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What Better-Placed Public Money Could Unlock

Scenario Model and Evidence: A Companion Note to *The Acceleration Agenda Working Paper/Review Draft*

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Introduction

This note is a companion to *The Acceleration Agenda: The Road to Resilience* (Milken Institute, draft released in November 2026). The Agenda argues that the world is not short of climate capital but is putting it in the wrong places, and that public and philanthropic, development and concessional, and private capital each have a distinct role in the capital stack. This note sets out the scenario model behind the Agenda's headline finding: how much private capital governments could mobilize over five years by redirecting a modest share of their support for mature energy technologies into grids and storage, resilience and nature, and predevelopment, and placing it well in the stack.

The note is written for finance ministries, development finance institutions (DFIs), and the shareholders of multilateral development banks (MDBs), and it sets out our assumptions, results, evidence base, and caveats in full. The Agenda itself, written for asset owners, summarizes the results and draws out what they mean for investors.

In *Strategic Recalibration of Climate Finance*, we deliberately assumed no change in public support for mature technologies.[1] Here we relax that assumption and ask a simple question: if governments redirected a modest share of that support into the three frontiers and placed it well in the stack, how much private capital would follow? These are five-year estimates built on observed multipliers. They are far less heroic than 30-year estimates of what the climate requires.

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Scenarios and Results

Assumptions

We model reallocations of $100 billion, $300 billion, and $500 billion, cumulative over five years, or $20 billion–$100 billion a year. The resource pool is public support for mature energy technologies: about $725 billion a year of explicit fossil-fuel subsidies plus roughly $169 billion of G20 support for renewables.[2] The three scenarios thus equal about 2, 7, and 11 percent of that pool. We split the money 35 percent to developed markets and 65 percent to emerging markets, broadly where most explicit fossil-fuel subsidies sit. Across frontiers, 35 percent goes to grids and storage, 25 percent to resilience and nature, 25 percent to predevelopment and the missing middle, and 15 percent to public-goods adaptation.

The multiplier measures private capital mobilized per public dollar, and it depends on where the money sits in the stack. We use low, middle, and high values of 4x, 8x, and 12x for grids; 2x, 4x, and 6x for resilience and nature; and 8x, 14x, and 20x for predevelopment and the missing middle. Public-goods adaptation is assigned no private multiplier; its value lies in avoided losses. Business as usual, for comparison, is 0.38x (see Table 1).

Table 1. Five-Year Private Capital Mobilized by Reallocation Scenario ($ billions)

Public money reallocated	Business as usual (0.38x)	Low	Mid	High	Blended multiplier
$100B	38	390	730	1,070	3.9x–10.7x
$300B	114	1,170	2,190	3,210	3.9x–10.7x
$500B	190	1,950	3,650	5,350	3.9x–10.7x

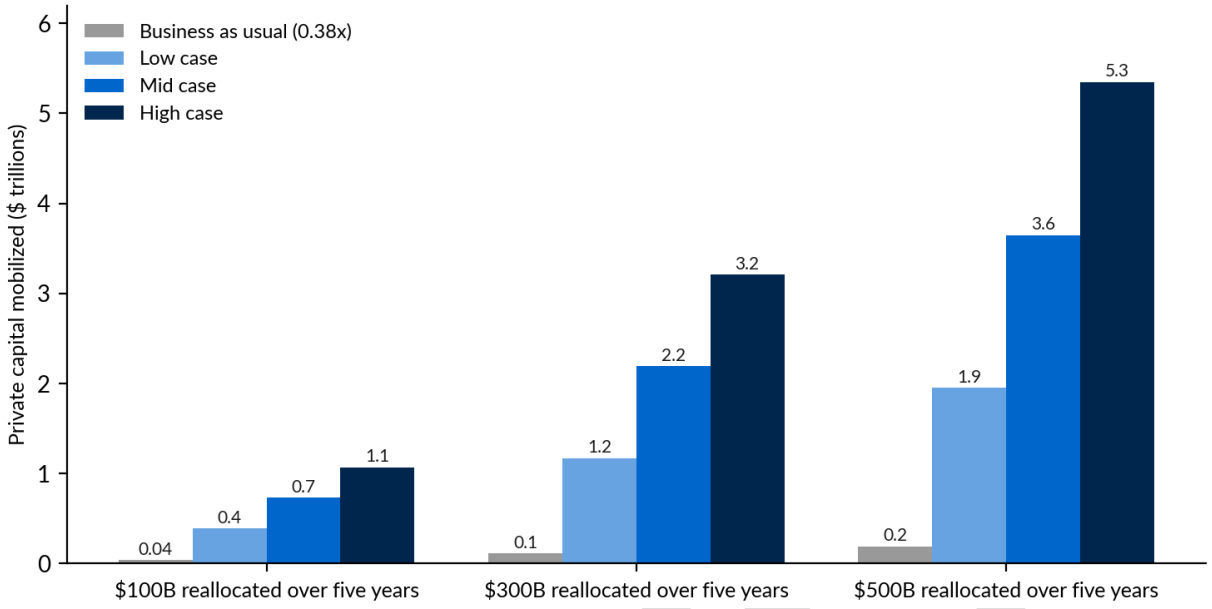
Note: Private capital only; add the public amount for total investment.

Source: Milken Institute (2026)

Reallocating $300 billion over five years, about 7 percent of support for mature technologies, and placing it well in the stack would mobilize $1.2 trillion–$3.2 trillion of private capital, compared with $114 billion if it were spent the way public money is spent today (see Figure 2). The difference comes from where the money sits, not how much there is.

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Figure 2. Same Money, Different Placement: Private Capital Mobilized over Five Years



Source: Milken Institute (2026)

Table 2. $300 Billion Scenario, Mid Case, by Frontier ($ billions, five years)

Frontier	Public: DM	Public: EM	Multiplier	Private mobilized	Total	Instrument focus
Grids, storage, middle stack	37	68	8x	840	945 (38%)	Guarantees; regulated-asset support; FX facilities (EM)
Resilience and nature	26	49	4x	300	375 (15%)	First loss; insurance and cat bonds; offtake contracts
Predevelopment, missing middle, aggregation	26	49	14x	1,050	1,125 (45%)	Scale-up capital (DM); predevelopment and aggregation (EM)
Public-goods adaptation	16	29	0x	0	45 (2%)	Grants; measured by avoided losses
Total	105	195	7.3x	2,190	2,490	

Notes: Figures may not sum due to rounding. DM = developed markets; EM = emerging markets; FX = foreign exchange.

Source: Milken Institute (2026)

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What This Means for the Baku to Belém Goal

The Baku to Belém goal of $1.3 trillion a year applies to developing countries, so the fair comparison is with the emerging-market share of our results.[3] Over five years, that goal implies about $6.5 trillion. Because $1.3 trillion is a target for 2035 rather than today's annual requirement, this is a demanding benchmark. Against that, we apply the same multipliers in both regions, and emerging markets may fall short of them.

In the $300 billion scenario, total emerging-market investment (public and private) reaches $1.0 trillion–$2.3 trillion, or 15–35 percent of the goal. In the $500 billion scenario, it reaches $1.6 trillion–$3.8 trillion, or 25–58 percent. The developed-market share, worth up to a further $2 trillion in the $500 billion scenario, belongs to the security and competitiveness story rather than to climate finance for the Global South.

In other words, better use of public money alone could take us up to three-fifths of the way. That is from a single lever.

Reforming development finance is the second: raising the MDB mobilization ratio in low- and middle-income economies from about 0.4x to 1x would add roughly $50 billion a year at 2024 volumes.[4] Mobilizing capital from asset owners, including the hundreds of billions of dollars held by emerging-market pension funds, is the third. The money is there. What is missing is placement and trust.

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Evidence and Caveats

Where the Multipliers Come From

Published multipliers vary enormously, and what matters most is the denominator. Our model measures private capital mobilized per dollar of public budget reallocated. Three bodies of evidence frame our ranges (see Figure 4 and the annex).

Guarantees produce the highest leverage per budget dollar, because governments set aside only a fraction of a guarantee's value. The EU's European Fund for Strategic Investments (EFSI) is the best-documented case: a €26 billion EU budget guarantee, provisioned at 35 percent, was expected to support €524 billion of total investment, 72 percent of it private.[5] That is about 20x total investment per euro of guarantee, and roughly 40x private investment per euro actually set aside. Its successor, InvestEU, targets €372 billion from a €26.2 billion guarantee, about 14x.[6]

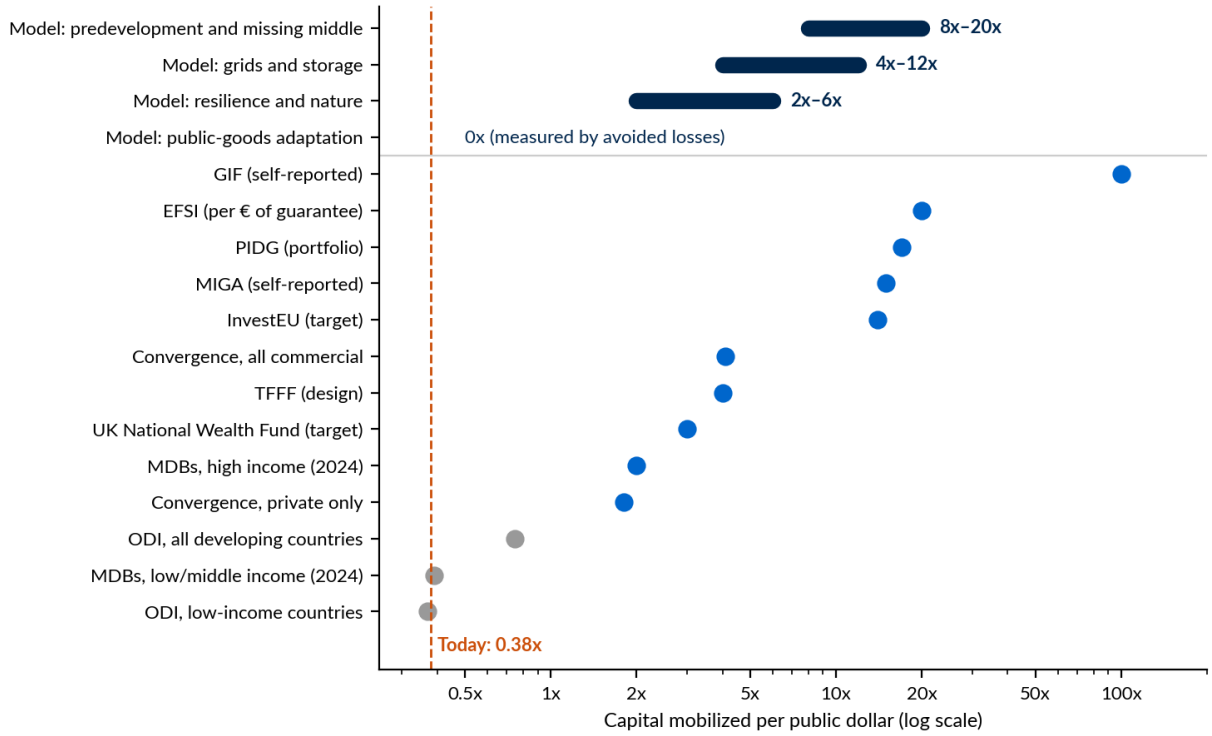
The World Bank reports that the Multilateral Investment Guarantee Agency (MIGA) mobilizes $15 of private capital for every dollar of its operating capital.[7] Grids, where guarantees and regulated-asset support do most of the work, therefore sit at 4x–12x, below these figures because grid investment in many markets also needs direct public capital and planning.

Concessional and blended capital produces much lower leverage. Across 340 transactions, Convergence finds that each dollar of concessional capital has mobilized $4.10 of commercially priced capital, of which only $1.80 came from private investors; the ratio rises to 7.6x for deals above $1 billion and falls to 2.9x for deals sponsored by foundations.[8] ODI found that each dollar of MDB and DFI finance in blended structures mobilized $0.75 of private finance across developing countries and just $0.37 in low-income countries.[9] These figures anchor resilience and nature at 2x–6x: revenue models are immature, insurers still lack data, and the flagship nature vehicle, the Tropical Forest Forever Facility, is designed to raise $4 of private senior debt for every $1 of first-loss sponsor capital.[10]

Project preparation and predevelopment funding produces the highest leverage of all, though from small sums. The Private Infrastructure Development Group (PIDG) reports $17 of private investment per dollar of donor funding, and $8–$12 at project level.[11] The Global Infrastructure Facility reports more than $100 of private capital at financial close per dollar of preparation support, although only 27 of the 172 projects it has prepared have reached commercial close.[12] Our 8x–20x range is deliberately conservative, partly because scaling new technologies in developed markets carries technology risk as well as development risk. The US Department of Energy's Loan Programs Office shows that this demonstration value is real but hard to quantify: its losses ran at about 2 percent of commitments, and after it backed the first five utility-scale solar projects in the US, private lenders financed dozens more without government support.[13]

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Figure 4. Our Multipliers Against the Evidence



Note: Benchmarks use different denominators and are not directly comparable; see Annex.

Source: Milken Institute (2026), compiled from sources in endnotes

Finally, today's 0.38x is consistent with the ODI findings and with MDB mobilization in low- and middle-income economies. The evidence supports the core argument: the gap between 0.4x and multipliers of 4x–20x is a matter of where public money sits in the stack.

Caveats and Counterarguments

The multipliers are ranges across instruments rather than individual assumptions, and our high case for grids sits below the leverage that guarantee programs report for themselves. Several of those benchmarks are self-reported, and different studies count total or private investment, commitments, or disbursements, so they are not directly comparable. Mobilization is not the same as economic benefit, which is why we treat avoided losses separately. The model counts subsidies as fiscal outlays and excludes contracts for difference and similar revenue-stabilization schemes for renewables, which are low-cost market design rather than subsidy. And we apply the same multipliers in developed and emerging markets, although MDB data suggest emerging-market leverage is lower: applying a 25 percent haircut to emerging-market multipliers would reduce the $300 billion mid case from $2.2 trillion to $1.8 trillion of private capital.

Two counterarguments deserve a direct answer. The first is additionality: critics of blended finance argue that much of the private capital "mobilized" would have been invested anyway. That is a fair challenge to programs that subsidize mature assets, which is precisely why we argue for concentrating public money in predevelopment, the missing middle, and emerging markets, where private capital demonstrably does not go on its own.

The second is fiscal risk: guarantees are cheap until they are called. The answer is prudent provisioning, as in EFSI and InvestEU, transparent reporting of contingent liabilities, and pricing guarantees to reflect risk. A guarantee portfolio that never incurs losses is probably taking too little risk; one that loses heavily was poorly designed.

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Annex: Multiplier Evidence

Table A1. Benchmarks for Public-to-Private Capital Multipliers

Benchmark	Ratio	What it measures	Source
EFSI (EU, 2015–2022)	~20x total per € of guarantee; ~58x total (~40x private) per € provisioned	Total investment expected at approval	European Commission (2022)
InvestEU (2021–2027)	~14x (target)	Total investment per € of EU guarantee	European Commission; EIB (2022)
MIGA	$15	Private capital per $ of operating capital (self-reported)	World Bank (2024)
PIDG	$17 portfolio; $8–$12 project level	Private investment per $ of donor funding	PIDG (2018); Invest Africa
Global Infrastructure Facility	>$100	Private capital at financial close per $ of project preparation (self-reported)	World Bank
Convergence	4.1x (1.8x private); 7.6x for deals >$1B	Commercial capital per $ of concessional capital	Convergence (2023)
Tropical Forest Forever Facility	4x (design)	Private senior debt per $ of first-loss sponsor capital	Government of Brazil (2025)
UK National Wealth Fund	3x (target)	Private per £ of public investment	HM Treasury (2024)
MDB Climate inance (2024)	~2x high income; ~0.4x low and middle income	Private mobilized per $ of MDB climate finance	Joint MDB report (2025)
ODI	0.75x developing countries; 0.37x low income	Private per $ of MDB/DFI blended finance	Attridge and Engen (2019)
US DOE Loan Programs Office	~2% losses; first five utility-scale solar projects followed by private finance	Demonstration effect of first-of-a-kind finance	US Department of Energy (2014)

Note: Ratios use different denominators and are not directly comparable.

Source: Milken Institute (2026), compiled from the sources listed in the endnotes.

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About the Author

Victoria Barbary, PhD, is a senior director in the Geo-Economics team at the Milken Institute. She spent nine years as director of strategy and communications at the International Forum of Sovereign Wealth Funds (IFSWF). Prior to joining IFSWF in September 2016, Barbary spent almost a decade working with sovereign wealth funds and other asset owners as a consultant, entrepreneur, journalist, and thought leadership professional.

Barbary holds a PhD in history from the University of Cambridge and a master's degree with distinction and a BA with honors in history from Durham University. She was previously a senior researcher at the Sovereign Investment Lab, based at the Paolo Baffi Centre on Central Banking and Financial Regulation at Bocconi University in Milan.

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