DAC Working Party on Development Finance Statistics

DAC WORK ON MOBILISATION: LESSONS LEARNT FROM THE 2015 DATA SURVEY ON MOBILISATION AND NEXT STEPS

WP-STAT meeting, 2-3 November 2015

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DAC WORK ON MOBILISATION: 
LESSONS LEARNT FROM THE 2015 DATA SURVEY ON MOBILISATION AND NEXT STEPS

I. Introduction and background

1. This document supplements the detailed analysis of the results of the recent DAC Survey on amounts mobilised from the private sector by official development finance interventions [DCD/DAC/STAT(2015)27] by presenting the lessons learnt from the Survey and inviting discussion on the next steps in DAC work on measuring private mobilisation. It is presented for consideration at the meeting of the Working Party on Development Finance Statistics (WP-STAT) on 2-3 November 2015.

2. The 2015 DAC Survey on amounts mobilised from the private sector by official development finance interventions was the third of a series of Surveys carried out by the Secretariat to measure the mobilisation effect of public interventions:

- In 2013, a first Survey on guarantee schemes for development enabled the development, in collaboration with the IFC, MIGA and OPIC, of a first methodology to measure the amounts mobilised from the private sector by this mechanism.

- In 2014, a second Survey reviewed the methodologies applied by development finance providers (e.g. DFIs) to measure the mobilisation effect of their operations more broadly and explored the feasibility to harmonise them. The results enabled the definition of a set of principles for measuring mobilisation at the international level\(^1\) (e.g. avoiding double counting) and the development of methodologies for two other instruments: syndicated loans and shares in CIVs.

3. The methodologies for guarantees, syndicated loans and shares in CIVs were discussed and fine-tuned with a small group of DFI experts\(^2\) and also shared at several occasions with the OECD-led Research collaborative on tracking private climate finance. At the November 2014 WP-STAT meeting, members agreed in principle to implement a regular data collection on amounts mobilised as from 2017.\(^3\) It was further decided that the methodologies would be formally approved after having been tested through new data Survey in 2015. The Communiqué of the December 2014 DAC High Level Meeting noted the progress made in this area, mandating collection of data on leveraging instruments and supporting continued work to establish an international standard for measuring mobilisation.\(^4\)

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3. See the ongoing revision of the Directives, item 3 on the 2-3 November WP-STAT agenda.
4. See HLM communiqué, paragraph 14.
4. This note is structured as follows: Section II highlights the lessons learnt from the 2015 Survey and presents for members’ consideration and approval the three methodologies developed so far (see Annex). Section III suggests the next steps to move this work forward.

II. Lessons learnt from the Survey

Recap of the survey characteristics

5. The main objective of the 2015 DAC Survey on amounts mobilised from the private sector by official development finance interventions was to collect comprehensive data on amounts mobilised from the private sector through guarantees, syndicated loans and shares in CIVs over the period 2012-14, while also piloting recently developed methodologies. The scope of the Survey was limited to amounts mobilised from the private sector as a result of official development finance interventions, including both international and domestic private funds. Amounts mobilised from official sources (public-public mobilisation) were out of the scope of the Survey as they are already captured through the regular data collection in DAC statistics and their inclusion could result in double-counting at the level of total flows.

6. The methodologies were developed according to a number of principles underpinning an international statistical system. To be realistic, feasible and avoid double-counting, the methodologies strive to be:

- **Conservative**, in terms of causality assumptions. Indeed, measuring causality statistically can be extremely complex as evidence that the private financiers would not have invested without the official investment is usually unavailable. For this reason, and to ensure the credibility of the measure at the international level, the formulation of conservative assumptions is key to avoid double counting.

- **Fair**, in terms of attribution, i.e. the amount that each official investor can claim to have mobilised if more than one official investor is involved. A clear attribution of private finance mobilised is also critical to avoid double-counting. Pro-rata attribution based on the amounts invested by each official agency is, mathematically, the simplest approach. However, it does not take into account certain characteristics (e.g. a more active role by one of the official agencies, different risk levels born by each official body) that, if possible to prove, would allow a better reflection of reality.

- **Pragmatic**, in terms of point of measurement and data availability.

Rate of responses and data quality

7. The Survey targeted 71 institutions, of which 51 bilateral institutions (DFIs, development banks, aid agencies) and 20 multilateral organisations. In total, 56 bilateral and multilateral institutions responded of which 30 with comprehensive Survey returns. Of the remaining 26, 22 stated explicitly that they did not use the surveyed instruments, while 4 either provided no data or explained the reasons why data could not be provided. This is considered as a good response rate, especially bearing in mind the complexity and innovative nature of the information requested. However, among the institutions which did not reply there are a few active providers of these instruments, suggesting that more efforts should be made to better capture their operations in any future data collection.

8. Based on the responses and quality of the data received, one can conclude that the Survey had encouraging results and demonstrated the feasibility to measure and collect data on the mobilisation effect of official development finance interventions. However, the Survey also highlighted that the information
required was not readily available in some institutions’ internal systems and that internal capacity constraints was, for a few institutions, a major obstacle to contribute; other reasons for no reply included confidentiality concerns and the non-developmental motivation of financing through the three instruments surveyed. In many cases, the information required had to be retrieved from project documents; reporting it in a routine manner would therefore necessitate integration of the relevant items in the institutions’ internal information systems.

Applicability of the methodologies

9. In general, respondents did follow the DAC methodologies for all three instruments and were also able to provide information on the climate focus of their operations. However, a few institutions did apply slightly different approaches due to either data limitations or difference of views regarding the methodologies proposed.

10. Data limitations may be attributable to the two following factors:

- the difficulty to collect the data required, especially in the case of private investment mobilised through shares in CIVs (e.g. FMO, United Kingdom). Indeed, the information on private shareholders is not systematically tracked by or available in most institutions’ systems, least of all for the time limit of five years after the official investment during which an official investor may claim to have mobilised subsequent private investment in a CIV (see methodology in the Annex).

- the confidentiality obligations applying to private-sector operations which were, for a few institutions, a major challenge for reporting amounts mobilised at the activity level. However, most institutions already filtered the information upstream so as to remove the most sensitive information, e.g. name of clients. The Survey did not request any information on investment returns or conditions which are also often treated as confidential.

11. Different views regarding the scope and methods for measuring mobilisation also exist. For example the World Bank (WB) did not participate in the Survey as, in its view, the approach followed was too narrow and did not take into account the indirect effect of public interventions, i.e. their catalytic effect. Indeed, given that the WB’s first counterparts are mostly governments, the amounts mobilised from the private sector according to the DAC approach would be close to nil. To properly reflect its active role in supporting private-sector development, the WB rather uses the concept of “private investment catalysed”, which takes into account the indirect impact of its interventions. In addition, IFC did not report on its guarantees as it does not consider this instrument as mobilisation (guarantees appear directly on IFC’s balance sheet and constitute a component of its own account).

12. A few institutions did reply to the Survey but using their own definition of “amounts mobilised” either because the DAC methodologies did not match with their internal reporting (e.g. MIGA which reported as amounts mobilised the gross exposure instead of the face value of the loan being guaranteed) or because the information required for the calculation was not available (e.g. FMO).

13. In general, the Survey showed that the methodologies could be applied by most institutions and enabled i) the collection data on this information at the activity level, and ii) the production of a transparent and detailed analysis of the amounts mobilised from the private sector through these three

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5. The World Bank approach for measuring the catalytic effect of its operations will be described in greater detail in the 2016 Development Co-operation Report.

6. IFC’s guarantees amounted to USD 2.1 billion in 2012-14.
instruments without double counting. Therefore, the Secretariat suggests the adoption of the methodologies developed for guarantees, syndicated loans and shares in CIVs (see Annex) for inclusion in the Reporting Directives, with implementation starting in 2017 reporting on 2016 flows.\(^7\) The methodologies could be reviewed, and possibly fine-tuned, after a few years of experience, as part of the completion of the process to modernise the DAC statistical framework.

### III. Next steps and recommendations

**Need to increase members’ reporting capacities in this area**

14. Based on the Survey’s results, **members are encouraged to increase their efforts to better capture, at the activity level, the amounts of private investment associated with their interventions.** This would help to be ready for the implementation in 2017 of a regular data collection on amounts mobilised from the private sector in the DAC statistical framework.

**Second phase of the work on mobilisation**

15. In the meantime, the methodological work to cover a broader range of instruments – mezzanine finance, direct equities, credit lines and traditional concessional finance – will be pursued. Members are invited to actively contribute to this second phase of work, involving their DFIs and other relevant institutions. In particular, they are encouraged to suggest detailed methodologies or approaches to measure private finance mobilised through this second set of instruments, taking into account the need to avoid double counting in an international statistical system and also the feasibility for members to report this information at activity level.

16. The Secretariat proposes that discussion on methodologies for other instruments be scheduled for the first semester of 2016 and therefore invites **members to send their proposals by 15 December 2015.** A new working session, bringing experts from both the development and climate communities, could also be organised, possibly before the next WP-STAT meeting.

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\(^7\) The methodologies and reporting instructions, as presented in the Annex, would be incorporated in Annex 6 – “Instructions for reporting on amounts mobilised from the private sector” – of the revised Directives.
ANNEX: DAC METHODOLOGIES TO MEASURE AMOUNTS MOBILISED FROM THE PRIVATE SECTOR

17. This Annex provides detailed guidance on reporting amounts mobilised from the private sector in DAC statistics. It describes, with the help of concrete examples, the methodologies for calculating amounts mobilised from the private sector through guarantees, syndicated loans and shares in CIVs extended for development purposes.

I. Guarantees

18. **Example:** imagine a USD 10 million project receiving a loan of USD 4 million from Lender 1 – a private investor from the recipient country – and equity from Investor 1 for USD 6 million. Lender 1 benefits from an official guarantee covering up to 70% (USD 2.8 million) of the loan (Figure 1).

19. The amount mobilised from the private investor by the official guarantee is USD 4 million. The implicit assumption is that the private investor would not have provided the loan without the official guarantee. Attribution of the amount mobilised is to the official guarantor(s). In the case of co-guarantees, the amounts mobilised are attributed pro-rata, according to the amounts guaranteed by each guarantor.

![Figure 1. Amount mobilised by an official guarantor](image)

20. The **official guarantor** reports to the DAC as presented in Table below. **Lender 1** is private and thus does not report to the DAC.

<table>
<thead>
<tr>
<th>CRS++ fields</th>
<th>Reporting institutions</th>
<th>Official guarantor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Field 33 – Commitment</td>
<td>0*</td>
<td></td>
</tr>
<tr>
<td>Field 43a – Leveraging mechanism and role/position</td>
<td>5: Guarantee/insurance</td>
<td></td>
</tr>
<tr>
<td>Field 43b – Amounts mobilised from the private sector</td>
<td>4000</td>
<td></td>
</tr>
<tr>
<td>Field 43c – Origin of the funds mobilised</td>
<td>2=recipient country</td>
<td></td>
</tr>
</tbody>
</table>

*: The commitment field is reportable for flows only.
II. Syndicated loan

21. Example 1 below illustrates a typical syndicated loan where an official institution (e.g. a DFI) provides a parallel loan of USD 5 million (Lender 1), and a private investor from an OECD country provides the B loan of USD 7 million (Lender 2). In this example, the arranger commits USD 10 million. The characteristics of the arranger determine the extent to which private finance mobilised is attributed to the different actors of the syndication.

22. **Example 1:** case of a syndicated loan arranger by an official actor.

23. The implicit assumption is that the private investor would not have provided the loan without the official sector involvement as an arranger or as a participant. In DAC statistics, the amount mobilised is attributed to the arranger and the participant(s) as follows:
   - 50% to the official arranger (e.g. MDBs, bilateral DFIs).
   - The remainder (50%) to the Participant(s), pro-rata to the financier’s share of the official portion of the loan.

24. Calculation of the amounts mobilised from the private sector for example 1 (lender 2 is private and thus does not report):

   \[
   \text{Amount mobilised by Arranger} = \text{USD } 5\ 833 = (\text{USD } 7\ 000 \times 50\%) + \frac{\text{USD } 10\ 000}{\text{USD } 15\ 000} \times (\text{USD } 7\ 000 \times 50\%)
   \]

   \[
   \text{Amount mobilised by Lender 1} = \text{USD } 1\ 167 = \frac{\text{USD } 5\ 000}{\text{USD } 15\ 000} \times (\text{USD } 7\ 000 \times 50\%)
   \]

25. In case there is more than one official lender involved in the syndication – for example instead of lender 1, there are two official lenders, 1.a and 1.b, investing USD 3 million and USD 2 million respectively – the amounts mobilised would be calculated pro-rata as follows:

   \[
   \text{Amount mobilised by Lender 1.a} = \frac{\text{USD } 3\ 000}{\text{USD } 15\ 000} \times (\text{USD } 7\ 000 \times 50\%)
   \]

   \[
   \text{Amount mobilised by Lender 1.b} = \frac{\text{USD } 2\ 000}{\text{USD } 15\ 000} \times (\text{USD } 7\ 000 \times 50\%)
   \]

26. **Example 2:** case of a private arranger from a beneficiary country. In the case of a private arranger, 100% of the amount mobilised is attributed to the official participants. The assumption is that
private investors (including the arranger) would not have invested without the presence of official participants in the syndication.

27. Calculation of the amounts mobilised from the private sector for example 2 (lender 2 is private and thus does not report):

\[
\text{Amount mobilised by Lender 1} = \USD 17\,000 = \frac{\USD 5\,000}{\USD 5\,000} \times (\USD 17\,000 \times 100%) 
\]

28. The expected reporting to the CRS++ on the different cases is illustrated below.

### Table 2. CRS++ reporting instructions by type of Arranger

<table>
<thead>
<tr>
<th>TYPE OF ARRANGER</th>
<th>CRS FIELDS</th>
<th>REPORTER</th>
<th>Arranger</th>
<th>Lender 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Official institution</td>
<td>Field 33 – Commitment*</td>
<td>10000</td>
<td>5000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Field 43a – Leveraging mechanism and role/position</td>
<td>1: Syndicated loan, arranger</td>
<td>2: Syndicated loan, participant</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Field 43b - Amounts mobilised from the private sector</td>
<td>5833</td>
<td>1167</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Field 43c – Origin of the funds mobilised</td>
<td>3=third high income/OECD country</td>
<td>3=third high income/OECD country</td>
<td></td>
</tr>
<tr>
<td>Private institution</td>
<td>Field 33 – Commitment</td>
<td>5000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Field 43a – Leveraging mechanism and role/position</td>
<td>2: Syndicated loan, participant</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Field 43b - Amounts mobilised from the private sector</td>
<td>17000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Field 43c – Origin of the funds mobilised</td>
<td>3=third high income/OECD country</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### III. Shares in collective investment vehicles (CIVs)

29. The amount mobilised through CIVs is defined as the total private investment committed during the fund-raising period, up to five years\(^8\). Such amounts are attributed to official bodies investing in the riskiest investment tranches, i.e. common equity in flat CIVs or first-loss shares or shares in otherwise riskiest tranches in structured CIVs.\(^9\) When multiple official bodies invest in these tranches, a pro-rata attribution of the amounts mobilised is needed.\(^10\) The calculation method therefore takes into account the

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\(^8\) For practical reasons, the maximum fund-raising period through which official investments in CIVs can claim to have mobilised private investments is five years. This time limit applies equally to close- and open-ended CIVs and has been set to recognise the fact that investment in some sectors (e.g. micro finance) is deemed riskier and may thus require a longer fund-raising period than other sectors (the private sector may wait until the CIV has built up a positive track record before investing).

\(^9\) The rationale here is that first-loss investors, or investors that otherwise carry higher risks than other equity or more senior investors, have the highest impact on the mobilisation of private investors. To facilitate calculations and reporting, there is no attribution to more senior tranches of the investment.

\(^10\) A pro-rata attribution based on the volume of the investment would be easy to calculate but would fail to take into account the fact that mobilisation also heavily depends on the official agency’s non-monetary contributions (e.g. }
number of official investors involved in the CIV: 50% of the amounts mobilised are attributed to each official participant in the riskiest tranche of the CIV equally, and the remaining 50% in proportion to their financial share in the riskiest tranche of the CIV respectively, at the moment of the private investment.

30. **Example:** imagine a flat, open-ended CIV, whose inception date was on 15 September 2008, where two official investors – DFI 1 and DFI 2 – invest USD 10 million and USD 4 million respectively in October 2008, a private investor from the beneficiary country invests USD 6 million in June 2012, one official institution (DFI 3) invests USD 12 million in January 2013 and a private investor from a third high income country invests USD 8 million in April 2013 (see Table 3 below). The amount mobilised from the private sector during the fund-raising period is **USD 14 million**, of which USD 6 million in 2012 and USD 8 million in 2013. The implicit assumption is that the private sector would not have invested in the CIV without the official investment in the riskiest tranche (common equity in this example).

<table>
<thead>
<tr>
<th>Investment year</th>
<th>Investors</th>
<th>October 2008</th>
<th>June 2012</th>
<th>January 2013</th>
<th>April 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>DFI 1</td>
<td></td>
<td>10000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DFI 2</td>
<td></td>
<td>4000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DFI 3</td>
<td></td>
<td></td>
<td></td>
<td>12000</td>
<td></td>
</tr>
<tr>
<td>Private investor 1</td>
<td></td>
<td></td>
<td></td>
<td>6000</td>
<td></td>
</tr>
<tr>
<td>Private investor 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8000</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td></td>
<td>14000</td>
<td>6000</td>
<td>12000</td>
<td>8000</td>
</tr>
</tbody>
</table>

31. The expected reporting from the official investors is illustrated in table below. The amounts mobilised are calculated as follows:

- **Reporting in 2012:** the amount invested by Private investor 1 is attributable to DFIs 1 and 2.

Amount mobilised by DFI 1 = USD 3 643 = \( \frac{1}{2} \) * (USD 6 000 * 50%) + \( \frac{1}{2} \) * (USD 10 000 * 50%)

Amount mobilised by DFI 2 = USD 2 357 = \( \frac{1}{2} \) * (USD 6 000 * 50%) + \( \frac{1}{2} \) * (USD 4 000 * 50%)

- **Reporting in 2013:** the amount invested by Private investor 2 is attributable to DFIs 1, 2 and 3. (The amounts mobilised are attributed to all three official investors in the CIV. The implicit assumption is that official investments have a mobilisation effect for up to five years, from the creation of the CIV.)

Amount mobilised by DFI 1 = USD 2 872 = \( \frac{1}{3} \) * (USD 8 000 * 50%) + \( \frac{1}{3} \) * (USD 10 000 * 50%)

Amount mobilised by DFI 2 = USD 1 949 = \( \frac{1}{3} \) * (USD 8 000 * 50%) + \( \frac{1}{3} \) * (USD 4 000 * 50%)

Amount mobilised by DFI 3 = USD 3 179 = \( \frac{1}{3} \) * (USD 8 000 * 50%) + \( \frac{1}{3} \) * (USD 12 000 * 50%)

due diligence). Such an approach would result in a general underestimation of the amounts mobilised by small DFIs that often take an active role in a deal but invest relatively small amounts compared to other official agencies’
The results of the calculation of amounts mobilised are shown in Tables 4 and 5.

**Table 4. CRS++ reporting instructions by investment**

<table>
<thead>
<tr>
<th>CRS++ fields</th>
<th>Reporting in year 1</th>
<th>Reporting in year 2</th>
<th>Reporting in year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Field 33 – Commitment</td>
<td>10000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Field 43a – Leveraging mechanism and role/position</td>
<td>3: Common equity in flat CIV</td>
<td>3: Common equity in flat CIV</td>
<td>3: Common equity in flat CIV</td>
</tr>
<tr>
<td>Field 43b - Amounts mobilised from the private sector</td>
<td>0</td>
<td>3642</td>
<td>2872</td>
</tr>
<tr>
<td>Field 43c – Origin of the funds mobilised</td>
<td>n.a.</td>
<td>2=recipient country</td>
<td>3=third high income/OECD country</td>
</tr>
</tbody>
</table>

**Table 5. Summary on investments and amounts mobilised (USD thousand)**

<table>
<thead>
<tr>
<th>Investments in the CIV</th>
<th>Amounts mobilised by official investments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year 1</td>
</tr>
<tr>
<td>DFI 1</td>
<td>10000</td>
</tr>
<tr>
<td>DFI 2</td>
<td>4000</td>
</tr>
<tr>
<td>DFI 3</td>
<td></td>
</tr>
<tr>
<td>Private investor 1</td>
<td></td>
</tr>
<tr>
<td>Private investor 2</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>14000</td>
</tr>
</tbody>
</table>