

Measuring the amounts mobilised from the private sector by official development finance interventions

Working session with bilateral and multilateral development finance institutions

10 April 2018 | OECD | Paris

Background

Over the last years, the OECD Development Assistance Committee (DAC) has been working to establish an international standard for [measuring resources mobilised from the private sector by official development finance interventions](#)¹. This is a key element of the modernisation of the OECD-DAC statistics and is expected to contribute to a number of other processes such as the emerging broader measurement framework of total official support for sustainable development (TOSSD) and blended finance. The work on measuring mobilised private finance is conducted jointly with the OECD-led [Research Collaborative on Tracking Private Climate Finance](#), thereby ensuring synergies and avoiding duplication of efforts between the development and climate finance communities.

To date, in close co-operation with DFI experts, methodologies have been developed and piloted through annual surveys for a first set of five mechanisms: guarantees, syndicated loans, equity shares in collective investment vehicles, direct investment in companies, and credit lines. [Results from the latest survey](#) indicate that during 2012-2015, these five mechanisms mobilised USD 81.1 billion from the private sector. As of 2017, reporting on amounts mobilised through these five instruments has been implemented in regular OECD-DAC data collection on development finance interventions, and further methodological work is ongoing to cover a broader range of instruments.

Objectives of the working session

The objective of the 10 April 2018 working session was to discuss on-going work to develop approaches for measuring the amounts mobilised from the private sector through instruments not yet covered: i) standard loans or grants extended in co-financing with private investment, ii) project finance schemes where multiple actors and instruments interact, as well as iii) projects where methodologies could potentially overlap (e.g. a syndicated loan also benefiting from a guarantee).

Already implemented					On-going work		
Guarantees	Syndicated loans	Shares in CIVs	Direct invest. in companies	Credit lines	Grants & loans in co-financing	Project finance	Overlap of methods

The working session also dedicated time to consider how to reconcile different approaches for measuring mobilisation, as well as how to capture the more indirect or catalytic effect of other official interventions.

¹ The approaches developed can also be applied by non-official actors of development co-operation such as the private philanthropic foundations working for development.

Summary of key points and next steps

Co-chairs: Maher Mamhikoff, Global Affairs Canada;
Gabriela Blatter, Swiss Federal Office for the Environment

1. Introduction by the Co-chairs

2. State of play on information needs and developments to date

- OECD presentation
 - Brief Q&A
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3.1 Possible approaches for standard grants and loans in co-financing arrangements

Participants welcomed the Secretariat's approach and agreed that the modalities and examples identified by the OECD cover the spectrum of grants and loans used in co-financing arrangements with the private sector.

While some participants emphasised that causality assumptions need to be clearly defined by tangible criteria to avoid misinterpretation (e.g. co-financing requirements), others cautioned about the issue of incentives. In particular, if the causal link is limited to a co-financing requirement, most technical assistance projects and programmes would be excluded by default, thus potentially de-incentivising the use of these modalities in providers' portfolios.

In cases of contributions to specific-purpose programmes or funds, basket funds and pooling facilities managed by international organisations, participants generally agreed that a pragmatic and accurate point of measurement would be the commitment stage of the individual activities implemented by these programmes and funds (second level). Indeed, it was confirmed that in most cases, information on amounts mobilised is not yet available when donor countries contribute to the fund/facility.

3.2 Possible approaches for project finance schemes and cases where methodologies overlap

Participants welcomed the Secretariat's proposal and appreciated that it built upon already existing methodologies (guarantees, syndicated loans and direct investment in companies). The proposed scenarios were considered as reflecting the structure of most project finance deals, particularly scenarios 1, 2 and 3. Some participants pointed out that data on the exact financing structure of special purpose vehicles (SPV) may not be readily available in their internal systems at the time of financial close.

Many participants stressed that the approach for measuring private finance within project finance schemes should value the crucial role of equity sponsors (in particular in scenarios 1 and 2, using preferably the methodology for direct investment in companies, which takes different levels of risk into account). Some others argued that, in the context of development finance, debt could help mobilise equity and cautioned about the need to keep the methodology as simple as possible (e.g. simple pro-rata).

In terms of attributing the amounts mobilised to individual official finance providers, the following guiding principles were identified during the discussions:

- Risk taken by individual development finance providers should be taken into account in the attribution, for example following the OECD-DAC methodological approach for direct investment in companies.
- Private finance within syndicated loans could be attributed according to the OECD-DAC methodology on syndicated loans, i.e. only to the arrangers of and participants in the syndications.
- Private finance invested in an SPV and benefitting from an official guarantee could be attributed exclusively to the guarantor(s), including when such a guarantee covers private finance within a syndicated loan. However, one participant expressed reservations and suggested more consultations on this specific case.

In order to facilitate the identification of the appropriate methodology to be used depending on the actual scenario, it was suggested to develop a decision tree.

4. Reconciling OECD and MDB approaches for measuring mobilisation

Many participants among countries, bilateral DFIs and MDBs explicitly emphasised the need for harmonisation between the OECD and MDB methodologies, in terms of both concepts and terminology, as well as accounting and attribution. The Co-chairs also reminded the participants that this harmonisation process increasingly becoming a political priority at the international level. However, the discussion highlighted little scope for harmonisation for the time being, in particular due to the difficulty to reconcile the causality criteria between MDBs (most often “fee-based”) and bilateral providers (that looks at whether or not the private sector would have invested without all official interventions involved). In general, participants welcomed the open discussion and suggested to repeat this exercise in the near future.

5. Beyond mobilisation: options for capturing catalytic effects

Only very limited time could be dedicated to this session. Participants, however, acknowledged the importance of public interventions that do not directly mobilise private finance but are essential to catalyse a transformational change in private sector finance. They supported further work to find ways to capture and valorise the catalytic effect of such interventions.

6. Wrap-up and next steps

Participants were invited to share their written comments by 1 May 2018. The OECD will refine and update the methodological proposals and submit them for discussion at the 13-15 June 2018 meeting of the DAC Working Party on Development Finance Statistics. It will further pilot the two methodological approaches to test their feasibility and practicality, before submitting them for formal approval. Participants encouraged the OECD to host a similar working session again in the near future, with a focus on methodological reconciliation and on options for a complementary measure of the indirect and catalytic effects of development finance interventions on private finance.

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