

**DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE**

MEASURING MOBILISATION

Briefing on efforts to harmonise OECD and MDB measurement methodologies

The present document is intended to inform the Committee of the ongoing discussion in the harmonisation of OECD and multilateral development bank (MDB) methodologies for measuring the mobilisation of private finance. The DAC is invited to provide any written feedback by 8 June 2018 to Julia.benn@oecd.org, after which the Secretariat will revise the document in advance of a future discussion in a formal meeting of the DAC, possibly in July 2018.

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Mobilisation of private finance and support for the 2030 agenda: Briefing on efforts to harmonise OECD and MDB measurement methodologies

Mobilisation of private finance is critical to delivering the 2030 Agenda for sustainable development. Better, more granular data on mobilisation are required to help build trust in efforts to encourage greater use of leveraging instruments – the data provide a basis for impact measurement but will also help the private sector gain a better understanding of the investment opportunities in developing countries. A call for greater transparency on private finance mobilised was a recurrent theme at the recent IMF/WB spring meetings. However, there are different views on what greater transparency means in concrete terms – what level of granularity is required and what data reporting is feasible in practice. This note informs the Committee of the discussion that is ongoing in this area in the context of work to harmonise the OECD and multilateral development banks' (MDBs') measurement methodologies.

Background

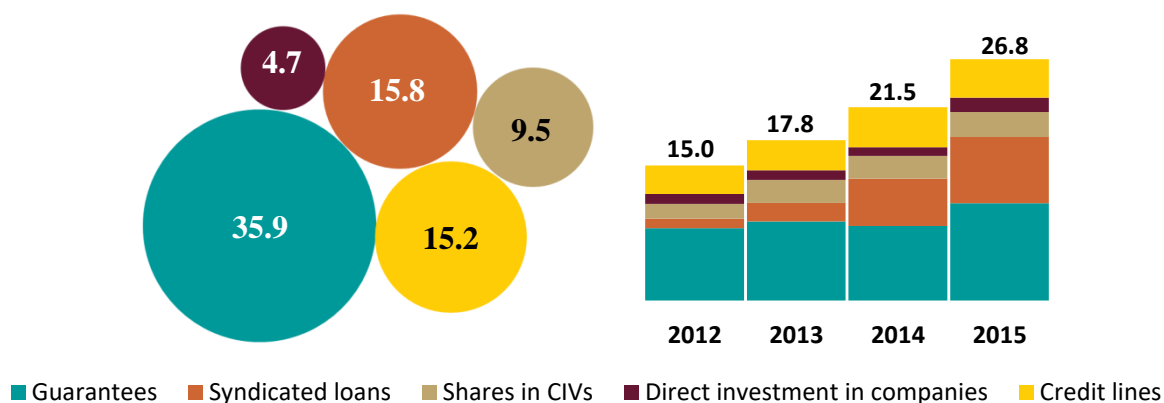
1. Under a mandate from the 2014 DAC High Level Meeting (HLM)¹, the OECD Development Co-operation Directorate has been working on developing an international standard for measuring mobilisation of private finance for development. The methodological work has been conducted in close collaboration with the OECD-led Research Collaborative on tracking private climate finance as well as bilateral and multilateral development finance institutions (DFIs). The methods have then been tested through data surveys, refined and approved by the Working Party on Development Finance Statistics (WP-STAT) for inclusion in the regular data collection in the Creditor Reporting System (CRS).
2. So far, data collection is operational for five leveraging instruments: guarantees, syndicated loans, shares in collective investment vehicles (investment funds), direct investment in companies and credit lines. (See data below.) Methodological work is ongoing to cover two additional leveraging mechanisms: project finance structures (PPPs) and standard loans and grants in “simple” co-financing arrangement with private investors (e.g. matching grants). In parallel, the Secretariat is working with data providers to facilitate the data compilation and ensure data quality.
3. Discussions on mobilisation have been held in close contact with the MDBs that have developed their own approach to report collectively on mobilisation. Their work is closely related to the billions to trillions agenda and the request by the G20 to the MDBs to optimise their balance sheet². Recently, the discussion has focused on how the two

¹ See para. 14 of HLM [communique: https://www.oecd.org/dac/OECD%20DAC%20HLM%20Communique.pdf](https://www.oecd.org/dac/OECD%20DAC%20HLM%20Communique.pdf). Continued work in this area expressed in the 2017 HLM Communique.

² See para. 10 of <http://www.consilium.europa.eu/media/23729/g20-antalya-leaders-summit-communique.pdf>. More about the MDB mandate:

approaches could be further harmonised, both in terms of definitions and measurement methods.

Figure 1. Overview of amounts mobilised from the private sector: USD 81.1 billion in 2012-15³



Two approaches – the OECD and the MDB group – and how they differ from one another

4. Mandated by the 2014 DAC HLM, the OECD aims to establish an **international standard** for collecting transparent (activity-level) data on the mobilisation effect of individual development finance interventions. **Transparency** in this area will help to inform policies, ensure credibility (address concerns about over-inflation of figures) and build trust with the public but also the private sector.

5. Transparency is also a major deliverable under the OECD DAC **Blended Finance Principles** endorsed by the DAC HLM in October 2017, which emphasise the need to monitor blended finance for results and to ensure public transparency and accountability on blended finance operations (principle 5). The OECD Blended Finance definition⁴, also agreed at the HLM, has mobilisation as the critical goal of Blended Finance. The mobilisation approach is therefore an instrumental element which will underpin Blended Finance going forward and be used in the guidance which will inform the Principles. Market participants in consultations have been supportive of this approach as it provides transparency on activities and therefore builds confidence in the market.

http://siteresources.worldbank.org/DEVCOMMINT/Documentation/23758671/DC2017-0009_Maximizing_8-19.pdf

³ More information on the OECD work on mobilisation at: <http://www.oecd.org/development/mobilisation.htm>.

⁴ Blended Finance is the strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries.

6. The main principle of the OECD methodology for measuring mobilisation is a **demonstrated causal link between the official and private investment**. (So far, the more indirect – “catalytic” – effect has been considered more difficult to track statistically.)

- The methodologies are instrument-specific to take into account the different financial characteristics and the role and position of all official actors involved.
- They strive to be i) fair in terms of attribution (considering the role played by all official actors, including from developing countries); ii) conservative in terms of causality assumptions; and iii) avoid double-counting.
- The data are made available online at <http://www.oecd.org/development/mobilisation.htm> through a data visualisation tool. A proposal on rules for data disclosure will be discussed at the 13-15 June 2018 WP-STAT meeting.

7. The MDB approach distinguishes between “direct” and “indirect” mobilisation (as well as “catalytic effect”). “**Direct mobilisation**” is defined as co-financing arrangements under which MDBs have been paid a fee for setting up the deal (“**fee-based**” criterion). All private finance mobilised is therefore attributed to the institution that set up the deal (no attribution to other co-financiers). All other co-financing arrangements are categorised as “**indirect mobilisation**”. The figures on direct and indirect mobilisation are **reported collectively** by the MDB group in a joint report, with the data broken down by MDB and by recipient income group. However, no activity-level data are disclosed in this joint report and it remains unclear at what level of disaggregation the data are collected.

8. The OECD and MDB approaches also differ slightly in terms of coverage. For the time being OECD data cover five leveraging instruments (see paragraph 2) while MDB data relate to all such instruments. The country coverage of the MDB data is broader as some MDBs also provide financing to high-income countries (HICs).

Why a need to harmonise OECD and MDB approaches? What are the issues?

9. Harmonisation of the OECD and MDB approaches is requested as, currently, the publication of data on mobilisation based on two different methodologies is confusing (inconsistent data and messaging) and creates a burden to the institutions involved (double reporting). Discussions on this issue have been ongoing for some time, most recently at the working session on measuring mobilisation held at the OECD on 10 April 2018. Efforts to find a common ground have not succeeded so far. For the OECD, it would be difficult to simply adopt the MDB approach for the following reasons.

10. The “fee-based” criterion used by the MDBs to assess causality reflects some MDBs’ business models but fails to take into account the role of smaller actors that do not necessarily have the capacity to arrange deals but nevertheless provide funding with the specific aim to mobilise private finance. For example, the fee-based method does not take into account the role and position – i.e. the risk taken – by the co-financiers. Consequently, under the MDB methodology a DFI that is mandated to promote private finance by mitigating/sharing risk would not get credit for mobilising private finance; the amounts mobilised would be attributed to the arranger – typically an MDB. Such an approach could therefore set disincentives for donor governments to support their DFIs’ engagement in blended finance transactions jointly with MDBs. At the same time, bilateral DFIs are

becoming increasingly significant participants in Blended Finance. Between 2000 and 2016, a total of 167 facilities⁵ that engage in blending were launched, with a combined volume (as measured by commitments) of approximately USD 31 billion.

11. In the same vein, the MDB methodology for direct mobilisation would not give credit to emerging providers of development finance (e.g. National Development Banks such as BNDS, DBSA) when they provide co-financing to a project arranged by an MDB – their investments get attributed to the lead institution administering the financial package. This has been a major critique by developing countries regarding the measurement of mobilised climate finance. It could become an issue also in the contexts of measuring total official support for sustainable development (TOSSD) where the buy-in from developing countries is critical and the measurement and reporting discussions that are ongoing in the International Development Finance Club (IDFC).

12. The MDB approach for measuring “indirect mobilisation” is also problematic as it does not attribute private finance mobilised back to individual official institutions co-financing a project. The total private co-financing is reported collectively by the MDBs as a group. In an international statistical system, where all countries and institutions report individually on their own responsibility, such an approach would inevitably lead to double counting and inflating the figures, ultimately undermining public trust in our collective efforts to bring private finance into the 2030 financing mix.

13. Finally, the Secretariat believes that it is not sufficient to publish only aggregate figures on mobilisation. The credibility of the figures is dependent on the possibility for the public to access information (ideally at the project level) on the purpose and recipients of funds. In that respect, the MDB approach does not provide the statistical depth to facilitate analysis, accountability, decision-making and accurate measurement of the provider and recipient country. Transparency is also necessary to build trust with the private sector which needs to gain a better understanding of the opportunities and challenges in investing in developing countries.

Pending harmonisation, what can be done?

14. Pending progress in harmonising the methodologies it has been agreed to **clarify the differences between the OECD and MDB approaches**: a common narrative was developed and published to explain the differences between the two systems, with the understanding that MDBs would report on mobilisation to the OECD according to the DAC approach for comparability and accuracy purposes (see extract from the MDB methodological guide⁶ in Annex 1). The underlying rationale was that mixing the two

⁵ Earmarked allocation of development resources (mostly public but sometimes philanthropic) to facilities which are further invested in development projects through a range of instruments including by purchasing shares in collective vehicles such as funds. There is no blending as such within facilities; rather facilities provide finance that supports blending further downstream at the fund or project level (OECD 2018).

⁶ <http://documents.worldbank.org/curated/en/495061492543870701/pdf/114403-PUBLIC-PrivInvestMob-Ref-Guide-Aug-14-2017.pdf>.

approaches in an international statistical system would result in double-counting and undermine the credibility of data on mobilisation. (See illustration in Annex 2.)

15. However, in recent discussions⁷ with the MDBs, it has become clear that there is little scope for harmonisation. The MDBs often refer to their G20 mandate to mobilise their investment capacities and note that their methodology has already been agreed by their respective Heads, leaving little room for flexibility. They also consider their work inclusive (their shareholders represent a broad range of countries). More recently, the MDBs have been reaching out to the bilateral DFIs and some aid agencies to encourage them adopt the MDB approach. The MDB report published in May 2018 includes data from 12 bilateral DFIs. The Secretariat was also advised by the MDB Group that they are engaging with other bilateral DFIs and the IDFC for future reporting.

16. For the OECD, the fact that the MDBs aim at collecting data from DAC members' DFIs and other institutions has become a pressing issue, in particular as some of these DFIs have been reluctant to report to the DAC CRS system. At the same time, non-reporting to the CRS goes against the 2014 HLM agreement (paragraph 14) which states that the DAC *“will also collect data on resources mobilised by official interventions from the private sector using leveraging instruments such as guarantees. We support continued work to establish an international standard for measuring the volume of private finance mobilised by official interventions”*.

17. More generally, the two approaches and data solicitations are likely to create confusion in the processes of monitoring the implementation of commitments and pledges of development finance and climate finance (SDGs, USD 100 billion for climate action).


Possible next steps

18. The Secretariat remains in close contact with the MDB group to pursue dialogue and efforts to find a common ground for future harmonisation. It has also been suggested that the Secretariat and some MDBs work together on concrete examples of projects to compare the results of the two approaches to get a better understanding on the extent to which they differ quantitatively and to see if the two can be bridged. To facilitate continued joint technical work, the issues outlined in this note have been signalled to the MDBs at the executive level.

19. The DAC is invited to provide **any written feedback on this note by 8 June 2018** (send email to Julia.benn@oecd.org), after which the Secretariat will revise the document in advance of a future discussion in a formal meeting of the DAC, possibly in July 2018.

⁷ At the workshop on mobilisation organised by OECD on 10 April but also at the margins of the 2018 Spring Meetings in Washington.


ANNEX 1. COMPARISON BETWEEN OECD AND JOINT-MDB METHODOLOGIES FOR MEASURING MOBILISATION



COMPARISON: OECD DAC AMOUNTS MOBILIZED FROM THE PRIVATE SECTOR

DEFINITIONS
MEASUREMENT
ATTRIBUTION
COMPARISON

Both approaches have common underlying principles, but the scope of application and formulas used are different



Report available here

Similarities

Differences

- Both seek to demonstrate the private mobilization achieved through public interventions for the benefit of developing countries
- Both only attribute private investment mobilization where there is concrete linkage or a direct and active involvement of a public institution
- Both rely on validating evidence of the public institutions' mobilization role

- The OECD approach does not differentiate between direct and indirect mobilization as defined by the MDB approach.
- The OECD approach attributes private mobilization to all public institutions in a transaction; the MDB approach only attributes this amongst MDBs
- The OECD approach is work in progress. So far, it covers five instruments: guarantees, syndicated loans, shares in collective investment vehicles, credit lines and direct investments in companies. The MDB approach covers all instruments
- The OECD approach defines infrastructure to include only economic infrastructure (roads, energy, etc.) while the MDB approach includes part of social infrastructure (hospitals, schools, etc.)

MDBs' Reporting to the DAC

- MDBs report on their mobilization activities to the DAC on a regular basis following the OECD DAC methodology.

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MDB Methodology for Private Investment Mobilization - Reference Guide - April 2017


(sources: [MDB reference guide on measuring private investment mobilisation](#))
 PDM: Private direct mobilisation.
 PIM: Private indirect mobilisation.

ANNEX 2. ILLUSTRATION OF COMPLEXITIES AND ISSUES WHEN MEASURING MOBILISATION

Comparison between OECD-DAC and MDB approaches for syndicated loans

OECD/DAC approach	MDBs' fee-based approach
<ul style="list-style-type: none"> 50% of private loan attributed to the arranger; 50% of private loan attributed pro rata to all official participants (incl. arranger). <p>If arranger is private, 100% of private is attributed pro rata to all official participants.</p>	<ul style="list-style-type: none"> 100% attributed to the arranger; <p>No recognition of the role of other bilateral official actors involved in the syndication through e.g. parallel loans</p> <ul style="list-style-type: none"> * DFIs explicitly requested to be taken into account; * How about developing countries which may participation from domestic sources?

Illustration of possible double-counting if mixing both DAC and MDB approaches,

Syndicated loan for Oyu Tolgoi mine (Mongolia), arranged by IFC

Lender	Role	Commitment (USD million)	Private finance mobilised according to		
			OECD-DAC	MDBs	Both approaches mixed
IFC	Official Arranger	400	736.8	776	776.0 <i>(MDB approach)</i>
KfW	Official Participant	20	17.4	0	17.4 <i>(OECD-DAC approach)</i>
FMO	Official Participant	25	21.8	0	21.8 <i>(OECD-DAC approach)</i>
PRIVATE*	Participant	776	-	-	-

TOTAL MOBILISED

776.0

776.0

815.2*(of which USD 39.2 million double-counted)*

* BNP Paribas, Australia and New Zealand Banking Group, ING Bank, Société Générale, Sumitomo Mitsui Banking Corporation, Standard Chartered Bank, Canadian Imperial Bank of Commerce, Crédit Agricole, Intesa Sanpaolo, National Australia Bank, Natixis, HSBC Bank, The Bank of Tokyo-Mitsubishi UFJ.