

Working paper

Ten years later

Development finance institutions as financial intermediaries revisited: what a decade of innovation tells decision-makers about mobilising private capital

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September 2026

Key messages

- The mechanisms proposed in 2016 have largely arrived. Capital-adequacy reform, portfolio risk transfer, credit insurance and rated securitisation of MDB loan portfolios are now operating. The cross-MDB clearinghouse has not, and system-wide local-currency transformation remains incomplete.
- The ten-year record suggests that innovations spread more readily when they also relaxed a financial, capital or risk constraint the originating institution itself faced, drew on skills it already had, and required limited internal harmonisation across MDBs and DFIs. Development need, shareholder pressure, and public support also contributed. This is an explanation to test over the next decade, not a settled finding.
- Specialist intermediaries scaled by absorbing differences between institutions rather than removing them. TCX pooled currency risk from many MDB and DFI lenders on one balance sheet; ILX aggregated loans from many MDB and DFI originators through an independent manager. If the explanation is right, a cross-MDB platform that requires common documentation, reporting and eligibility rules should take materially longer to build than IFC's own programme.
- Mobilisation remains an order of magnitude below the trillions. Official interventions mobilised USD 77 billion of private finance in 2024 on the OECD measure, and USD 108.7 billion for low- and middle-income countries on the joint MDB and DFI measure, against an annual SDG investment gap of about USD 4 trillion. Manufacturing an investable development finance asset is not the same as placing it in institutional portfolios at scale. Institutional investor behaviour is the next research and policy priority; the record does not yet show which constraint binds hardest.
- The decisive question for the originate-to-distribute model is what happens after distribution: where risk sits and what it costs, what MDBs do with released capacity, whether investor preferences reshape origination, and what happens under stress. Mobilisation volume answers none of these.
- Decision-makers should judge instruments by additionality and the public risk they employ, not by volume; fund upstream project preparation, which institutional incentives may underprovide; and back cross-MDB standardisation with realistic timelines and reporting on the harmonisation it requires.

About the author

Herman Bril is Chief Investment Officer and Executive Board Member for Investments at ABP, one of Europe's largest pension funds. He is pursuing a part-time PhD at Nyenrode Business University on organisational resilience. His career includes Group CFO of Cardano, founding Managing Director of Cardano Development (until 2014), non-executive chairman of the supervisory board of TCX Investment Management Company (until November 2016), Chief Investment Officer of the United Nations Joint Staff Pension Fund (2016 to 2021) and Head of Sustainability and Climate Innovation at PSP Investments. He holds a Cambridge CISL MSt; this paper revisits his 2016 dissertation. He has co-edited two books on sustainable finance with Georg Kell and Andreas Rasche. He writes from an institutional-investor perspective; the analysis and recommendations are his own and do not represent positions of ABP or APG.

Acknowledgements

I thank Manfred Schepers (ILX Management), Joost Zuidberg (Cardano Development) and Ruurd Brouwer (TCX) for comments and clarifications on a draft. They do not necessarily endorse the analysis or conclusions, and I alone am responsible for the interpretations and any remaining errors.

Disclosure

Two cases in this paper are not at arm's length from me. My 2016 dissertation also served as field input into a Cardano Development feasibility study on connecting development-finance assets with institutional investors, part of the pathway from which ILX emerged in 2017. I was then Group CFO of Cardano and had served as founding Managing Director of Cardano Development until 2014. I chaired the supervisory board of TCX Investment Management Company, the TCX fund's manager, until November 2016. Cardano Development acquired the manager in 2010 and reported it as wholly owned within the group at 31 December 2025 (Cardano Development, 2026). In the feasibility study and in ILX's development, I played an organisational part and did not design transactions. I have held no executive, board or advisory role at Cardano Development, TCX or its manager since November 2016.

I have been Chief Investment Officer of ABP since 1 January 2026. APG committed capital to ILX Fund I on behalf of ABP and bpfBOUW in 2022, four years before that appointment; I took no part in that decision.

Two safeguards follow. I treat ILX as an embedded implementation case and exclude it from the classification count. I assess TCX not on its creation but on the change in its published annual primary hedging volume between 2016, the year my chairmanship ended, and 2025. Section 11 discusses the bias that remains and reports the count with the TCX-supported proposition excluded. Executives of ILX Management, Cardano Development and TCX commented on a draft; Annex A.3 explains how I used their comments.

Acronyms

AfDB	African Development Bank	CAF	capital adequacy framework
CLO	collateralised loan obligation	DBSA	Development Bank of Southern Africa
DFI	development finance institution	EMDE	emerging market and developing economy
FCDO	UK Foreign, Commonwealth and Development Office	GEMs	Global Emerging Markets Risk Database
IBRD	International Bank for Reconstruction and Development	ICPM	International Centre for Pension Management

IFC	International Finance Corporation	MCP	Managed Co-Lending Portfolio Program
MDB	Multilateral Development Bank	OECD	Organisation for Economic Cooperation and Development
SDG	Sustainable Development Goal	TCX	The Currency Exchange Fund
UNCTAD	United Nations Conference on Trade and Development		

Executive summary

In 2016 I conducted 21 interviews, predominantly with chief executives, chief financial officers, treasurers and other senior managers of multilateral development banks (MDBs) and development finance institutions (DFIs), supplemented by an asset-manager and a policymaker perspective. I asked an unconventional question: what do we learn if we treat these institutions as financial intermediaries rather than as public development agencies? The answer was that their behaviour reflects balance-sheet, rating, shareholder and risk constraints as well as their mandates, and that those constraints would themselves drive financial innovation. The study proposed balance-sheet optimisation, risk transfer, portfolio distribution, warehousing, rated securitisation and an independent intermediary matching development-finance assets with institutional investors.

This paper asks how far that account anticipated the following decade, and what the pattern of outcomes tells decision-makers about which innovations development institutions adopt and which they do not. It uses documentary evidence through 27 August 2026.

What happened

Four of the seven propositions recoverable from the 2016 text were realised, two were partially realised, and one was not. Capital adequacy became the central MDB reform agenda after the G20 review. Portfolio risk sharing matured through IFC's Managed Co-Lending Portfolio Program, credit insurance and synthetic risk transfers by AfDB, IDB Invest and the European Bank for Reconstruction and Development (EBRD). Rated securitisation of MDB loans arrived in September 2025, when IFC closed a USD 510 million CLO, followed by a USD 509 million second transaction in June 2026. Credit risk information became public through GEMs. Local-currency finance expanded, with TCX scaling annual hedging fivefold, but the wider system still lends mostly in hard currency. The cross-MDB clearinghouse had not become operational by the cut-off, although a World Bank working group and an AfDB and DBSA platform are working towards it.

Two cases sharpen the picture. ILX, an independent manager that aggregates loans originated by different MDBs and DFIs into pension-fund portfolios, reached about USD 1.7 billion in capital. TCX, a specialist balance sheet that already existed in 2016, pools frontier-currency risk from many MDB and DFI lenders. Both involve many institutions, yet both scaled. The cross-MDB platform, which also involves many institutions, did not. The difference appears to be not how many institutions must agree but how much each must change internally.

Why the pattern may look the way it does

Three conditions fit the sequencing. Innovations spread more readily when they were incentive-compatible, meaning that achieving the development objective also relaxed a financial, capital, risk or shareholder constraint the institution itself faced; when they were capability-compatible, meaning that they drew on skills the institution already had; and when their institutional-harmonisation burden was low, meaning that they did not require participating institutions to align mandates, documentation, credit standards and data. Financial engineering usually satisfies all three. Upstream project preparation and domestic market building draw on capabilities MDBs partly possess, but incentives, resources, and accountability are weaker, and their harmonisation burden is often high. Specialist intermediaries succeeded where they absorbed differences contractually or isolated a single financial function.

This explanation was developed after observing the outcomes. Development need, shareholder intervention and public support can jointly explain adoption, and the paper has not isolated any

one cause. Section 10 turns the explanation into five propositions that can fail over the next decade.

What it does not explain

Mobilisation remains far below the scale the “billions to trillions” agenda implied. The supply-side account explains what makes an asset producible, not whether an institutional investor can hold it. Rated IFC CLO notes, MCPP participations and ILX funds now exist, yet institutional allocations remain small and concentrated. That could reflect limited issuance, pricing, originator economics, donor or retained-risk capacity, transaction costs or investor constraints, and the record does not show which dominates. Mobilisation is a two-sided matching problem, and the demand side deserves far more analytical attention than it has received.

What follows for decision-makers

The paper recommends that decision-makers judge instruments by additionality and the public risk they employ, not by mobilisation volume, and separate three things that mobilisation statistics blur: public risk, public cost and subsidy. Roughly 37% of each IFC CLO sits beneath the most senior tranche, but only about 12% is publicly held equity; the equity share does not, by itself, measure total public risk, public cost, or subsidy. MOBILIST reports that its investment in the first transaction was on commercial terms; Section 7.1 discusses the differing characterisations of that support. Decision-makers should also ask what MDBs do with released capacity, distinguishing financing expansion from changes in its composition and outcomes. The framework suggests a risk of underinvestment in project preparation, which warrants assessing dedicated funding, incentives, and accountability. Cross-MDB standardisation deserves support, with timelines set from the harmonisation burden each platform documents. Finally, the paper recommends treating institutional investors as a research and policy object in their own right, and identifies investor-side evidence as the next study.

The question for the next decade is whether transforming development loans into institutional investment products expands the frontier of development finance, or mainly changes who holds the assets already inside it.

1 Introduction

The financing challenge facing developing economies is frequently presented as a paradox. Sustainable development, infrastructure, climate transition and broader development needs require investment measured in trillions of dollars annually, while institutional investors collectively manage vastly larger pools of financial assets. The apparent problem is therefore one of connecting available savings with productive development investment.

That framing was already prominent when the Sustainable Development Goals (SDGs) were adopted in 2015. In 2016, I examined the problem from an unconventional starting point. Rather than treating MDBs and DFIs primarily as public development agencies, I asked what we could learn by analysing them as financial intermediaries (Bril, 2016, pp. 8–9). The empirical study included 21 interviews, mostly with chief executives, chief financial officers, treasurers, and other senior managers at MDBs and DFIs, supplemented by an asset-manager and a policymaker perspective. It generated more than 104,000 transcribed words and was exploratory rather than designed as a forecasting exercise.

Three findings mattered most. Respondents distinguished aggregate development needs from the much smaller set of projects prepared well enough to satisfy institutional financing requirements. The institutions were heterogeneous, so their incentives to innovate differed. Financial innovation could reconcile the expectation of additionality with the need of market-funded or regulated institutions to protect their ratings: guarantees, syndication, portfolio risk transfer, and capital-market distribution allow additionality without permanently retaining every risk.

The final section of the 2016 study went further. As “food for thought”, it proposed warehouse facilities, pooled emerging-market cash flows, shared platforms, simple securitisations, investment-grade CLO tranches and tradable notes matching institutional investors’ risk-return preferences, and an independent intermediary matching development-finance exposures with investors (Bril, 2016, pp. 50–51). The research also informed a Cardano Development feasibility study on building “a more effective bridge between the world of development finance and private investors” (Bril, 2016, pp. 3, 9). My relationships to ILX, TCX and ABP are set out in the disclosure at the front of this paper.

A decade later, that proposal warrants re-examination. In September 2025, IFC completed a USD 510 million CLO backed by IFC-originated emerging-market loans and described it as the first step in an originate-to-distribute strategy. A second USD 509 million transaction followed in June 2026, packaging 62 loans into rated securities, including Aaa and Aa1 senior tranches purchased by institutional investors (World Bank, 2025; World Bank, 2026a).

The resemblance to the 2016 proposal is notable, but it is not evidence that the original theory was correct. Retrospective exercises invite hindsight: recommendations become “predictions”, vague propositions are read generously, and an explanation developed after an outcome is presented as though it had predicted it. This paper therefore keeps two exercises apart. The retrospective assessment evaluates statements recoverable from the 2016 text against subsequent outcomes without assigning forecasting accuracy (Annex A). The framework in Section 5 is abductive: it proposes an explanation after examining the pattern, and its contribution is a set of prospective propositions.

Two questions organise the paper:

To what extent did the institutional-financial account of MDB and DFI behaviour articulated in 2016 anticipate the direction and mechanisms of development-finance innovation over 2016–2026, and where did it fail?

What can the pattern of realised and unrealised propositions tell us about which forms of financial innovation development institutions are structurally most likely to adopt, and what would it take for the resulting assets to reach institutional portfolios at scale?

Scope and contribution

Institutional balance-sheet reform (Section 3.1) affects all MDB lending, sovereign and non-sovereign, and provides the wider context. The distribution analysis from Section 3.2 onward concerns non-sovereign assets: syndication, insurance and securitisation of MDB loans have so far been confined almost entirely to private-sector loans, because sovereign MDB lending is priced below what private investors require and because distributing it raises questions about preferred creditor treatment (Humphrey and McHugh, 2026).

The paper builds on recent ODI Global work. Humphrey and McHugh (2026) map the instruments through which MDBs now engage investors and set out policy considerations for scaling them. Attridge, Getzel and Gregory (2024) examine the demand side, estimating what Europe's largest institutional investors could realistically allocate to emerging markets and developing economies (EMDEs). Humphrey (2024a) and Humphrey, McHugh and White (2023) analyse callable and hybrid capital, and Metcalfe-Smith et al. (2026) evaluate donor-backed local-currency facilities. This paper adds a ten-year retrospective assessment of an account of institutional behaviour, with an audit trail; an explanation, in terms of incentives, capabilities and harmonisation burden, for why some instruments scaled and others did not; a two-sided condition linking supply to investor requirements; and four post-distribution tests and five propositions for judging originate-to-distribute over the next decade. It speaks to the questions ODI Global's Centre for Private Finance in Development has set for itself: how incentives shape institutional decisions, how instruments should be judged by what they accomplish, and how development impact rather than mobilisation volume should become the design criterion (Koehring, 2026).

2 The 2016 argument

2.1 The functional view of financial intermediation

The original analysis drew on Merton's functional perspective: the core functions financial systems perform are more persistent than the institutions through which they operate (Merton, 1995). Financial intermediaries arise because real markets face information asymmetries, incomplete contracts, transaction costs, risk-management needs, and differences between the financial claims savers want and those borrowers can issue (Scholtens and van Wensveen, 2000; 2003; Greenbaum, Thakor and Boot, 2015).

The relevance to development finance is direct. An infrastructure project in a developing economy produces an illiquid, concentrated claim carrying construction, political, currency and cash-flow risk; an institutional investor requires a diversified, rated, sizeable and relatively liquid security with predictable cash flows. Asserting that the investor possesses capital does not bridge that difference. Some entity must perform asset transformation, and MDBs and DFIs can do so through due diligence, guarantees, diversification, aggregation, monitoring, syndication, currency intermediation, credit enhancement, and risk-bearing. Financial innovation can therefore be understood as adapting the institutional structure of intermediation to reduce real financial frictions (Tufano, 2003).

2.2 Additionality and risk management

The 2016 study identified a tension. A development institution is expected to demonstrate additionality: at least part of its activity should involve transactions, maturities, risks, countries or sectors that commercial finance would not undertake independently. However, risk management is integral to financial intermediation. A market-funded MDB must preserve access to funding, a bank DFI must comply with capital requirements, and a highly rated institution may see a loss of its rating as a threat to its development capacity.

The result is not that institutions reject additionality. Instead, they separate origination, risk-bearing, and ultimate ownership. Syndication is the elementary example; guarantees, insurance, portfolio risk transfer and securitisation each separate a further part of the financing or risk-bearing function from origination and monitoring. The 2016 proposition was therefore that financial constraints would themselves become an important driver of financial innovation, and that institutions facing different constraints would innovate differently (Bril, 2016, pp. 15, 25, 49).

2.3 How the record was assessed

The dissertation contained no preregistered forecast, so what follows is a structured retrospective assessment rather than a test. I recovered statements from the 2016 text and sorted them into directional expectations, specific mechanism proposals and diagnoses. I assessed each admitted proposition for direction, mechanism, and timing; classified outcomes as realised, partially realised, different mechanism, not realised, or disconfirmed; and assigned evidential weight based on the proposition's specificity and how easily a different outcome could have occurred. Diagnoses are retained but not counted, ILX is excluded, and no forecasting-accuracy percentage is calculated. Annex A gives the criteria and the evidence base.

3 What happened, 2016 to 2026

3.1 Capital adequacy became the central MDB reform agenda

In 2016 the dissertation argued that credit ratings, capital adequacy, concentration risk and the protection of callable capital strongly shaped MDB behaviour, and that lending capacity might materially exceed what institutions were using.

The subsequent reform agenda placed capital adequacy, callable capital, hybrid capital, guarantees and risk appetite at the centre of MDB policy. The G20's 2022 independent review of MDB capital adequacy frameworks and its 2023 implementation roadmap documented progress and set further priorities (G20, 2023). ODI Global research estimates that the reforms have collectively generated USD 300 billion to USD 400 billion of additional lending capacity over the coming decade, while arguing that the agenda remains unfinished (Humphrey, 2024b). At IBRD, successive measures included a lower minimum equity-to-loans ratio, hybrid capital, a Portfolio Guarantee Platform and enhanced treatment of callable capital; by October 2024 the World Bank estimated that cumulative reforms could generate more than USD 150 billion of additional IBRD financing capacity over ten years (World Bank, 2024a). Callable capital, USD 296 billion at IBRD against USD 22 billion paid in as of June 2023, became the subject of new governance disclosure aimed partly at rating agencies (World Bank, 2024b; Humphrey, 2024a).

This direction is consistent with the 2016 account: policymakers redesigned the financial architecture itself to expand development capacity. The direction was, however, already established. G20 leaders endorsed the MDB Action Plan to Optimise Balance Sheets in November 2015 (MDBs, 2017). The 2016 contribution connected that agenda to institutions' own

constraints; it did not originate the policy direction, so the classification carries medium evidential weight.

Classification: Realised.

3.2 Portfolio risk sharing and distribution expanded

In 2016, co-financing and syndication were already widespread, but development institutions were only beginning to explore systematic portfolio distribution and risk sharing. IFC's Managed Co-Lending Portfolio Program (MCP), launched in 2013, developed into a platform through which investors and credit insurers obtain diversified exposure alongside IFC; its programme description reports more than USD 19 billion mobilised from 18 partners, with investors agreeing eligibility criteria in advance while IFC originates, appraises and supervises the loans (IFC, 2026a). In February 2026, IFC announced a USD 6 billion credit-insurance facility involving 19 global insurers, which it stated could support up to USD 10 billion of new lending and brought total MCP funds and credit-risk capacity to approximately USD 25.5 billion (IFC, 2026b). Other MDBs now use unfunded risk participations and credit insurance at scale (Humphrey and McHugh, 2026).

Synthetic risk transfer predates funded securitisation. In September 2018, AfDB priced Room2Run, a USD 1 billion synthetic securitisation referencing approximately 50 non-sovereign loans, with mezzanine protection from Mariner and Africa50 and an additional senior-mezzanine guarantee from the European Commission. AfDB committed to redeploy freed-up capital into renewable energy in sub-Saharan Africa (AfDB, 2018); the commitment is not itself evidence of realised additionality. IDB Invest followed with a USD 1 billion significant risk transfer in 2024 and became the first MDB to re-tap its structure in December 2025 (Humphrey and McHugh, 2026).

EBRD followed in May 2026 with Mosaic, a EUR 1 billion synthetic securitisation referencing a diversified private-sector portfolio that spans more than half of the economies in which it invests. EBRD retained the EUR 835 million senior tranche and the EUR 20 million first-loss tranche. AXA XL, AXIS Capital and Liberty Mutual insured a EUR 45 million upper-mezzanine tranche, and PGGM, on behalf of the Dutch pension fund PFZW, took a EUR 100 million lower-mezzanine tranche through a credit-linked note (EBRD, 2026a; 2026b). The structure, replenishment terms and amortisation triggers are public; the pricing and the capital released are not. A pension investor has therefore taken funded mezzanine exposure to an MDB portfolio, which extends institutional participation beyond senior notes. It does not by itself establish broad demand or show which constraint limits larger allocations; Section 5.4 returns to that question.

These transfers carry costs for the originator that the announcements do not quantify. The protection premium on the insured and placed tranches is a recurring charge against the portfolio's income. Retained first-loss exposure may be compensated through portfolio income or residual cash flows; whether that compensation is adequate requires transaction-specific evidence that the announcements do not provide. External public support has accompanied some transactions, including the European Commission guarantee in Room2Run and the UK public equity in the IFC CLOs described in Section 3.6. Neither a premium nor the presence of public capital establishes a subsidy on its own; Section 7.1 sets out how to keep public risk, public cost and subsidy apart.

Classification: Realised.

3.3 ILX: an embedded implementation case

ILX approached the problem from the investor side: an independent manager constructing diversified portfolios from loans originated and monitored by multiple MDBs and DFIs, so that each pension fund need not build its own MDB relationships and credit capability. Its development phase began in 2017 with support from Dutch, German and UK public institutions. Its January 2022 financial-close announcement recorded a USD 750 million commitment from APG on behalf of ABP and bpfBOUW (Cardano Development, 2022). OECD reports that Fund I subsequently expanded to USD 1.5 billion and that Fund II, launched in 2024 with USD 185 million from Danish pension funds, brought total capital to approximately USD 1.7 billion (OECD, 2025). Humphrey and McHugh (2026) record a portfolio of USD 1.3 billion across 69 investments in 29 countries, originated by IFC, EBRD, IDB Invest, ADB, FMO, Proparco, British International Investment and DEG, with investors primarily large European pension funds. AfDB signed a partnership agreement with ILX in April 2023 (AfDB, 2023). Cardano Development now holds a 33.46% minority interest in ILX Management, which has its own supervisory board (Cardano Development, 2026, p. 18).

ILX performs several of the intermediary functions identified in 2016: origination and monitoring by MDBs and DFIs, independent portfolio selection and aggregation, diversification across institutions, countries and sectors, and institutional-pension ownership. It also reports impact at project and portfolio level. This matters because Table 7 of the 2016 dissertation separately proposed “an active independent broker with access to risk management tools (guarantees, hedges and grants) and loan-to-notes SPVs, matching investors’ preferences” (Bril, 2016, p. 51). ILX is not identical to that broker: it holds pari-passu loan participations in an unrated, closed-end private-credit fund, without a concessional first-loss tranche, underwritten on the historical performance of MDB and DFI loans rather than on an external rating (OECD, 2025). That format was available in 2022, when institutional allocations to private credit had grown substantially since 2016, although the evidence does not establish that this growth drove its adoption. The 2016 study therefore identified function, aggregation, and transfer more accurately than format. For the reasons in the disclosure, Table 2 excludes ILX from the classification count.

3.4 Local-currency finance expanded substantially, but remains structurally constrained

The 2016 dissertation treated currency mismatch as a structural weakness: a hard-currency liability against local-currency revenues leaves the borrower bearing a risk it is poorly equipped to manage. The interviews already identified TCX, The Currency Exchange Fund, as a specialised response, and the 2016 conclusion was cautious: almost all surveyed lenders offered some local-currency financing, but not at sufficient scale (Bril, 2016, pp. 43–44, 49, 81). TCX is therefore a longitudinal case, and the question is whether it scaled.

In 2016, TCX executed USD 562 million of new primary investments, excluding rolled-over trades, across 242 transactions in 46 DAC currencies (TCX, 2017, pp. 6, 8). In 2025, new primary hedging reached USD 2.84 billion in 572 transactions across 54 currencies, a fifth consecutive record. Gross local-currency derivatives outstanding reached USD 9.24 billion across 58 currencies, and net local-currency exposure USD 3.15 billion. Currency risk equivalent to 62% of the year’s production, USD 1.76 billion, was transferred to private investors through offsetting transactions (TCX, 2026, pp. 4, 6–8). Annual primary production increased approximately 5.1-fold.

TCX demonstrates that specialised currency-risk transformation can scale. It does not establish that the wider system has resolved currency mismatch. IFC reached roughly one-third of long-

term debt commitments in local currency and targets 40% by 2030 (Banga, 2025; World Bank, 2026b). TCX reports that many end-clients still choose hard-currency debt for short-term cost reasons, that energy and infrastructure contracts are frequently dollar-denominated, and that its capacity to offset positions depends on private appetite for frontier-currency risk, which retreats in risk-off periods (TCX, 2026, p. 16).

ODI Global's evaluation of donor-backed local-currency facilities assessed one TCX instrument, the 2021 pilot of the EU Market Creation Facility: a EUR 20 million European Commission guarantee that let TCX discount hedge pricing on EUR 120 million of loans allocated by auction. The pilot was fully used, supporting 68 trades with 34 investors across 14 currencies and 17 countries, seven of them low-income, at an average price reduction of 2.23%. It scored as broadly viable and as a cost-efficient use of donor funds at 6x leverage, but it was not integrated into onshore markets and involved no engagement with local policymakers (Metcalf-Smith et al., 2026, pp. 20–23). These findings concern one facility, not TCX as a whole, but they mark the boundary that matters here: offshore currency-risk transformation can scale, while the domestic market development that would eventually make it unnecessary is a separate task.

Currency mismatch also marks a boundary of the incentive argument, because on a hard-currency loan the exchange-rate risk falls first on the borrower. Financial institutions accounted for 86% of the development loans TCX hedged in 2023, while hedging for public-sector borrowers began only in 2022 and remained about 5% of volume that year (TCX, 2024), though that share grew in 2025 (TCX, 2026, p. 4). One explanation is that regulators in many markets cap the open foreign-currency positions of banks and microfinance institutions, so the constraint that drove adoption sat with the borrower rather than the originator. Other explanations fit the same composition, including TCX's distribution channels, the sector mix of DFI portfolios and hedging affordability. I record the regulatory explanation as a hypothesis. If it is right, prudential rules on open positions are a lever that policymakers hold directly.

Classification: Partially realised, with substantial scaling of specialist local-currency infrastructure.

3.5 Risk information became substantially more public

A recurring 2016 finding was that institutional investors lacked aggregated evidence on default and recovery experience. GEMs already existed in 2016, so what changed was public access and granularity, not the database's existence. The GEMs Consortium's October 2025 release covered lending to more than 10,000 private entities in 169 countries over 1994–2024 and reported an average annual private-lending default rate of 3.54% and an average recovery rate of 72.9% (EIB, 2025). These are portfolio statistics from participating institutions, not estimates of the expected loss on an arbitrary EMDE investment, because MDB portfolios reflect selection, institutional privileges, structuring and monitoring that private investors cannot automatically replicate. The direction aligns with the original diagnosis, and insurers in particular have quickly internalised the evidence (Humphrey and McHugh, 2026). Because policymakers already recognised the need for better information in 2016, I assign this lower evidential weight than the securitisation proposition.

Classification: Partially realised. The information-release component is realised; the investor-response component is unverified.

3.6 Securitisation: the most specific correspondence

The 2016 proposal was unusually specific: joint warehouse facilities and funding platforms holding diversified pools of EMDE cash flows, transformed through “simple and transparent

securitisation and CLO tranches, investment grade-rated, and tradable notes” for institutional investors (Bril, 2016, p. 51). The relevant correspondence is IFC’s funded, rated securitisation of its own loan portfolio. It was not the first MDB securitisation: Room2Run transferred risk synthetically in 2018, IDB Invest did so in 2024, and EBRD in 2026, and BOAD showed in 2023 and 2024 that sub-AAA MDBs can securitise (Humphrey and McHugh, 2026). In September 2025, the funded, rated, and listed form arrived.

IFC’s inaugural Emerging Markets Securitisation Program transaction was a USD 510 million CLO with a senior tranche sold to private investors, a mezzanine tranche insured by private credit insurers, and an equity tranche co-invested by IFC and the UK’s MOBILIST programme, which reports that it invested on commercial terms (MOBILIST, 2025; Section 7.1 records the disagreement on this point); IFC called it the first tangible step toward originate-to-distribute (World Bank, 2025). The second, oversubscribed USD 509 million CLO of June 2026 contained 62 IFC-originated loans, added an Aa1 senior tranche, and placed its equity with IFC and the UK’s Foreign, Commonwealth and Development Office (FCDO), through MOBILIST (World Bank, 2026a). IFC has stated an ambition of USD 2 billion in issuance a year (Humphrey and McHugh, 2026). Table 1 sets out the layers.

Table 1: IFC Emerging Markets Securitisation Program transactions (USD million except percentages)

Component	September 2025	June 2026	Holder or risk bearer
Senior notes, Aaa	320	320	Private investors
Senior notes, Aa1	none	50	Private investors
Mezzanine	130	80	Insured by private credit insurers
Equity	60	59	IFC with MOBILIST (25) in 2025; IFC with the FCDO, through MOBILIST, in 2026
Total	510	509	
Beneath the most senior tranche	37.3%	37.1%	
Beneath the Aa1 tranche	none	27.3%	
Sold to private investors as rated notes	62.7%	72.7%	
Equity as share of transaction	11.8%	11.6%	

Sources: World Bank (2025, 2026a); MOBILIST (2025).

The transactions establish that the mechanism is producible at single-originator scale. They do not establish a self-sustaining market or additional development outcomes. Subordination is not equivalent to public support: roughly 37% of each structure lies beneath the most senior tranche, but only about 12% is equity held by IFC and UK public capital. Pricing raises a further question. Humphrey and McHugh (2026) report that Room2Run’s mezzanine investors received 10.625% a year and that IFC’s Aaa notes reportedly paid more than IFC’s own funding cost. A premium for a new asset type is not surprising, and it buys risk transfer and capital relief, but it means the equity share alone cannot measure what the public sector pays for these transactions; Section 7.1 sets out what a proper measure requires. The announcements leave open whether the value of the risk transferred and the financing it enables justifies that recurring cost, and transaction size does not measure the capital released. The announcements do not provide the loan-level and pricing detail that would show whether the rating enhancement is conservative.

The classification concerns the core mechanism, rated securitisation of a diversified pool of EMDE loans.

Classification: Realised in form at single-institution scale; timing late, scale limited, joint warehousing not demonstrated, and junior risk-bearing still publicly backed.

3.7 The cross-MDB clearinghouse did not materialise within the period

This is the clearest negative result. The 2016 proposal envisaged joint warehousing and a global clearinghouse pooling development-finance exposures across institutions, and the reviewed documentation established no operational arrangement of that form by 27 August 2026.

The World Bank's Private Sector Investment Lab update of 25 June 2026 reported an MDB working group pursuing standardisation and platforms for pooling assets, and a pilot MDB debt fund transaction aimed at tangible progress in structuring by the October 2026 Annual Meetings (World Bank, 2026b). That is a structuring milestone, not a commitment to close a transaction. Regionally, AfDB appointed Société Générale in November 2025 to advise on a multi-originator synthetic securitisation platform with an initial USD 2 billion reference portfolio combining AfDB, DBSA and potentially other institutions' assets; the design envisages harmonised issuance documentation, standardised credit assessment and a shared special-purpose vehicle over time (AfDB, 2025). It has not completed a risk-transfer transaction, and its design shows that a regional synthetic platform does not necessarily avoid substantive harmonisation.

The classification is not realised within the observation period; development without an operational transaction does not warrant a disconfirmation. The underlying function, cross-institutional aggregation for institutional investors, is not itself unrealised: Section 3.3 shows it emerging through ILX, by the independent-intermediary route the 2016 dissertation separately proposed.

Classification: Not realised by the cut-off.

3.8 The pattern

Table 2 summarises the assessment. Seven propositions are classified: four realised, two partially realised and one not realised. Two 2016 diagnoses and ILX are excluded from the count. No proposition was disconfirmed.

Table 2 Retrospective assessment of the 2016 propositions

2016 proposition	Type	Outcome by cut-off	Classification	Weight
Financial and rating constraints should drive balance-sheet innovation	Directional expectation	CAF reform, hybrid capital, guarantees, callable-capital reform and equity-ratio changes	Realised	Medium
Development institutions should increasingly distribute or share risk rather than retain every exposure	Directional expectation	Room2Run (2018), IDB Invest (2024), EBRD (2026), MCPPI, insurance, portfolio guarantees and risk-transfer structures expanded	Realised	High
Co-financing and syndication should develop toward more systematic portfolio mobilisation	Directional expectation	MCPPI expanded to institutional investors and insurers	Realised (Note 1)	Medium

2016 proposition	Type	Outcome by cut-off	Classification	Weight
Local-currency financing should expand, but structural market constraints would make transformation slow	Directional expectation, grounded in a 2016 diagnosis	Annual TCX primary hedging increased from USD 562 million to USD 2.84 billion; wider local-currency transformation remains incomplete	Partially realised	Medium-high
Greater availability of aggregated default and recovery data should reduce the investor information barrier	Specific response to a diagnosed barrier	GEMs information became substantially more public and granular	Partially realised: information release realised; investor response unverified	Medium-low
Diversified EMDE loans could be transformed through warehousing, securitisation and rated CLO tranches	Specific mechanism proposal	IFC rated securitisation operational at single-originator scale; joint warehousing not demonstrated; transparency only partly established	Realised in form at single-institution scale (core mechanism)	High
Independent intermediary matching development-finance exposures with investors	Specific mechanism proposal	ILX aggregated MDB and DFI loans through an independent manager	Embedded implementation case; excluded from count (Note 2)	Not scored
Cross-MDB pooled platforms or clearinghouse should create greater scale and liquidity	Specific mechanism proposal	World Bank working group and AfDB platform under development; no operational clearinghouse in the reviewed record	Not realised	High
Insufficient bankability and project preparation would remain an important constraint	2016 diagnosis	Project preparation remains prominent in MDB policy	Persistent diagnosis	Not classified
Non-bank institutional investors would remain difficult to mobilise at scale	2016 diagnosis	Participation increased, but mobilisation remains concentrated	Persistent diagnosis	Not classified

Notes: (1) MCPP is treated as continuity rather than a different mechanism because managed co-lending was already identified in the 2016 primary evidence alongside A/B syndication and co-financing (Bril, 2016, p. 41). Rows 2 and 3 both draw partly on MCPP evidence and are not independent. (2) The ILX row is excluded because the 2016 research formed part of the feasibility work from which ILX emerged.

The innovations that progressed most strongly are financial and downstream. The largest incomplete ambitions require either transformation of domestic financial systems or cross-institutional cooperation, except where a specialist intermediary isolates a standardisable function, as TCX does, or aggregates outside the originating institutions, as ILX does. Section 5 develops that observation into an explanation, conditional on the caution that the AfDB platform itself envisages shared standards.

4 How much private capital has been mobilised

The mobilisation record requires care because different statistical systems measure different things.

The OECD's Development Assistance Committee framework reports private finance mobilised through identifiable official interventions. On this measure, private finance mobilised reached a record USD 77 billion in 2024, with MDBs accounting for approximately 71% of the 2021–2024 total. The OECD concludes that mobilisation has grown but remains below earlier expectations and development-financing requirements (OECD, 2026). The distribution is uneven: over 2021–2024, 8% of mobilised finance reached low-income countries, and 6% went to social sectors (Koehring, 2026, citing OECD data).

The joint MDB and DFI methodology reports a larger figure. For 2024, participating institutions reported USD 278.5 billion of total private mobilisation across all income groups, of which USD 108.7 billion related to middle- and low-income countries (MDBs and DFIs, 2026). The methodologies differ in scope, attribution, and how they treat direct and indirect mobilisation, and the larger figure includes high-income-country activity. They are separate measures with different coverage, not lower and upper bounds on one estimate.

Both series show growth, but neither demonstrates annual mobilisation on a trillion-dollar scale. UNCTAD's mid-point review put the annual SDG investment gap in developing countries at approximately USD 4 trillion, up from USD 2.5 trillion when the SDGs were adopted (UNCTAD, 2023). That estimate remains the reference figure: the Financing for Sustainable Development Report 2026 restates the gap at over USD 4 trillion a year and organises the follow-up to the Sevilla Commitment, adopted at the Fourth International Conference on Financing for Development in 2025, around closing it, including through scaled-up MDB lending (United Nations Inter-agency Task Force on Financing for Development, 2026). Global foreign direct investment rose 6% to USD 1.6 trillion in 2025, but developing economies received USD 901 billion, up only 2%, and many of them remain outside the concentration of strategic-sector investment (UNCTAD, 2026). The investment gap is a needs estimate, not a denominator comparable with either mobilisation series.

The relevant finding is narrower. Despite a decade of material innovation, the volume directly associated with official mobilisation remains roughly an order of magnitude below even USD 1 trillion annually. The empirical story is innovation with meaningful but incomplete scaling, not innovation without mobilisation.

5 Why some innovations scaled, and others did not

The framework in this section is not an ex-ante proposition assessed in Table 2. It is an abductive interpretation developed after observing the ten-year pattern, and it competes with other explanations, including development need, shareholder intervention and public support, which the evidence does not separate.

5.1 Incentive compatibility

Several successful innovations directly relax constraints faced by the development institution itself: a lower equity-to-loans requirement releases headroom, guarantees and insurance transfer risk, syndication reduces retained exposure, and securitisation recycles capital. They can serve the development mandate, but they also provide a measurable institutional benefit.

A prior condition applies to every case. Mandate compatibility means that boards and shareholders regard an innovation as permissible. It is a threshold rather than a matter of degree, but the threshold is perceived, contestable and can move, and approval establishes permission, not development effectiveness.

An innovation is incentive-compatible when achieving the development objective also relaxes a material financial, capital, risk, shareholder or organisational constraint faced by the development institution itself.

The concept assumes only that institutional constraints affect behaviour, not that development institutions are profit-maximising banks. Borrower-side constraints can create demand for innovation, as the TCX evidence suggests, but adoption also requires an originator able and willing to respond.

5.2 Capability compatibility

A second distinction concerns what the organisation already knows how to do. Designing a guarantee or a CLO may be technically complex, but it draws on the credit, treasury, legal and risk capabilities MDBs and sophisticated DFIs already employ. Creating an investable infrastructure market in a low-income country may require land reform, procurement capacity, regulatory credibility, tariff design, local-currency markets, political coordination and years of institution building. MDBs possess some of these capabilities, but many of the resulting benefits fall outside the MDB's own balance sheet, and the resources and accountability attached to them are weaker.

An innovation is capability-compatible when it relies primarily on skills, systems, governance processes and organisational routines that the institution already possesses or can acquire without fundamental organisational change.

5.3 From coordination intensity to institutional-harmonisation burden

A third variable emerges from the unrealised cross-MDB platform. The obvious candidate, coordination intensity, is the number of institutions an innovation requires to agree. ILX and TCX show that this is too crude: both involve many development institutions, yet both grew materially. What separates them from the cross-MDB clearinghouse is not the number of institutions involved but the extent to which those institutions must harmonise their own internal processes.

The institutional-harmonisation burden of an innovation is the degree to which it requires participating institutions to align their own mandates, documentation, credit standards, eligibility rules, data definitions and internal processes, rather than simply the number of institutions whose agreement it requires.

The burden has two components. Technical harmonisation covers documentation, data definitions, credit methodology and reporting, and can converge through shared standards and shared infrastructure. Governance harmonisation covers decision rights, mandates, shareholder structures, preferred-creditor treatment and risk appetite. I expect it to converge far more slowly, because it requires decisions by sovereign shareholders, but that is an expectation to test rather than a finding. Humphrey and McHugh (2026) reach a compatible conclusion from the market side: standardised transaction characteristics, data definitions and legal documentation are the reforms most needed to broaden the investor base, and convergence is happening only ad hoc.

The burden can be assessed before adoption is observed, which is what stops the framework from explaining every outcome after the fact. Four indicators suffice for a first assessment: the changes required to each originator's internal rules; the approvals required from governing bodies; the differences an intermediary can reconcile contractually; and the incompatibilities that remain after that reconciliation. Table 3 applies them to the two announced cross-MDB initiatives. The working hypothesis in the final row rests on the initiatives' stated design objectives, not on how

many institutions each involves, and it is provisional: the internal changes and approvals each will require are not yet disclosed.

Table 3 Harmonisation-burden indicators for two announced platforms at the evidence cut-off

Indicator	AfDB and DBSA platform	World Bank MDB working group
Changes to internal rules	Shared issuance documents and credit assessment are envisaged. Required internal changes are not disclosed.	Standardisation is an explicit objective. Required changes by institution are not disclosed.
Governing approvals	AfDB and DBSA are named; other originators may join. Approval requirements are unknown.	The cited update does not disclose membership and approval requirements.
Contractual reconciliation	A shared vehicle is planned. How much it substitutes for internal harmonisation is unknown.	A debt-fund pilot is being structured. It is unclear how much it reconciles contractual differences.
Residual incompatibilities	Unknown before final design and documentation.	Unknown before final design and documentation.
Working hypothesis (provisional, not established)	The announced design combines a shared vehicle with harmonised documentation and credit assessment, so the burden is not low by design; a bilateral structure may allow contractual reconciliation of some differences, but two institutions can carry substantial incompatibilities.	The stated objective is standardisation across many institutions, which implies a high burden for the platform. The pilot debt fund may carry a lower burden if a manager reconciles differences contractually, as ILX does.

Sources: AfDB (2025); World Bank (2026b). The available information does not establish the relative burden of the two initiatives. Term sheets, eligibility criteria, governance approvals and reporting standards will confirm or overturn the working hypothesis as they are published.

One further hypothesis qualifies the framework: publicly backed junior risk-bearing may substitute for harmonisation, lowering the immediate burden but weakening the incentive to reduce it. The two IFC transactions are consistent with this but do not demonstrate it.

The framework generated by the ten-year evidence is therefore:

Conditional on mandate compatibility, the likelihood that a development institution adopts an innovation rises with its incentive compatibility and capability compatibility, and falls with the institutional-harmonisation burden it imposes. Cross-institutional arrangements can nevertheless scale where a specialist intermediary isolates a sufficiently standardisable function or performs the aggregation outside the originating institutions altogether. How much an intermediary absorbs is a variable to measure, not an exemption to invoke whenever cooperation succeeds.

5.4 A two-sided condition for mobilisation at scale

The framework is a supply-side theory: it explains what makes an innovation producible, but says nothing about whether the resulting claim is one an institutional investor can hold. The demand side has its own structure. ICPM's Domestic Investments Working Group describes an "investible window": the legal, financial, and governance conditions that must exist simultaneously for capital to flow while respecting fiduciary duty, structured around risk-return alignment, scale and liquidity, governance, and development stage, within a stable political, legal, and macroeconomic environment. In its June 2025 survey of about 30 funds managing around USD 3 trillion, 86% cited attractive risk-return profiles, and 78% cited stable legal and regulatory

environments as conditions for investing (ICPM, 2025, pp. 16, 39). The framework was developed for domestic allocation, but its dimensions are not intrinsically domestic, and ICPM observes that window thresholds move as governance capacity, expertise and mandates develop.

Combining the two sides gives a condition for mobilisation at scale:

Sustained institutional mobilisation requires both that originating institutions can produce the mechanism and that institutional investors can hold the resulting claim. On the supply side, the mechanism must fit the mandate, incentives, capabilities and organisational architecture of the originating institutions, and the harmonisation it requires across those institutions must be manageable through internal adaptation, common standards, contractual arrangements or specialist intermediation. On the demand side, the resulting claim must fall within investors' investible windows for risk-return alignment, scale and liquidity, governance, development stage and the surrounding institutional environment.

The condition applies to mechanisms that distribute assets to institutional investors; capital-adequacy reform can scale without producing an investment product. The evidence does not identify which constraint limits mobilisation. Small allocations may reflect limited issuance, pricing, originator economics, donor or retained-risk capacity, transaction costs or investor constraints, and IFC's oversubscribed second transaction shows that small issuance cannot be read as weak demand. Demand should be read from intended versus achieved placement, pricing, order books, investor breadth and repeat participation; the investor reporting requirement in Section 9.4 asks for exactly those observations.

Asset-class formation cuts across both sides of the condition. Common data definitions, documentation and repeat issuance are the technical harmonisation of Section 5.3, and they fall on originators and intermediaries. Public performance data, benchmark eligibility and a track record of repeat issuance lower the information and implementation costs that keep a claim outside an investor's window. The two mechanisms complement rather than compete, and structuring and pricing practices can, in turn, influence what originators lend against; Proposition P5 treats that boundary as something to observe. The record does not yet show how far either mechanism has moved allocations.

Translated into an asset owner's decisions, the demand side raises questions that remain candidate constraints rather than findings. Does a rated securitisation note backed by MDB-originated loans qualify for the relevant mandate? How is it benchmarked? What liquidity and analytical capacity does holding it require? Does it offer competitive value against eligible alternatives? Does the issuance programme offer enough repeat opportunities to justify dedicated research and mandate development, and how far do concentration limits constrain holdings of any single issue? For insurers, how does its regulatory capital treatment compare with that of eligible alternatives? Each question corresponds to a constraint listed in Section 9.4, and each can be investigated through mandate documents, allocation data and transaction records as well as interviews. Which of them binds is the empirical question this paper leaves open.

6 Two readings of the same evidence

The financial-intermediation interpretation is not the only plausible account of these developments. Gabor's critique of the emerging "Wall Street Consensus" argues that the post-2015 development-finance architecture increasingly reorganises development policy around the requirements of institutional investors: the public sector becomes a de-risking state, absorbing political, demand, liquidity and currency risks so that private investors receive investable claims

(Gabor, 2019; 2021). Gabor applied this critique to MDB securitisation before IFC's programme, and after the first CLO, the Bretton Woods Project raised questions about development impact, accountability and opacity (Bretton Woods Project, 2025).

These criticisms are a competing interpretation of the same evidence. The intermediation account holds that MDBs use their origination and monitoring capabilities to transform claims into forms compatible with institutional mandates, and that distribution releases capacity for additional development activity. The Wall Street Consensus account holds that investor requirements increasingly shape the architecture, that public institutions absorb risk to manufacture privately acceptable claims while investors take senior, rated exposures, and that the need to manufacture distributable assets can, over time, affect project choice, domestic financial architecture, and policy space.

The existence of an IFC CLO does not distinguish these accounts. Originator retention of the first-loss position is what standard securitisation theory predicts as a signalling and incentive device (Greenbaum, Thakor and Boot, 2015), so the friction-reducing account predicts it as readily as the critique does. What separates the two readings is pricing, public exposure before and after distribution, the risk actually transferred, decision rights, and what happens to released capacity. Those are the four tests in the next section.

7 Four tests for originate-to-distribute

Originate-to-distribute has a long history in commercial banking, including syndicated corporate lending and CLO markets (Bord and Santos, 2012). IFC's programme applies that logic to its development-loan portfolio. Four questions determine whether the result serves development.

7.1 Where does the risk ultimately sit, and what does it cost

In both IFC CLOs, private investors bought the senior tranches, insurers covered the mezzanine, and IFC and UK public capital held the equity: USD 25 million of USD 60 million from MOBILIST in 2025, and a USD 59 million tranche held with the FCDO in 2026 (MOBILIST, 2025; World Bank, 2026a). Junior capital absorbs risk and thereby creates senior claims suitable for institutional investors. However, "private capital mobilised" is not identical to "private risk assumed".

Three quantities must be kept apart. Public risk is the loss exposure that public balance sheets carry after the transaction: the originator's retained first-loss position, external public equity, guarantees, and counterparty and residual risks. Public cost has three parts that must be valued separately before any comparison: the incremental financing and transaction costs of distribution relative to a comparable retain-and-fund alternative; the valued cost of public guarantees and other support, net of the compensation received for them; and, on the benefit side, the capital relief and risk transfer obtained, each measured on its own terms. A guarantee's notional amount is not its cost, and the originator's unsecured funding rate alone is not a sufficient benchmark for a tranche with different recourse and liquidity. Subsidy is the part of public risk-bearing or cost that is not compensated at a market benchmark. The equity share identifies a public first-loss position in the capital structure; it does not, by itself, measure total public risk, public cost, or subsidy. Public participation on commercial terms entails risk-bearing without subsidy; a distribution premium is a cost even without subsidy; and a small equity tranche can coexist with a large guarantee.

The sources already disagree on one of these quantities. MOBILIST reports that it invested on commercial terms (MOBILIST, 2025). Humphrey and McHugh (2026) describe both Room2Run

and the first IFC CLO as benefiting from below-market official support, citing the European Union guarantee in the former and the UK's participation in the junior tranche of the latter. The sources characterise the support differently, and the available pricing evidence does not establish whether the UK investment was concessional. A before-and-after comparison therefore needs to report retained first-loss risk, insurer and residual risks, new public equity from outside the originator, the pricing of each layer relative to a stated benchmark, and the capacity actually released. Room2Run, where private investors took a mezzanine layer while AfDB retained others and the European Commission added protection (AfDB, 2018), shows that neither a senior-retention nor a junior-retention label captures all public risk. Public and private credit insurance must not be combined in a denominator labelled public support. Proposition P4 in Section 10 specifies how to compare mobilisation with public risk.

7.2 What happens to the released capital

The strongest developmental defence of originate-to-distribute is not that IFC can sell assets. It is that IFC can sell relatively seasoned or marketable exposures and use the released capital to originate more investment than it otherwise could. That creates an empirical test with three parts. Expansion: does the institution finance more than it would have without the transaction, given its capital constraint? Composition: does the replacement portfolio contain poorer countries, more fragile states, longer tenors, greater project-development risk, more local-currency exposure or new sectors? Outcomes: what does the additional financing achieve? Expansion can be additional even when replacement assets resemble the distributed ones, because the counterfactual is what would have been financed without the transaction. If IFC replaces distributed assets with similar assets and originates no more than it would have without the transaction, it has not demonstrated additional financing, whatever the gains in capital efficiency or diversification.

7.3 Do investor preferences change origination

An originate-to-distribute model can reverse the direction of influence. Initially the MDB originates, and the market buys; at sufficient scale, market preferences affect what the MDB originates. If investors disproportionately demand larger, rated, standardisable and relatively mature assets, the originating institution may face pressure to produce more assets with those characteristics. That would be commercially rational, but it could conflict with the rationale for a development institution, which is strongest where markets are incomplete. This is the sharpest difference between the intermediation and Wall Street Consensus readings, and it is why Humphrey and McHugh (2026) close their policy considerations with mechanisms to keep the development mandate in the foreground as distribution scales.

7.4 What happens during stress

Private institutional capital is not necessarily countercyclical: appetite for emerging-market securities is strongest when liquidity is ample and weakest in risk-off episodes, whereas development banks have been valuable partly because they lend when private markets withdraw. TCX's own reporting records the same dependence on private appetite for frontier-currency risk (TCX, 2026, p. 16). An originate-to-distribute model should therefore complement, not weaken, the ability to hold assets through stress. The first two IFC CLOs occurred under one set of market conditions. The decisive evidence will come when issuance encounters a significant EMDE credit or liquidity shock.

8 The funding gap, restated

The original dissertation's strongest wording on the financing gap should be corrected rather than defended. In places, the 2016 text described the problem too categorically as an absence of a "bankable funding gap" (Bril, 2016, p. 49), blurring concepts that should have remained separate. Development need is the amount of investment required to achieve development and sustainability objectives. The financing gap is the difference between required investment and finance actually deployed. The bankability gap is the portion of desirable development activity that has not been transformed into transactions that meet the risk, return, structure, scale, and governance requirements of available financiers.

All three can coexist. Global financial assets can be abundant while an enormous financing gap persists, because much of the underlying investment requirement does not generate financial claims acceptable to existing investors. The original claim is best understood as a distinction between financing needs and bankability, not a denial of unmet needs. UNCTAD's investment-gap estimate and the World Bank's October 2024 announcement of a project-preparation facility illustrate that both problems remain (UNCTAD, 2023; World Bank, 2024c).

The development-financing problem cannot adequately be described as an aggregate shortage of global financial capital. It is a multi-stage intermediation problem in which project preparation, bankability, risk transformation, currency, information, institutional constraints and market architecture determine how much financial capital can actually reach development activities.

9 Implications for decision-makers

Each subsection closes with a recommended action for its audience and the reporting that would make the tests in Section 7 and the propositions in Section 10 observable.

9.1 Shareholders and the G20: judge instruments by additionality and public risk, not volume

An MDB could maximise mobilisation by financing the safest projects in the safest developing economies, generating impressive numbers with limited additionality. Evaluation should combine mobilisation, additionality in the three senses of Section 7.2, and public risk employed; development outcome remains ultimately more important. This is the shift ODI Global's Centre for Private Finance in Development has placed at the centre of its agenda (Koehring, 2026), and the Sevilla Commitment's emphasis on impact gives it an intergovernmental anchor. The G20 is the forum in which such a standard can be coordinated; adopting and applying it falls to each institution's shareholders and governing bodies.

Action: adopt an evaluation standard for mobilisation instruments that scores additionality and public risk alongside volume, and that distinguishes public risk, public cost and subsidy as defined in Section 7.1.

Reporting requirement: publish mobilisation figures alongside a decomposition of public risk, separating MDB retained exposure, external public equity and guarantees, and private investor and insurer exposure, with the pricing of each layer relative to a stated benchmark.

9.2 MDB and DFI management: upstream activity may remain underprovided unless someone pays for it

Downstream financial engineering produces measurable transactions and often creates direct institutional benefits. Upstream project preparation produces less visible results, over longer horizons and for diffuse beneficiaries, so organisations may underinvest in it relative to activities whose benefits appear directly in lending, capital-efficiency or mobilisation statistics. Shareholders seeking more private investment should ask whether institutional incentives reward creating investable pipelines, not simply whether treasury and syndication teams hold better instruments.

Action: give project-preparation facilities dedicated budgets, staffing and accountability, separate from origination targets, so that provision does not depend on incentives that may not supply it.

Reporting requirement: report annually the number and volume of projects reaching financial close after MDB-supported preparation, on a stated definition, so that the pipeline can be compared with the growth of financial-engineering commitments (Proposition P2).

9.3 Builders of cross-MDB platforms: expect the harmonisation and measure it

Pooling across MDBs benefits mainly originators too small or too concentrated to issue alone, and investors who gain regular supply; for IFC, which already originates across dozens of countries and sectors, the marginal diversification gain is likely to be modest.

That distribution of benefits suggests a collective-action hypothesis: the institution best placed to lead standardisation has the least need of it and has already gone alone, while the institutions with the greatest need may lack the scale and capability to lead. If the framework is correct, a cross-MDB platform requiring common documentation and eligibility rules should prove materially slower to build than IFC's own programme, and near-term multi-originator vehicles should take forms that reconcile differences contractually, as ILX does, rather than a global utility with common standards; Proposition P1 sets out the test. Humphrey and McHugh (2026) suggest a G20 task force to build cross-MDB standards; the framework argues only that sponsors should measure the burden they ask institutions to carry, set expected timelines based on the harmonisation burden they document, and not read a slow start as failure.

Action: publish, for each platform before first closure, the four harmonisation indicators of Section 5.3, so that the burden is recorded before the outcome is known.

Reporting requirement: date each initiative from first public announcement to first closed transaction on a common convention, and keep discontinued initiatives in the record (Proposition P1).

9.4 Institutional investors, index providers and regulators: make investor behaviour the next priority

Several barriers identified in 2016 have weakened: GEMs data, MCPP, insurance and rated IFC CLO notes all exist. Institutional allocations nevertheless remain small and concentrated, and Section 5.4 explains why the record cannot yet say which constraint dominates. ODI Global's assessment of Europe's 35 largest asset owners found that even a doubling of their current EMDE flows would yield around USD 120 billion a year within five years, concentrated in publicly listed and investment-grade assets in large emerging markets (Attridge, Getzel and Gregory, 2024). The candidate constraints are concrete: allocation limits, regulatory capital treatment, benchmark inclusion, liquidity requirements, risk budgets, currency constraints, minimum ticket size, governance complexity and relative returns versus conventional credit. Another candidate is

the absence of a recognised asset class: public performance data, a benchmark, and repeat issuance would lower information and implementation costs, but the record does not yet show by how much.

Action: asset owners should state which of these constraints cap their allocation to MDB-originated EMDE credit. Index providers and asset owners should review the benchmark eligibility of rated securities backed by MDB-originated loans. The relevant regulators should review the capital treatment of those securities. GEMs should publish the pricing data needed to build a performance benchmark for MDB- and DFI-originated private debt; a usable benchmark also requires consistent treatment of defaults, recoveries, fees, currency, duration, valuation and liquidity before returns can be compared with public emerging-market debt indices.

Reporting requirement: for each distribution programme, intended versus achieved placement, pricing, order-book coverage, investor breadth and repeat participation, together with matched allocation data on the country-income composition and look-through credit quality of what institutional investors hold, so that demand can be observed and concentration compared with the originating institutions' portfolios (Proposition P3).

This evidence sits in different hands. Issuers and arrangers hold transaction, placement, and order-book data; asset owners and their implementing managers can explain allocation decisions and the constraints behind them; and independent evaluators, using agreed methods, baseline data, and explicit uncertainty, are needed to assess financing, composition, and development outcomes. The reporting requirement above therefore falls partly on originators and partly on investors, with independent scrutiny of the resulting assessment.

9.5 UNCTAD and the Sevilla follow-up

The Sevilla Commitment frames closing the USD 4 trillion gap partly through scaled-up MDB lending and private mobilisation. The record suggests that direct mobilisation will not close the gap and should not be scored as if it could; that, if the framework holds, the reforms which scale fastest are likely to be those that also relax constraints inside the institutions asked to scale; and that cross-institutional standardisation and upstream market building need funding and time that the follow-up should provide.

Action: report the OECD and joint MDB and DFI mobilisation series separately, each with its definition and coverage, alongside the investment-gap estimate, rather than as a single mobilisation number.

Reporting requirement: ask MDBs with distribution programmes to report the use of released capacity in the expansion, composition and outcome terms of Section 7.2, and the composition of new origination by cohort (Proposition P5).

10 What to watch, 2026 to 2036

The retrospective should produce hypotheses that can fail. The two-sided condition in Section 5.4 allows mobilisation to grow by transforming assets to meet existing investor criteria, or by expanding investors' expertise, governance capacity and mandates. The propositions below test the first route. Annex B sets out measurement notes for each.

P1 Implementation time will rise with harmonisation burden, and multi-originator aggregation will take the intermediary form

Across the initiatives this paper names, implementation time, measured from first public announcement to first closed transaction on a common convention, should rise with

harmonisation burden assessed on the four indicators in Section 5.3 before closure. When internal harmonisation is costly, arrangements that reconcile differences through an intermediary should be more likely to achieve repeated transactions. MCPP, ILX and IFC's programme calibrate the indicators only; the AfDB platform and the World Bank working group begin the prospective record. A positive association between burden and time supports the claim; its persistent absence, or a reversed association in an informative sample, counts against it. A global utility's eventual launch does not refute it, since the utility might take longer precisely because burden is high.

P2 Financial engineering will scale faster than upstream project creation

Risk transfer, guarantees, insurance and securitisation will expand more readily than upstream project creation, because they offer immediate institutional benefits and draw on established financial skills. The indicator compares growth in new financial-engineering commitments with growth in projects reaching financial close after MDB-supported preparation, from a 2026 baseline. Sustained faster upstream growth, after adjusting for lags and initial scale, is adverse evidence.

P3 Institutional allocations will remain concentrated by geography and credit quality

Institutional investors will continue to select disproportionately from exposures that meet their return, scale, liquidity and governance requirements, favouring middle-income countries, established sectors and operational or standardisable exposures unless public institutions alter one of those dimensions. The measurable claim concerns country-income composition and look-through credit quality relative to the originating institutions' own non-sovereign portfolios. Security ratings and underlying loan quality must be reported separately, because materially weaker loans can back a highly rated senior tranche. Macroeconomic stability deserves a caveat: rating agencies apply country ceilings, which cap the ratings of most foreign-currency instruments issued from a jurisdiction and are distinct from the sovereign rating itself, although some structures can be rated above the ceiling (Moody's Investors Service, 2020). P3 predicts concentration because of how windows are drawn, not because assets outside them perform worse. Convergence between what investors hold and the originating institutions' portfolios is adverse evidence only after accounting for transformation through tranching, guarantees and diversification.

P4 Targeted risk-bearing will mobilise more private capital per unit of public risk than untargeted de-risking

Public risk-bearing directed at an identified binding constraint should mobilise more additional private capital per unit of public risk than support that does not address that constraint. This is a comparative claim; it fails if targeted and untargeted support mobilise similar amounts per unit of public risk. Mobilisation must be measured per unit of expected public loss and of economic capital at risk over a common horizon, with public risk, public cost and subsidy reported separately as defined in Section 7.1. Notional amounts are comparable only within similar instrument classes. The test concerns mobilisation efficiency, not development effectiveness.

P5 Investor requirements will increasingly shape origination, not only packaging, if distribution reaches scale

If originate-to-distribute becomes a material component of MDB financing, origination and subsequent portfolio construction should progressively display characteristics associated with institutional investibility: larger ticket sizes, more standardised and enforceable documentation, clearer governance and exit rights, more predictable cash flows, stronger currency-risk management and a greater share of operational assets. Because investible windows differ across

investor types, the effect should vary by investor base rather than converge on a single set of preferences. If investor preferences show up mainly in portfolio construction and distribution, that is ordinary asset transformation; if they show up in what MDBs choose to lend against, that is stronger evidence that investor preferences are reshaping development-bank activity rather than repackaging its output. Neither pattern alone establishes development outcomes.

11 Limitations

The 2016 study was not a forecasting experiment, so classifying its statements involves judgement; Annex A makes that judgement inspectable. The documentary outcomes are not independent: G20 reform, shareholder pressure, leadership, regulation and market conditions interact, and the framework in Section 5 has not isolated any one of them. Much of the evidence comes from the institutions undertaking the innovation; transaction amounts can be verified, claims about development impact less so. The 2016 sample was small and heterogeneous and held little private-investor evidence, which this documentary retrospective does not cure. The framework is induced from the observed record and cannot be validated by it; its assessment requires the prospective evidence in Section 10. Public announcements establish stated designs and commitments, while undisclosed transactions and internal decisions limit claims about absence, implementation burden and motivation. The exclusion of ILX from the count reflects research entanglement and does not remove possible selection or confirmation bias from the TCX case, whose manager I chaired until November 2016 (see Disclosure). Excluding the local-currency proposition that TCX evidence partly supports changes the classification in Table 2 from four realised, two partially realised and one not realised to four realised, one partially realised and one not realised; the pattern described in Section 3.8 does not depend on that row. The check does not remove TCX's weight in the specialist-intermediary argument of Section 5.3, which draws on TCX and ILX, the two cases closest to me.

12 Conclusion

Ten years after the original study, development loans have demonstrably been transformed into institutional investment products. Most of the mechanisms proposed in 2016 exist: balance-sheet optimisation, portfolio risk transfer, credit insurance, rated securitisation and an independent aggregator. TCX, which already existed in 2016, has scaled fivefold. The reviewed record shows no operational cross-MDB clearinghouse by the evidence cut-off, and the wider system still lends mostly in hard currency.

The record suggests, without proving, that innovations spread when they also served the originating institution, used skills it already had, and required limited internal harmonisation across MDBs and DFIs. That specialist intermediaries succeeded by absorbing differences between institutions rather than removing them. That explanation is now a set of propositions with dates, indicators and adverse evidence attached. The AfDB and World Bank platforms will judge it by what MDBs do with the capital that distribution releases, by whether institutional allocations converge with or stay apart from the originating institutions' portfolios, and by how the new structures behave in the first serious EMDE stress.

The intermediation and Wall Street Consensus readings of these developments are not mutually exclusive. Financial innovation can reduce real market frictions and, at the same time, move risk and influence in ways that deserve political-economy scrutiny. Distinguishing these explanations requires evidence: measure public risk, public cost and subsidy separately; track released capacity to its use; and report what investors hold against what MDBs originate. The last of these is where the evidence is thinnest, and investor-side research, drawing on mandate documents,

allocation data and transaction records as well as interviews, is the natural next study. The question for the next decade is whether the transformation of development loans into institutional investment products expands the frontier of development finance, or mainly changes who holds the assets already inside it.

Annex A The retrospective method

A.1 Admission criteria

The dissertation was exploratory and contained no preregistered ten-year forecast. Explicit admission criteria, outcome categories, and page references make the interpretation inspectable, while recovering propositions after observing outcomes limits its evidential force. I distinguish three categories of statement. Directional expectations are propositions where the 2016 theory identified a mechanism and anticipated movement in a particular direction; examples include balance-sheet optimisation and greater risk distribution as financial constraints become more salient. Specific mechanism proposals are institutional innovations proposed in the 2016 paper that are precise enough for their subsequent existence or absence to be observed, such as warehousing, securitisation, investment-grade CLO tranches and a cross-institutional clearinghouse. Their adoption does not carry the evidential meaning of a formal prediction, but their specificity makes correspondence informative. Diagnoses describe conditions observed in 2016: insufficient bankability, poor risk information or difficulty attracting institutional investors. Persistence of such a condition ten years later bears on the substantive argument but provides weak evidence that the theory was predictive. I therefore retain diagnoses but do not count them.

This rule produces one deliberate exclusion. The 2016 dissertation reported the post-crisis withdrawal of international commercial banks from parts of the syndicated EMDE loan market, but did not establish clearly enough that the retreat would continue. I therefore do not convert that observation retrospectively into a forecast.

A.2 Classification

I assess each admitted proposition across three dimensions. Direction: did the sector move in the anticipated direction? Mechanism: did it do so using substantially the mechanism described in 2016? Timing: was material implementation observable by the August 2026 cut-off? I classify outcomes as realised, partially realised, different mechanism, not realised or disconfirmed. A second classification concerns evidential weight. A proposition receives greater weight where it was specific, where a materially different outcome could plausibly have occurred, and where it was not simply an extrapolation of a condition already dominant in 2016. I do not calculate a forecasting-accuracy percentage, because the propositions differ in specificity and are not independent. Section 3 reports timing; the securitisation and clearinghouse rows are the ones whose classification depends on where the cut-off falls. Where a 2016 proposal bundled several components, as the securitisation proposal did with warehousing, the classification concerns the core mechanism and the text records which components remain undemonstrated.

A.3 Evidence base

The 2016 baseline comes from the contemporaneous dissertation, not recollection. The 2016–2026 evidence is documentary and includes MDB and DFI reports; IFC and World Bank transaction disclosures; G20 capital-adequacy documentation; GEMs publications; OECD mobilisation statistics; joint MDB and DFI mobilisation reports; institutional programme documentation; and, where relevant, independent academic, think-tank, and civil-society analysis. Reliance on institutional sources creates an obvious limitation, because institutions have incentives to describe innovation as successful. Wherever possible, I therefore separate transaction structures and quantitative evidence from institutional claims about impact. The evidence includes no new investor-side interviews. It can establish that investors purchased securities, but cannot establish why they did not allocate more or whether the structures changed their underlying appetite for EMDE risk. Executives of ILX Management, Cardano Development

and TCX commented on a draft. Their comments were used to check the record against public sources, and no information that is not publicly documented entered the assessment.

Annex B Measurement notes for the propositions

The propositions in Section 10 specify research questions, observables and adverse evidence. Study-specific thresholds, horizons and identification strategies must be fixed before testing; they are not a preregistered protocol. The following notes record the measurement choices each proposition requires.

P1. Dates must follow a common announcement-to-closure convention across all initiatives. Projects that do not close remain in the sample as censored or discontinued cases. Record the four burden indicators before outcomes are observed, without presuming that regional, synthetic, or fund structures have low burden. The second claim, on organisational form, loses support if high-burden arrangements requiring extensive internal convergence are implemented as readily as arrangements that demonstrably absorb differences externally. Explanations for exceptions require evidence of the proposed confounder; originator scale, leadership, demand, legal feasibility and public support are the candidates. The two currently named prospective initiatives cannot establish either relationship on their own.

P2. The two series overlap, have different lags and are not measured on identical bases. The study must report definitions, constant-price treatment and preparation-to-close lags, and test sensitivity to initial scale. An unadjusted growth comparison cannot by itself falsify the proposed incentive mechanism.

P3. The comparison universe is the originating MDBs' own non-sovereign portfolios, because institutional investors select from what MDBs originate. A testing study should predefine a dissimilarity measure and a threshold for material convergence for each dimension. It should also compare the originators' portfolios over time: if origination itself becomes more investor-oriented, convergence may reflect P5 rather than a weakening of preferences. Aggregate private-mobilisation statistics cannot substitute for matched allocation data; OECD statistics cover all private finance including bank lending, and a rising low-income share could reflect guarantee-driven transformation that the framework permits.

P4. Classification of the constraint and the intervention must precede observed outcomes. Additionality requires a counterfactual, using comparable unsupported transactions or investors' supported and unsupported allocations, while acknowledging selection bias that matching cannot remove. A commercially priced public investment can carry substantial risk with no subsidy, making mobilisation per subsidy dollar undefined or unstable, so valuation and capital assumptions must be fixed before comparison. If expected-loss and economic-capital measures rank interventions differently, the finding is metric-dependent and cannot establish unqualified superiority.

P5. Programme establishment is a standing programme with repeated issuance. Distribution intensity is measured by origination cohort, as the share of each year's own-account origination distributed within a common period after commitment, so that sales of seasoned loans from older cohorts do not register as a change in current incentives. Recent cohorts with insufficient follow-up must be treated as incomplete, not as low-distribution observations. Because lending decisions respond to anticipated distribution, studies should also examine ex-ante programme targets and policies. The composition measures are ticket size, tenor, currency, sector, country-income group and the share of operational versus development-stage assets in new commitments, compared with each institution's pre-programme trend and with originators

lacking distribution programmes, controlling where possible for mandate and market changes. Specify the expected direction of change based on documented preferences of actual buyers, not an assumed homogeneous institutional investor.

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