Private Direct Mobilization) is possible using existing resources and institutions. The Action Plan includes four simple components to mobilize with impact and fair risk-sharing (as advocated in the Outcome Document) centered on (i) mobilizing private investment through 12 simple and standardized Private Investment Mobilization Models (PIMMs) and (ii) OECD DAC Member countries and developing countries deploying C&C funding optimally to fund the best mobilization cases / proposals (adhering to the 12 PIMMs) identified through open competition.

No one organization or initiative has a monopoly on the best solutions for an action plan. Convergence has been funded by five organizations to coordinate the Project. Convergence will consult broadly in April – June towards identifying an improved Action Plan and final list of PIMMs based on guidance and feedback in the consultations, and issue an Interim Report prior to the FfD4 conference in Sevilla.

Table ES: Scale Private Investment Mobilization Action Plan – Four components

Developing countries and OECD DAC Member Countries co-lead private investment mobilization in 2025 onwards by agreeing a Scale Private Investment Mobilization Action Plan with four components.

#	TITLE	DESCRIPTION
1	Purpose and objectives of blended finance and private investment mobilization	<p>Developing countries and OECD DAC Member Countries agree that the purpose of blended finance is to mobilize private investment at scale to finance SDG and climate capital investment in developing countries to achieve the investment and mobilization objectives of the FfD4 Outcome Document and the COP29 NCQG, aligned to the mobilization standards of the FfD4 Outcome Document.</p> <p>The objectives of private investment mobilization should be: (i) to mobilize \$[500]+ billion of private investment to the SDGs and achieve the \$300 billion NCQG by 2035 and (ii) to use public sector concessional and non-concessional funding commitments optimally in 12 PIMMs that will require less and less concessional funding over time.</p>
2	Simplified and standardized blended finance to mobilize private investment at scale	<p>Agree to simplify and standardize blended finance in 12 PIMMs that create investments meeting the fiduciary and regulatory investment obligations of private investors, primarily by fairly reducing investment risk in developing countries. It is expected thousands of blended finance transactions adhering to the 12 PIMMs would be funded; all of the transactions are expected to require C&C funding at the outset and some/most will require non-concessional financing commitments from development finance institutions.</p>
3	Network of Catalytic & Concessional Funders to mobilize private investment at scale	<p>Since all transactions are expected to require some concessional funding at the outset, it is recommended OECD DAC Member Countries and developing countries establish a Network of Catalytic & Concessional Funders that will drive mobilization. The countries will invite public sector and philanthropic sector organizations with concessional funding to join the Network. The Network Members will coordinate to award their C&C funding commitments collaboratively and strategically to the best cases proposals adhering to the 12 PIMMs – mostly in an open competitive processes akin to auctions. The Network will establish and fund a small Mobilization Secretariat to support Network Members to award C&C funding to the best proposals based on competition and empirical assessment.</p>
4	Development finance activities and governance Key Performance Indicators	<p>Each of the OECD DAC member countries and developing countries should agree on the mobilization activities they and their DFIs shall undertake to mobilize private investment at scale aligned to the Action Plan. Countries are recommended to select one or more governance Key Performance Indicators (KPIs) from a list of proposed KPIs for themselves and their DFIs to ensure relevant countries and institutions engage actively in mobilization. Convergence will propose the list of KPIs following consultations and agreement on best package of PIMMs.</p>

SECTION 1

PURPOSE OF SCALE PRIVATE INVESTMENT MOBILIZATION PROJECT AND CONSULTATIONS REPORT

The Scale Private Investment Mobilization Project, coordinated by Convergence Blended Finance and funded by The Gates Foundation, Finland, France, Luxembourg, and Switzerland, has the objective to identify the best solutions to mobilize private investment at scale to finance the SDGs and climate capital investment in low and middle-income countries and aligned with the investment and mobilization objectives of the FfD4 Outcome Document and the COP29 NCQG.

Convergence has engaged with many countries, organizations, initiatives, and UN Department of Economic and Social Affairs (DESA) as organizational lead for the FfD4 Forum and OECD Development Cooperation Directorate during 2024-25 to produce this Consultations Report. Since no one organization or initiative has a monopoly on the best solutions, Convergence and stakeholders will consult as broadly as possible in April – June 2025 to improve this Consultations Report into an Interim Report to help inform developing and developed country governments as they take important decisions in 2025 related to SDG and climate investment for developing countries.

The Project proposes to use the FfD4 Outcome Document (first draft published March 10) and the COP29 NCQG (agreed November 2024) as the two north stars to crystalize the purpose and objectives of private investment mobilization (and blended finance) in 2025 and onwards. Both documents will

be agreed upon by developed and developing countries; with the FfD4 Outcome Document laying the foundation for development and development finance for the next decade. It is proposed to agree on a Scale Private Investment Mobilization Action Plan to mobilize private investment aligned to the mobilization objectives of the FfD4 Outcome Document and COP29 NCQG (and mobilization standards agreed upon in the FfD4 Outcome Document). The ideal scenario is to pursue a single Action Plan coordinated amongst (i) United Nations member states (through the FfD4 process); (ii) OECD DAC members who allocate \$223 billion of ODA annually to low and middle-income countries; (iii) the G7 (through Canada's G7 Presidency); and (iv) the G20 (through South Africa's G20 Presidency) .

As described in the Consultations Report, private investors invest low amounts in developing countries for many reasons. The most significant driver is that most investment opportunities have high perceived risk beyond most investors' fiduciary and regulatory investment mandates.

Mobilizing private investment at scale to finance SDG and climate investment equitably across different income levels of developing countries will likely not happen without a strategy and/or action plan. This Consultations Report proposes the **Scale Private Investment Mobilization Action Plan (e.g., "Action Plan")**, to be agreed by developing countries and OECD DAC Member Countries, to deploy a portion of the seven sources of public sector funding (see Table 3, pg.13) effectively, efficiently, and fairly to reduce investment risk in developing countries creating investments that meet investors' fiduciary and regulatory investment mandates. Without an action plan or strategy agreed upon by developing countries and OECD DAC Member Countries, it is likely scale mobilization will not be achieved.

This Consultations Report proposes a process to agree on the Action Plan by November 30, 2025, with milestones at three major development initiative events (see Table 1): (i) the G7 Summit in Canada in June; (ii) the FfD4 in July; and (iii) the G20 Summit in South Africa in November. It is proposed the Action Plan be discussed, improved, and fleshed out throughout the year at the first three events, and finalized at the G20 Summit.



The Project recommendations describe how to mobilize private investment at scale using existing development finance resources and institutions. Convergence's model forecasts \$500+ billion of private investment can be mobilized annually using existing resources optimally – a ten-fold increase from current mobilization amounts. This includes \$200+ billion of loans to developing country governments at much lower interest rates saving governments \$20+ billion annually.

2 The four core processes could also agree to involve other processes, such as the COP.

This Consultations Report is accompanied by the annexes listed below:

Annex 1	Additional resources on blended finance and private investment mobilization
Annex 2	High Level Project Summary
Annex 3	Mobilization Data and Information
Annex 4	Alignment of the Action Plan and FfD4 Outcome Document
Annex 5	<p>Fact Sheets:</p> <p>Three sets of Fact Sheets with technical details (Annex 3):</p> <ul style="list-style-type: none"> i 12 Private Investment Mobilization Models (PIMMs) fact sheets – each describing one of 12 PIMMs recommended as the foundation for simplified and standardized blended finance to mobilize private investment at scale ii 11 investor-type fact sheets – each describing how the package of 12 PIMMs will create fiduciary and regulatory compliant investment opportunities that will mobilize the investor-type (e.g., Developed Country pension company and Developing Country commercial bank) iii 7 sector / development theme fact sheets – each describing how the package of 12 PIMMs will mobilize private investment at scale to the sector / development theme (e.g., climate mitigation and MSME finance)
Annex 6	Network of Catalytic and Concessional Funders

Please contact the team listed in Section 8 for annexes.

Table 1: Four main international development initiatives proposed for the Scale Private Investment Mobilization Project

GROUP	DESCRIPTION
UN Member States	<p>The SDGs are a construct of the UN member states, and the UN member states control the SDG agenda. In principle, the main objective of private investment mobilization should be to mobilize private investment for impact aligned to the SDGs – most recently the FfD4 Outcome Document. It is critical for the UN Member states to agree on an action plan for scale mobilization.</p>
OECD DAC Member countries	<p>The 32 OECD DAC Member Countries are the most important group to mobilize at scale if reducing investment risk in developing countries is critical using (i) some concessional funds (e.g., ODA) and (ii) MDB and Bilateral DFI capital:</p> <ul style="list-style-type: none"> • OECD DAC Member Countries have organized themselves around blended finance and mobilization soon after FfD3, and since 2017 have progressively developed more expertise in blended finance. • Mobilizing private investment at scale will require the public sector to take on financial risk that creates fiduciary and regulatory-compliant investment opportunities for the private sector. The risk and risk-return profiles of these risk-reducing positions are often beyond the mandate, ability, and/or willingness of the MDBs and Bilateral DFIs. For example, the positions will often face expected losses and/or implied risk ratings of “CCC” and “CC”. Someone in the development community needs to take these positions to mobilize at scale equitably across income levels: either OECD DAC Members need to govern their DFIs and MDBs to take the positions, OECD DAC Members can use some of their ODA to take these positions, or a combination • The OECD DAC Members changed the rules for ODA to include Private Sector Instruments (PSIs) which are critical to achieve mobilization at scale through reducing risk fairly (PSIs are much more efficient and fairer than grants) • OECD DAC Members usually have 100% ownership of bilateral DFIs that will need to be governed to mobilize more • OECD DAC Members likely have majority ownership of most of the major MDBs who will need to be governed to mobilize more • OECD DAC Members have agreed on the OECD Blended Finance Principles that establish clear guidance on the use of concessional funds in blended finance

G7 countries	<p>The G7 Member countries are very important to mobilize at scale, and scale mobilization cannot be achieved without G7 members agreeing to an action plan:</p> <ul style="list-style-type: none"> • G7 members are core members of the G20 and the OECD DAC – mobilization at scale will likely require agreement at all three levels • G7 members comprise [80]% of ODA committed by OECD DAC Members in 2021-24. The G7 and OECD DAC Members have organized themselves around blended finance and mobilization soon after FfD3, and the G7 members have progressively developed more expertise in blended finance • The G7 has issued many High-Level Communiqués on mobilization • G7 members have 100% ownership of several important Bilateral DFIs that will need to be governed to mobilize more • G7 members have a large ownership interest in all of the major MDBs who will need to be governed to mobilize more
G20 countries	<p>The G20 Member countries are very important to mobilize at scale, and scale mobilization likely cannot be achieved without the G20 members agreeing an action plan:</p> <ul style="list-style-type: none"> • Mobilization at scale will require agreement between G20, G7, and OECD DAC Members, or a coordinated approach • The 10 developed country G20 members (i.e., G7 plus Australia, South Korea, and Saudi Arabia) comprise [85]% of ODA committed by OECD DAC Members in 2021-24. The OECD DAC Members have organized themselves around blended finance and mobilization soon after FfD3, and the G20 members of the OECD DAC have progressively developed more expertise in blended finance. • The G20 has issued many High-Level Communiqués on mobilization • The G20 has established likely the two most important working groups to influence MDB shareholders and DFI shareholders to govern their DFIs to achieve scale mobilization: (i) the Sustainable Finance Working Group and (i) the International Financial Architecture Working Group • G20 members have 100% ownership of several important Bilateral DFIs and National Development Banks (NDBs, e.g., Brazil BNDES) that will need to be governed to mobilize more • G20 members have a large ownership interest in all of the major MDBs who will need to be governed to mobilize more



SECTION 2

BACKGROUND ON SDG AND CLIMATE INVESTMENT IN DEVELOPING COUNTRIES

Since the SDGs and Paris Agreement were launched in 2015:

- UNCTAD estimates (i) the SDG investment needs in developing countries have increased from \$3.9 trillion to \$[5-7] trillion, and the SDG investment gap has increased from around \$2.5 trillion to \$4 trillion
- The Financial Stability Board estimates global financial assets have more than doubled to \$482 trillion at 2024, but 81% are located in developed countries (high-income countries), 14% in China, and only 5% in developing Countries (*ex-China*)
- The World Bank International Debt Report identifies cross-border private sector investment from developed countries to developing countries has reduced; average annual private financial sector investment flows have averaged around \$[100] billion - [25]% lower in the past decade and [35]% lower in the past five years
- The Global Impact Investment Network (GIIN) reports private sector “assets under management” with an impact investment theme have grown 27% per annum over the past five years to \$1.6 trillion, but [90]% of the investment is in high-income countries

Meanwhile, in private investment mobilization and blended finance:

- The OECD reports an increase in private investment mobilized annually to around \$70 billion. However, the \$57 billion average over the past five years represents only around 1% of the SDG investment needs
- The MDBs and Bilateral DFIs report in their annual private investment mobilization report around \$23 billion of Private Direct Mobilization. The \$23 billion compares to typical annual financing commitments from MDBs and DFIs of around \$[140] billion – the ratio of Private Direct Mobilization to MDB and DFI financing commitments is only around [0.17] - a long way from their jointly published Billions to Trillions Report in April 2015 prior to the Addis Ababa FfD3 Forum.
- See Annex 3 for mobilization data

There are volumes of reports on why the SDG investment gap has increased, why the huge growth in global financial assets and impact investment has not translated into investment in developing countries and why mobilization has not achieved its potential. In the view of Convergence and other experts, there are likely two main drivers for low levels of cross-border private investment and private investment mobilization:

- ❶ Investment risk in developing countries is assessed by rating agencies and investors as high – in most cases beyond the fiduciary and regulatory investment mandates of most investors. To mobilize at scale equitably across developing countries **requires a strategic, collaborative campaign to reduce the investment risk to within the mandates of private investors** – this requires effective, efficient and fair use of public sector resources that currently does not happen. In the past decade, and even in 2025, there are only very small amounts of public sector funding deployed to reduce investment risk and mobilize – and when it happens it has generally not been efficient and does not achieve scale mobilization
- ❷ There has not been a development community strategy or action plan to mobilize at scale. There have been many transactions (e.g., 1,346 blended finance transactions for \$248 billion of investment volume in the Convergence Historical Deals Database alone) undertaken in a heterogeneous, fragmented, customized and non-iterative way that has been inefficient and ineffective relative to the size of the SDG investment needs. The ongoing systemic innovation and customization has also made blended finance and mobilization unnecessarily complicated.

Some benefit has emerged. This high level of experimentation of blended finance and mobilization in the past decade, and empirical assessment of that activity, has surfaced good practice blended finance; how to mobilize at scale effectively, efficiently, and fairly. The proposed Action Plan would use this analysis and the milestones/momentum of the FfD4 Outcome Document and COP29 NCQG to identify how to mobilize at scale – with high impact and higher debt sustainability.

3 The joint MDB & DFI Report describes two types of investment mobilization: (i) private direct mobilization is effectively third party financing notionally mobilized by MDBs & DFIs and (ii) Private Indirect Mobilization which is mostly mandatory project sponsor equity – MDBs & DFIs generally follow a similar business model in their private sector operations of financing only 25-35% of project costs. Therefore, almost all MDB & DFI private sector financing transactions include PIM.

4 MIGA is the only MDB or DFI whose primary financing activity is to reduce investment risk and mobilize private direct mobilization

Box 2: Maximum financing capacities of Multilateral Development Banks (approximation)

The table below approximates the maximum amount of development assets (e.g., loans, equity investments and guarantees) MDBs can hold on their balance sheets (i) consistent with existing business models and risk profiles and (ii) while maintaining existing risk ratings from the Big 3 Rating Agencies (mostly “AAA” ratings). The “likely maximum leverage

ratios” are based on a review of the ratings methodologies and discussions with all Big 3 Rating Agencies. To be clear, the main point of this exercise is to approximate the maximum amount – a detailed calculation would require direct, specific discussions between MDB shareholders and the Big 3 Rating Agencies.

MDB	Total Private Investment Mobilization USD Millions	Private Direct Mobilization USD Millions	Private Indirect Mobilization USD Millions	Balance Sheet Equity USD Billions	Likely Maximum Leverage	Likely Maximum Development Assets USD Billions	Actual Development Assets USD Billions	Utilization Ratio
	Data from joint MDB & DFI Report for 2022			2023	Inferred	Inferred	2023	2023
AsDB	2,007	987	1,021	55.3	5	277	153.1	55%
AfDB	404	255	149	10.8	5	54	22.8	42%
AIIB	1,916	-	1,916	21.5	6	129	22	17%
CAF	966	298	668	14.7	6	88	33.2	38%
EBRD	4,847	653	4,194	22.3	5	112	38.8	35%
EDFI	5,156	1,193	3,963					
EIB Group	8,077	2,421	5,656					
IDB Group	9,435	3,264	6,172	42.1		246	122.4	50%
- IAAB	2,675	950	1,725	38.9	6	233	114.4	49%
- IDB Invest	6,761	2,314	4,447	3.2	4	13	8	63%
IsDB	4,538	100	4,438	10.9	5	55	18.8	34%
WBG	33,736	13,843	19,893	293.2		1,307	527.7	40%
- IFC	24,561	9,391	15,170	37.5	4	150	58.7	39%
- MIGA	4,701	4,452	249	1.9	8	15	10.3	68%
- IBRD	4,475	-	4,475	63.5	6	381	260.2	68%
- IDA	-	-	-	190.3	4	761	198.5	26%
TOTAL	71,081	23,013	48,068	470.8		2,267	938.8	41%

The exercise suggests the maximum amount of aggregate development assets the MDBs can hold on their balance sheets is around \$2.3 trillion. A review of MDBs’ business practices and models identifies the average life of their loans is around seven to eight years. These two amounts result in the maximum amount of development assets the MDBs can arrange annually and hold on their balance sheets is around \$300 billion, equal to around 6% of SDG and climate investment needs in developing countries. If MDB shareholders governed the MDBs to arrange and hold riskier assets than they currently do, the annual maximum amounts would be less than \$300 billion (e.g., IFC’s debt assets have a median risk rating of “BB-” in contrast to a median sovereign risk rating of “B-” and around half (or majority) of private sector entities in developing countries likely having an implied rating of “CCC” or lower). In summary, even if the MDBs operated at full capacity, they could only arrange and hold development assets equal to around 6% of SDG and climate investment needs annually.

The \$2.3 trillion aggregate financing contrasts to the following amounts of external debt for all low and middle-income countries found in Table 1.1 (page 4) of the World Bank [International Debt Report 2024](#):

- Total external debt stock of \$8.8 trillion, including \$6.1 trillion in long-term debt
- Of long-term debt, \$3.5 trillion is owed by public sector and \$2.7 trillion to private sector
- Of \$3.5 trillion owed by public sector, \$1.4 trillion is owed to official creditors (e.g., public sector) and \$2.1 to the private sector (\$1.6 trillion to bondholders and \$400 billion to commercial banks and others)
- Of the \$2.7 trillion owed by the private sector, \$2.1 trillion is owed to commercial banks and \$539 billion to bondholders

Box 2 (cont.)

The \$300 billion gross annual financing amounts would likely result in around \$20-30 billion of net financing amounts – contrasting with the following amounts of net inflows for all low and middle-income countries found in Table 1.2 (page 15) of the World Bank [International Debt Report 2023](#) (five year averages in 2018-22)

- Net long-term debt flows from all sources was \$247 billion annually, including \$161 billion from the private sector and \$86 billion from public sector
- Of the \$161 billion from the private sector, \$136 billion is from the bond market and \$25 billion from commercial banks and other lenders

Combining the MDB potential maximum financing volumes with that of the Bilateral DFIs and National Development Banks, likely only takes the annual gross financing capacity from \$300 billion to \$[400-600] billion annually; or [8-12]% of SDG investment needs. In summary, MDBs and other development finance institutions are only part of the solution. To generate investment volumes at scale relative to the \$5-7 trillion SDG investment needs, will require using development finance institution capital in parallel with Catalytic & Concessional funding optimally based on comparative advantages – with concessional funds shouldering risk beyond the mandate, ability and/or willingness of public sector development finance institutions.

SECTION 3

NEED TO REDUCE INVESTMENT RISK TO WITHIN FIDUCIARY AND REGULATORY MANDATES OF PRIVATE INVESTORS TO MOBILIZE AT SCALE

As summarized in the Executive Summary, only 5% of the \$482 trillion global financial assets are invested in developing countries (*ex-China*). The main driver for investors under-investment in developing countries is high

investment risk – beyond investors' fiduciary and regulatory investment mandates. Box 3 describes the significant analytical gap for debt investors considering investing in developing countries.

Box 3: Expected defaults and losses lending to B and CCC borrowers using Big 3 Rating Agency Data

The table below uses recently published reports by Standard & Poor's (S&P) Rating Agency and the Global Emerging Markets (GEMS) consortium to showcase expected probabilities of default when investing in private sector borrowers. The data illustrates why most investment opportunities in countries rated B and lower are beyond the fiduciary and regulatory investment obligations of most investors. Using S&P's data, an investor investing at an investment grade BBB" investment mandate would expect an annual probability of default of 0.19 - 0.28%. Using S&P's data, those expectations increase to 4.18 – 5.27% if investing

in debt rated B (that is, 21 times higher), and it is even worse for CCC. Most debt investment opportunities in developing countries have high expected probabilities of default and expected losses, beyond the fiduciary and regulatory investment obligations of most debt investors located in developed countries. In general, compared to investing in a BBB debt portfolio in developed countries, using the conventional Big 3 Rating Agency data, expected probabilities of default are 20-30 times higher. Most debt investors are precluded from investing at that level of expected default (and losses).

	One Year Probability of Default							
	BBB	BB+	BB	BB-	B+	B	B-	CCC / C
S&P Global Corporate - Average	0.19	0.44	0.64	1.10	1.96	5.27	8.07	24.54
S&P Emerging & Frontier Markets - Average	0.28	0.34	0.41	1.53	2.88	4.18	4.94	17.03
GEMs - Emerging Markets - Average		1.34	1.45	2.06	2.74	3.48	4.61	7.00

Box 3 (cont.)

For this reason, Convergence and many organizations have recommended since 2016 for the release of the datasets controlled by the GEMS consortium. The MDBs and bilateral MDBs have done an excellent job to consolidate their history of loan defaults and losses in two datasets: sovereign and private sector. In general, the datasets show:

- A much lower history of default for sovereign borrowers compared to the Big 3 Rating Agencies' relevant datasets and
- A mixed comparison for private sector borrowers. In general, MDBs and DFIs lend to high-quality borrowers in developing countries. But given the rating agency, MDB, DFI and investors' sovereign ceiling convention, debt investors rate private sector borrowers generally 1-3 notches below the sovereign rating. Accordingly, most private sector borrowers located in countries borrowing from MDBs and DFIs will be rated "B" and "CCC" – more due to country risks than commercial risks. The history of MDB and DFI defaults for borrowers rated BB have been worse than the S&P's datasets. But borrowers rated B and CCC have defaulted less than the S&P datasets. In particular, the history of defaults for private sector borrowers rated CCC have been much better than the Big 3 Rating Agency data. In general, those borrowers tend to be top-tier financials and corporates located in high risk countries.



The lower default rates for the private sector in countries rated B and CCC (around two-thirds of developing countries) is very important to change investors' perception of risk and the metrics they use in their investment decision making and capital adequacy models. The key to mobilize private investment to developing countries at scale is to reduce the investment risk and perceived investment risk. Likely increasing the availability of data that shows the actual history of defaults in developing countries will, all other things being equal, decrease investors' expected defaults, and over time reduce the need for risk-reducing mechanisms to mobilize investors. In summary, higher transparency of loan data should require less or no public sector funding to mobilize private investment to developing countries.

Developing countries attracting private investment at scale requires different actions over two horizons. In the medium and long-term, the most important action is for a developing country to execute reforms to improve its investment climate which should lead to better investor risk perceptions and better risk ratings from the Big 3 Rating Agencies. Two good examples include:

- Indonesia: Rated B+ by S&P in December 2004, and subsequently upgraded to "BB-" in July 2006, "BB" in March 2010, "BB+" in April 2011 and then Investment Grade in May 2017
- India: Rated "BB" by S&P in October 1998, "BB+" in February 2005, and investment grade in January 2027

But in the short and medium-term, to achieve the SDGs and Paris Agreement requires mobilizing private investment by creating investments that meet the fiduciary and regulatory investment mandates of private investors – with

lots of evidence over the past decade on how to achieve this objective effectively, efficiently, and fairly. This requires using some public sector resources to reduce investment risk in developing countries; for example reducing debt investment risk ratings from mostly "B" and "CCC" to "BBB".

To reduce investment risk in these countries and mobilize at scale equitably across countries with different income levels and risk ratings likely requires holding financial exposures equal mostly to "CCC" and "CC" credit risk – something no MDB or bilateral DFI does (for example, less than [6]% of IFC's debt assets are rated CCC or lower). This credit risk profile is a long way from existing MDB and Bilateral DFI practices. Table 2 lists the most effective and efficient alternatives to use public sector funding to reduce investment risk in developing countries to within private investor's fiduciary mandates (e.g., from mostly "B" and "CCC" to mostly "BBB") and to mobilize at scale.

5 Excluding non-performing debt assets that migrated from a higher rating to non-performing.

Table 2: Alternatives to reduce risk and mobilize at scale

#	Alternative	Why effective and efficient	Complexity to achieve
1	Focus one MDB into an MDB 100% operational on reducing risk and mobilizing private investment. For example, increasing capital of MIGA transforming IFC, or merging the two.	<p>MIGA is the only MDB whose primary business is to reduce risk that mobilizes private investment. One option is to scale up its capital and risk reducing / mobilization activity.</p> <p>IFC has \$36 billion of existing balance sheet capital, a strong history of negotiating with the private sector, and is mandated to operate in all low and middle-income countries– it would be the natural choice to be the single MDB to be 100% focused on risk-reducing and mobilizing.</p> <p>An MDB with a primary risk-reducing and mobilizing mandate for the 142 developing countries (with median sovereign risk rating of “B-”) would likely need to operate with a lower risk rating than IFC’s current “AAA” rating; “A” or “BBB” rating would likely be optimal rating.</p> <p>IFC and MIGA likely have the highest level of commercial skills, amongst MDBs, required to structure transactions that deploy public sector funding fairly to mobilize private investment at scale.</p>	<p>MIGA only has \$2 billion of balance sheet equity and only provides \$8 billion of gross commitments annually (lower after re-insurance). Likely a minimum of \$50-100 billion of capital would be required.</p> <p>It would likely take IFC shareholders 1-2 years to decide to make the required transformation and then 1-2 years to execute transformation. The existing IFC organization does not have the experience and culture of taking risk at the required level.</p>
2	Govern MDBs (and Bilateral DFIs) to be a combination of existing business models and risk-reducing mobilization organizations	<p>In principle, it is easy to achieve as it is mostly a governance issue to be decided by MDB shareholders.</p> <p>[\$480] billion of existing balance sheet capital within MDBs and [\$40] billion at Bilateral DFIs that can readily be multi-purposed from (i) arranging and holding to (ii) a combination of arranging, risk-reducing, and distributing.</p>	<p>Existing MDB ratings of mostly AAA are inefficient for the new role – maintaining that high rating does not allow the MDBs to take on the high risk exposures required to reduce investment risk to within private investors’ fiduciary and regulatory mandate (e.g., to “BBB” and “BB”). A or BBB ratings would be ideal.</p> <p>It is very complicated to transform many/all MDBs for this dual-purpose and have them agree to lower risk ratings.</p> <p>Existing legacy business models will impede the ability to achieve this goal.</p> <p>Lower risk ratings will increase the cost of borrowing and therefore sovereign loan interest rates.</p>
3	Establish a new MDB to reduce risk and mobilize	<p>Similar to the IFC alternative above, but with a new organization.</p> <p>Theoretically it is a simple solution, but practically it is highly unlikely.</p>	<p>Would require around \$100+ billion of capital - a large number that could be achieved by transferring excess capital from existing MDBs.</p> <p>Would likely not attract investors at the quantum required, and would take over three years to establish.</p>

Table 2 (cont.)

4	Allocate a large portion of annual ODA (e.g., 33%+ or \$70+ billion) as C&C funding to reduce risk and mobilize	In principle, relatively simple to achieve – \$223 billion of ODA committed in 2023. Committing \$70 billion to reduce risk and mobilize would be truly transformational.	Unlikely to be acceptable to developing countries who need traditional ODA for many social and humanitarian purposes.
5	Allocate new concessional funding above existing ODA levels specifically earmarked as C&C funding, around \$50-100 billion annually	C&C funding is the most important financial resource for large-scale risk-reduction and mobilization.	Likely difficult to get a critical mass of countries to commit to allocating concessional funding annually substantially above current levels.
6	Combination of 2 and 4	Relatively simple to achieve. No new funds required. Govern MDBs and DFIs to reduce risk and mobilize as a primary activity. Govern ODA for [5-10]% to be allocated to reduce risk and mobilize.	Legacy business models of MDBs, bilateral DFIs and ODA donors.

Based on discussions over the past 18 months with OECD DAC Member Countries and developing countries, Convergence and stakeholders assess Alternative 6 to be the most implementable alternative. The Scale Private Investment Mobilization Action Plan described in the remainder of this report fleshes out the most practical, realizable approach for Alternative 6.

SECTION 4

DESCRIPTION OF SCALE PRIVATE INVESTMENT MOBILIZATION ACTION PLAN

The core of “private investment mobilization” is public sector organizations deploying financial resources to mobilize private investment. For example, the OECD DAC Member Countries define blended finance as *“the strategic use of development finance to mobilise additional finance for sustainable development in developing countries.”* Since the entire premise of “private investment mobilization” and “blended finance” is using public sector resources to mobilize private investment, those organizations that possess / govern those public sector resources should drive private investment mobilization. **The core of the proposed Action Plan is to use some public sector resources (Table 3 describes the main seven sources**

of public sector funding) to reduce investment risk to create investment opportunities that meet private investors’ fiduciary and regulatory investment obligations, and mobilize private investment at scale to impact investment in developing countries: **“actions to catalyse sustainable development investment at scale to close the financing gap with urgency”** described in Clause 5 of the FfD4 Outcome Document. Until now, these sources of public sector resources either (i) do not engage in mobilization; (ii) do not reduce risk to mobilize; and/or (iii) engage in mobilization as a secondary or tertiary activity based on their organization’s business model.

Mobilizing with no risk reduction and concessional funds: To be clear, it is possible to mobilize private investment without reducing investment risk and/or deploying concessional public sector funds. The Action Plan proposes this mobilization activity be maximized – concessional funds should only be deployed to reduce risk when required. The ILX Fund is a good example of this type of private investment – the fund coinvests with MDBs and DFIs in A-B loans. This type of mobilization is possible only for a small portion of the \$[140] billion of financing commitments annually by MDBs and DFIs: i.e. the top one-third of private sector loans made by MDBs and DFIs (e.g., around \$10-15 billion of the \$140 billion of aggregate commitments).

Box 4. Mobilizing with no risk reduction vs concessional funds

Table 3: Seven main sources of public sector funding that can be deployed to mobilize private investment at scale in coordinated Scale Private Investment Mobilization Action Plan

Source of Public Sector Funding	#	Type of Public Sector Funding	Amounts and Description
Developed Countries	1	Government Resources – Concessional	OECD DAC Members allocated \$223 billion ODA in 2023. This includes European Commission blended programs. Other High-Income Countries allocate concessional funds for SDGs and climate
	2	Bilateral Development Finance Institutions (e.g., France Proparco)	Bilateral DFIs have around \$[40] billion of balance sheet capital and make around \$[20-30] billion of annual financing commitments - mostly loans and equity investments to private sector operations.
Developing Countries	3	Fiscal Resources	A portion of fiscal resources from the 142 low and middle-income Countries.
	4	ODA aid and sovereign loans received	Annually equal to \$250 – 300 billion.
	5	National Development Banks (e.g., Brazil BNDES and Uganda Development Bank)	A portion of financing commitments from the 500+ public development banks owned by developing countries (Uganda Development Bank and Brazil BNDES)
Both	6	Multilateral Development Banks (e.g., African Development Bank)	MDBs have around \$[480] billion of balance sheet capital and make around \$[120] billion of annual financing commitments – primarily subsidized by loans to governments, and secondary loans, and equity investments to private sector operations
	7	Other multilaterals and multi-donor funds	Examples: Green Climate Fund

The Financial Stability Board estimates the \$428 trillion of global financial assets held by the private sector are distributed as summarized in Table 4.

Table 4: Main sources of \$428 trillion global financial assets held by private sector

Main Sources of Private Sector Investors	Amount	Main Investment Holdings	
		Debt	Equity
Commercial Banks	\$189 trillion	Loans and Bonds	No
Pension Companies	\$43 trillion	Bonds and Notes	Yes
Insurance Companies	\$38 trillion	Bonds and Notes	No
Other Investment Funds	\$62 trillion including \$33 trillion in equity funds, \$15 trillion in fixed income funds and \$14 trillion on other/mixed funds	Bonds and Notes	Yes
Finance Companies	\$53 trillion	Bonds and Notes	No
Captive Finance Institutions	\$29 trillion	Bonds and Notes	No

Private investment mobilization activities should be designed to mobilize four main quadrants of private sector investment described in Table 5.

Table 5: Private sector investors to be mobilized in Action Plan

Source of Investment	Type of Private Sector Entity	
	Financial / Investment Sector	Real Economy Sector
Developed Countries	Pension Companies, Insurance Companies, Commercial Banks, Investment Funds and Sovereign Wealth Funds	Foreign Direct Investors and Large Corporates
Developing Countries	Commercial Banks and Public Pension Companies	Large Corporates, Mid-caps and MSMEs.

The private sector has organized itself into many investor groups, such as the Global Investors for Sustainable Development Alliance and the Net Zero Asset Owners Alliance, and they have signaled that they are interested in increasing their investment in low and middle-income countries if the investment opportunities meet their fiduciary and regulatory investment mandates. The Action Plan and its proposed four components (see Table 6) have been developed to achieve three things at the same time:

- i Mobilize private investment at scale, in relation to the \$5 trillion annual SDG investment needs, aligned to the FfD4 Outcome Document (e.g., impact, country ownership,

sovereign loan affordability, debt sustainability) and (ii) public policy objectives

- ii Create investment assets that meet the fiduciary and regulatory mandates of private investors by deploying public sector funds effectively, efficiently, and fairly to mobilize: mostly (i) MDBs and DFIs arranging a lot more financing transactions and distributing the incremental exposure to investors; and (ii) public sector entities reducing the risk of investing in developing countries.
- iii Mobilize through solutions that will lead to (i) market transformation; and (ii) require less concessional public sector resources in the medium-term.

Table 6: Four Core Components of Scale Private Investment Mobilization Action Plan

COMPONENT OF ACTION PLAN	DESCRIPTION
Purpose and objectives for private investment mobilization and blended finance	<p>A clear description of the purpose and objectives of blended finance and mobilization as a public policy tool. It is proposed the Action Plan be fully focused on (i) achieving the objectives described in the FfD4 Outcome Document (including clause 5 “we decide to launch an ambitious package of reforms and actions to catalyse sustainable development investment at scale to close this financing gap with urgency. We will mobilize additional and innovative financing from all sources, recognizing the comparative advantages of public and private finance and clause 6 “we commit to reform the international financial architecture”) and (ii) mobilizing private investment, that is, “additional finance for sustainable development in Developing Low Countries⁶” as per the OECD DAC Blended Finance definition. The raison d’etre of blended finance and mobilization should be to mobilize private investment that has the discretion to invest in developing countries.</p> <p>The Outcome Document, specifically clauses 28 d-o, describes mobilization activities and standards. It is proposed the Action Plan include all those standards and identifies:</p> <ul style="list-style-type: none"> • The purpose of blended finance and mobilization is to mobilize private investment to impact investment in developing countries to achieve the mobilization objectives of the FfD4 Outcome Document and COP29 NCQG • Private investment should be mobilized subject to the standards (i) agreed by UN Member states in the FfD4 Outcome Document; and (ii) the OECD Blended Finance Principles • Mobilization at scale in an objective, e.g., establish a target of \$[500]+ billion private direct mobilization by [2035] - date aligned to COP29 \$300 billion NCQG <p>Annex 4 describes proposed alignment of the Action Plan with the Outcome Document. This will be updated as the First Draft evolves into the final Outcome Document.</p>

6 As an example, Convergence estimates around [70]% of concessional funds from OECD DAC members deployed in blended finance has been blended with public sector non-concessional public funds (e.g., MDBs and DFIs) to finance projects, but with no/low private direct mobilization. The MDBs and bilateral DFIs have around \$[480] billion and \$[40] billion of balance sheet capital, respectively, fully committed to developing countries.

Simplified and Standardized Mobilization: [12] Private Investment Mobilization Models

All parties agree blended finance and mobilization has become too complicated, fragmented, customized, and inefficient. Clause 28g of the Outcome Document states *“we support efforts towards greater standardization of blended finance instruments to create effective and replicable structures for different country contexts. We will develop a common taxonomy of risk-sharing mechanisms building on existing efforts, to evaluate how different blended finance structures affect developmental outcomes under different circumstances and to facilitate investment.”* The proposed 12 PIMMs achieve this targeted standardization and simplification.

Simplifying and standardizing private investment mobilization is a core objective of the Action Plan. It is not possible to standardize a limited number of solutions and solve all mobilization challenges. Annex 5 describes a package of 12 PIMMs to simplify and standardize private investment mobilization that should solve [90-95]% of the investment challenges - aligned with clause 28 of the Outcome Document and the OECD Blended Finance Principles. The package has been designed over 2024-25 based on extensive engagement with developing countries, private investors, OECD DAC Member countries, MDBs, DFIs, and mobilization experts; and addresses the large majority of investment challenges centered on reducing risk in the four main investment challenges:

- i Increase the number of viable project investors can subsequently invest in
- ii Increase project-level investability to create project/company/institution investment opportunities that meet investors' fiduciary and regulatory investment mandates
- iii Increase portfolio-level investability to create portfolio-level investment opportunities (e.g., tiered funds) that meet investors' fiduciary and regulatory investment mandates
- iv Increase local currency solutions that protect investors, projects, borrowers, companies and countries from FX risk

Since the FfD4 Outcome Document prioritizes developing the domestic financial sector, one PIMM is dedicated to that activity.

The package of PIMMs has been designed to be flexible to deploy some of the seven sources of public sector funds (Table 2) strategically, collaboratively, effectively, efficiently, and fairly – optimizing scarce concessional funding (See Network below). Annex 5 includes fact sheets describing the proposed 12 PIMMs and the use of C&C funds. Eleven of the 12 PIMMs are primarily about reducing risk to create investment opportunities that meet the fiduciary and regulatory investment mandates of private investors. Those 11 PIMMs have been selected and designed to allow C&C funds from public and philanthropic organizations to be deployed to take on risk and risk-return profiles beyond (i) the fiduciary and regulatory mandates of private investors and (ii) the mandate, willingness, and/or ability of development finance institutions. Each of the 11 PIMMs uses public sector funding strategically (as best as possible) to bridge the gap between (i) private investors' and rating agencies' perception of risk in developing countries and (ii) developing countries and the international development community's perception of risk in those countries. In general, if risk unfolds at the levels expected by developing countries and the international development community, then the public sector C&C funds will not be lost. Losses will accrue to the public sector C&C funders if actual risk unfolds closer to the private sector investors' perceptions. In essence, in 11 of the 12 PIMMs the public sector C&C funders will bear (underwrite) the difference in risk perceptions – an excellent and fair use of public sector resources to mobilize private investors to countries they do not need to invest in. The public sector is effectively insuring the private sector against high investment risk in developing countries - in principle, exactly what public-sector ODA and ODA-like funds allocated for mobilization should be used for.

Given the FfD4 Outcome Document emphasis on *“fairly sharing risk,”* the appropriate risk-sharing tools are financial instruments that share risk fairly (e.g., OECD *“Private Sector Instruments”*). These financial instruments can take on perceived high risk that investors are not able to take, and MDBs and DFIs are not willing or able to take. If actual risk unfolds at a lower level close to the development community's expectation, then the public sector funding would not be lost – the funds can be recycled for future mobilization activity. Only one PIMM uses traditional grants – the Public Sector Project Preparation (PIMM1) to help developing countries develop viable projects.

<p>Simplified and Standardized Mobilization: [12] Private Investment Mobilization Models (cont.)</p>	<p>It is expected that simplification and standardization will lead over time to higher and higher leverage of scarce concessional resources - indeed some PIMMs should graduate to be implementable on a fully commercial basis in the medium term.</p> <p>There are two tiers of simplification and standardization recommended:</p> <ul style="list-style-type: none"> i To focus all uses of C&C funding to mobilize private investment in the 12 PIMMs – the benefits lead to economies of scale, allow better comparisons and benchmarking, will surface best practice and will optimize scarce concessional funding (e.g., taxpayers’ money) in auction-like processes ii For some of the PIMMs where there has been enough evidence, to standardize key financial terms and structure, where possible. The Consultations Report proposes some standardized terms and structure for 7 of the 12 PIMMs – to be assessed and debated in 2025. For example, the Private Sector Blended Finance Debt Fund (PIMM10) is proposed as a three-tier blended finance debt fund. There are [122] examples of tiered debt funds in the Convergence database that likely demonstrate best practice. But for Local Currency Solutions (PIMM12), there are so many possibilities with not enough evidence of best practice, therefore no standardization is proposed at the outset of this PIMM. <p>As practice leads to more evidence, it is likely good practice will surface and more PIMMs can have standardized terms and financial structure.</p>
<p>Network of Catalytic & Concessional Funders awarding funding to best mobilization proposals / cases</p>	<p>In general, to reduce investment risk in developing countries to create investments that meet investors’ fiduciary and regulatory investment obligations and mobilize investment at scale, requires using public sector funding optimally. Although the MDBs have \$[480] billion of capital, the (i) risk profile (e.g., often facing expected losses) and (ii) risk-return profile to reduce risk and mobilize at scale is typically beyond the mandate, ability or willingness of MDBs; for example MIGA is the only MDB or Bilateral DFI that uses its own capital to formally risk-reduce and mobilize private investment. It is public sector C&C funding that can take on risk and risk-returns beyond the mandate, ability and/or willingness of MDBs and other development finance institutions.</p> <p>The Project recommends to create the Network of Catalytic & Concessional Funders that will drive optimal risk reducing activities and the mobilization agenda in 2025 onwards. The Network can comprise (i) developed country governments (e.g., OECD DAC Members and Participants countries), (ii) Developing Country Governments, (iii) multilaterals and multi-donor funds (e.g., GCF) and (iv) philanthropic foundations that are prepared to allocate C&C funding commitments to (i) achieve impact and (ii) mobilize private investment to impact investment in developing countries.</p> <p>The Network can collaborate to award these funds optimally to the best cases/proposals adhering to the 12 PIMMs; sometimes in parallel with financing from development finance institutions (e.g., MDBs, Bilateral DFIs and National Development Banks) and sometimes only with private sector investment. This Catalytic & Concessional Funding should be awarded by the Network members to the best mobilization proposals based on open competition, as called for in FfD4 Outcome Document (Clauses 28 “<i>be transparent and have clear accountability mechanisms</i>” and 28j “<i>catalytic capital seeded by development banks, DFIs, donor countries, foundations and philanthropies with standardized, simplified and transparent access requirements</i>”). Some of those best proposal cases will be proposed by MDBs, some by National Development Banks, some by private sector investors in developing countries and some by private sector investors in developed countries. At the outset, all proposals/cases are expected to require Catalytic & Concessional Funding, but as PIMMs mature and demonstrate evidence, it is expected some PIMMs will graduate to not require any concessional funds – all catalytic funding could be provided by MDBs, DFIs and NDBs.</p> <p>It is critical for OECD DAC Member Countries and other like-minded countries and organizations to collaborate strategically if scale mobilization is an objective. No one country or organization has enough C&C funding to mobilize private investment at scale. Indeed, many of the best mobilization proposals cases require multiple countries organizations to make commitments; for example, the \$672 million Climate Finance Partnership mobilized \$540 million of private investment using \$132 million of C&C funding from seven organizations. That unicorn took three years to achieve financial close at COP26 in Glasgow.</p>

Network of Catalytic & Concessional Funders awarding funding to best mobilization proposals / cases (cont.)	<p>It is proposed the OECD DAC Member countries lead and fund the establishment of the Network of countries and organizations that would allocate some C&C funding to mobilize private investment. It is expected most of this money would be allocated collaboratively by the Network, with each Network member retaining approval for their own financial commitments. It is proposed the OECD DAC Member Countries establish a Mobilization Secretariat to support Network members award their C&C funding commitments. It is proposed the OECD DAC Members would invite other countries and organizations to join the Network - philanthropic foundations and developing countries to support the best mobilization solutions.</p> <p>Annex 6 describes the Network.</p>
Development finance activities and governance	<p>Mobilization at scale under the proposed Action Plan will require each country and public sector entity to (i) identify the activities it will undertake to contribute to mobilization at scale, (ii) set objectives and (iii) identify optimal governance KPIs. Specific activities and KPIs should be determined based on the 12 PIMMs. The relevant development finance activities and governance KPIs to mobilize at scale should be agreed by countries and the organizations the countries control (e.g., mobilization KPIs for development finance institutions). Convergence intends to propose a list of indicative activities and governance KPIs in April – June 2025 once the consultations identify the best package of PIMMs to mobilize. Indicative governance KPIs could include (using IFC as an example): (i) Private Direct Mobilization to MDB Financing commitment ratios of [2-4] to 1 and (ii) allocating at least [35]% of MDB balance sheet capital to the 11 risk-reducing PIMMs, including [25]% of capital as mezzanine or junior capital in tiered blended finance funds.</p>

Table 7: Depiction of 12 Standardized PIMMs to address main investment challenges

	Increase Number of Viable Projects	Increase Investability of Projects	Increase Investability at Portfolio Level (e.g., fund)	Develop Domestic Financial Sector	Mitigate FX risk
Public Sector Project / Operation	Public Sector Project Preparation (PIMM1)		Public Sector Blended Finance Debt Fund (PIMM9)		Local Currency Solutions (PIMM12)
Private Sector Project / Operation	Private Sector Project Development (PIMM2)	Guarantees (PIMM5)	Private Sector Blended Finance Debt Fund (PIMM10)	Develop Domestic Financial Sector (PIMM3)	
		Political Risk mitigation (PIMM 6)			
		Buyer / Off-taker Mitigation (PIMM 7)			
		Value Chain Financing (PIMM4)	Private Sector Blended Finance Equity Fund (PIMM11)		
Risk Sharing with Financial Intermediaries (PIMM8)					

SECTION 5

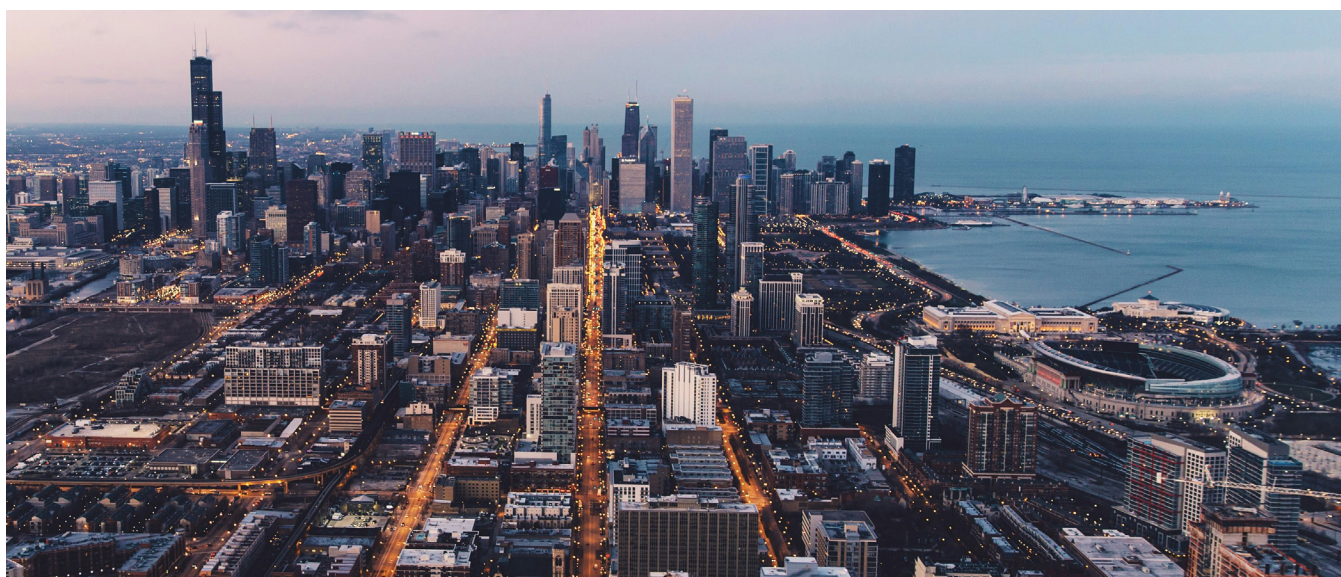
PROCESS AND TIMING FOR AGREEING ON THE ACTION PLAN

It is proposed the Action Plan be agreed upon by November 30, 2025 for implementation commencing on January 1, 2026, with the Action Plan to be discussed and advanced at several important events in 2025:

- The G7 countries convene at the G7 Summit in Kananaskis, Canada in June to agree upon the framework for the Action Plan, and reconvene to agree upon the Final Action Plan by November 30, 2025⁸
- UN member countries convene at the Financing for Development Forum in July to agree upon the framework for the Action Plan aligned to the final FfD4 Outcome Document, and reconvene to agree upon the Final Action Plan by November 30, 2025. UN DESA is leading on FfD4 private investment mobilization activities.

- The G20 countries convene in July 2025 following the conclusion of the FfD4 Outcome Document to agree upon the Action Plan, and reconvene at the G20 Summit in South Africa to agree upon the Final Action Plan by November 30, 2025⁹.

It is proposed a coalition of interested Developing Countries and Developed Countries establish a working group to advance the Action Plan to finalization in 2025, with Convergence, Project funders and other third parties providing relevant support.



SECTION 6

CONSULTATIONS TO PRODUCE INTERIM REPORT IN JUNE 2025

No one organization or initiative has a monopoly on the best solutions to mobilize private investment at scale, nor to simplify and standardize blended finance. Convergence is a not-for-profit organization established by the international development community to identify and advance good practice blended finance that mobilizes private investment. To research and prepare this Consultations Report, Convergence has engaged with 100+ countries, organizations and initiatives.

Convergence and stakeholders will engage with developing countries and developed countries, MDBs, DFIs, NDBs, private investor groups and philanthropic foundations in March – June to convert this Consultation Report into an Interim Report by late June 2025 prior to the FfD4 Forum in Sevilla.

⁸ Canada is G7 President from January 1 to December 31, 2025.

⁹ South Africa is the G20 President from December 1, 2024 to November 30, 2025.

SECTION 7

Table 8: Supplemental Information for Action Plan

ITEM	DESCRIPTION
Reducing investment risk in the short, medium and long-term	<p>Developing countries and the development community should undertake investment climate improvements that will result in a better investment climate, lower risk perception, and better sovereign risk ratings. But these improvements usually unfold in the medium and long-term. (This Consultations Report does not focus on improving the investment climate).</p> <p>In the short and medium-term as developing countries pursue improvements to their investment climate, public sector organizations can deploy public sector funds strategically to reduce developing country investment risk that will mobilize private investment. It is proposed the public sector funding be awarded to the best proposals / cases that will create viable projects, reduce risk at the project level, reduce risk at the portfolio level, and reduce currency risk. See the 12 standardized PIMMs in Table 6 and Annex 5.</p>
Private sector resources to be mobilized	<p>The Action Plan will focus on mobilizing four quadrants of private investment summarized above in Table 5:</p> <ul style="list-style-type: none"> i Financial and investment sector institutions domiciled in developed countries (e.g., pension companies, insurance companies, investment funds and international commercial banks) ii Real economy companies domiciled in developed countries, such as Foreign Direct Investors iii Financial and investment sector institutions domiciled in developing countries (e.g., commercial banks, microfinance institution and pension companies) iv Real economy companies domiciled in developing countries, such as large corporates, SMEs and smallholders <p>Annex 5 includes fact sheets for the 11 most important investor types to be mobilized – each fact sheet demonstrates how the package of 12 PIMMS acts to mobilize them.</p> <p>The 31 Private Investor Groups listed in Table 7 below have been / will be consulted for the Project.</p>
Developing country priorities	<p>All [142] developing countries will be encouraged to describe their respective priorities for private investment mobilization, with all cases / proposals to be funded by C&C funding needing to demonstrate alignment with the priorities.</p> <p>Developing countries to work with UN DESA and UNDP to identify the most effective process to showcase and update their priorities, such as on country platforms and/or Integrated National Financing Frameworks. The Network would have full knowledge of the priorities and the Mobilization Secretariat would be able to rate all cases / proposals for C&C funding on a scale of 1-100 based on the priorities.</p> <p>(This information can be used by MDB and DFI shareholders to ensure MDB and DFI commitments are used for developing country priorities)</p>
Mobilization secretariat	<p>The OECD DAC members would establish and fund a Mobilization Secretariat to act on behalf of the Network members. The Network members would agree on what types of private investment it would like to mobilize, and to what development and climate impact areas, and then the Secretariat would be responsible for supporting the Network members to identify the best cases / proposals aligned to eligibility criteria and assessment criteria. The Nordic Countries have established the Investment Mobilization Collaboration Alliance that serves as an example of a group of OECD DAC Member countries collaborating to award funding through competitive calls for proposals. Germany is advocating the Hamburg Sustainability Platform as another example. The Convergence Blended Finance Accelerator is another example of awarding donor funding to successful blended finance proposals.</p>

Organizations to be engaged to complete Scale Private Investment Mobilization Action Plan	<p>It is proposed the Working Group would need to engage with other initiative and organizations to progress the Action Plan, such as:</p> <ul style="list-style-type: none"> • Developing countries – UN DESA can lead engagement with developing countries on the Action Plan in 2025, supported by UNDP. If required, the G77 and G24 Secretariats can also be engaged. • Least developed countries – the UN LDG Group, chaired by UN Ambassador from Zambia, already convenes [44] LDCs. • World Bank Group and other multilateral development banks - they have already organized themselves into the MDB Mobilization Working Group working on better mobilization solutions • National Development Banks in developing countries – Agence Francaise de Developpement has already organized 500+ such NDBs in the Finance in Common. • Coalition of Finance Ministers for Climate Action – UK, Luxembourg, Switzerland and Mexico already co-chair the coalition mobilization working group for mobilization (e.g., Helsinki Principle 5). • Private Investors – Convergence is already engaged (or will engage) up to 31 private investor groups that represent over 1,000 organizations with \$[40]+ trillion of global financial assets. Convergence will engage these groups in consultations in 2025.
Concessional funds (e.g., ODA)	<p>It is proposed:</p> <p>All concessional funds deployed for blended finance are deployed exclusively to mobilize private investment (e.g., private direct mobilization as defined by MDBs and DFIs, but private sector only)</p> <p>Establish the Network of Catalytic & Concessional Funders to award this funding to best cases and proposals. Invite others with similar C&C funding to participate on Network, such as other developed countries, philanthropic foundations, and developing countries to participate in the Network.</p> <p>Establish and fund the Network Secretariat</p> <ul style="list-style-type: none"> • OECD DAC Member countries should approve authority for Private Sector Instruments (PSIs) and develop full internal capacities to deploy PSIs as the primary tool in private investment mobilization • Deploy Catalytic & Concessional Funding in collaboration in the Network (retaining approval authority) though the 12 Standardized PIMMs • Agree with other OECD DAC members a reasonable suite of mobilization governance KPIs and select relevant ones to govern mobilization • Deploy 5-15% of ODA through mobilization commitments identified by the Network

Table 9: Private investor groups consulted or to be consulted in the Scale Private Investment Mobilization Project

Private Investor Group (and web site link)
Financing for Development 4 Business Steering Committee
Global Investors for Sustainable Development Alliance
Net Zero Assets Owners Alliance
International Chamber of Commerce
UN Global Compact
Investors Leadership Network
Sustainable Markets Initiative
Climate Investment Coalition
Global Impact Investing Network (GIIN)
The Institutional Investor Group on Climate Change
Glasgow Financial Alliance for Net Zero (GFANZ)
Private Sector Investment Lab
Net Zero Asset Managers Initiative
Net Zero Banking Alliance
NDC Partnership
Global Steering Group for Impact Investment
Global Private Capital Association
Emerging Markets Investors Alliance
World Association of Public-Private Partnerships
Convergence Blended Finance Network
South Africa B20 Group and Brazil B20 Group
France Institute de la Finance Durable
Swedish Investors for Sustainable Development
Swiss Sustainable Finance
Sustainable Finance Geneva
Luxembourg Sustainable Finance Initiative
Canada Forum for Impact Investment and Development
Canada Maple Eight Pension Funds and Pension Investment Association of Canada
Paris Pact for People & Planet
Aspen Network of Development Entrepreneurs (ANDE)
Catalytic Capital Consortium

SECTION 8

CONTACT PERSONS

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CONVERGENCE is the global network for blended finance. We generate blended finance data, intelligence, and deal flow to increase private sector investment in developing countries.

