Measuring private finance mobilised for sustainable development

by

Julia Benn, Cécile Sangaré and Suzanne Steensen, Development Co-operation Directorate, OECD

The OECD is working on ways to monitor and measure private resources mobilised through public sector interventions. This is of great importance in the context of the Sustainable Development Goals: improving the tracking of these resources will increase transparency while also encouraging their use to mobilise further resources. This chapter provides an overview of the work underway and outlines some of the methodological challenges involved. It also presents the findings of a recent survey that focused on private sector finance mobilised through guarantees, syndicated loans and shares in collective investment vehicles between 2012 and 2014. It concludes with a set of key recommendations.

Massive amounts of private finance will be needed to achieve the Sustainable Development Goals (SDGs). At the same time, there is understandable pressure on official sector entities to demonstrate that their use of scarce public resources is having impact. While this makes it important for them to show how they are catalysing private investment, measuring this contribution is fraught with challenges.

The first challenge is definitional. Words like “mobilise”, “catalyse”, “leverage” and “additional” are often used interchangeably, with varying degrees of precision and consistency. A number of these concepts appear in the World Bank Group (WBG) “corporate scorecards” – an integrated performance and results-reporting framework – which has presented us with a platform to distinguish the terms.

For example, “private capital mobilised” is defined as: Financing from private entities other than the WBG that becomes available to a client at legal commitment of the financing (i.e. financial close) as a result of the WBG’s active and direct involvement in raising resources (i.e. that are contractually part of a distinct transaction).

The definition of private capital mobilised is quite narrow, however, and as such does not offer a comprehensive view of the impact of institutions like the WBG on attracting private financing. Much of the impact from interventions by the WBG’s International Bank for Reconstruction and Development or its International Development Association comes from helping clients (in this case, the public sector) improve the underlying conditions for private sector activity and investment. For this reason, private capital mobilised is complemented in our corporate scorecard by the concept of “private investment catalysed”, defined as: Private investment resulting from the contribution associated with the WBG’s involvement in an investment, operation or non-financing activity. Private investment catalysed measures financing provided, regardless of whether or not the WBG was actively and directly involved in raising such financing or soliciting investors, and includes investment made as a result of an engagement after it is completed.

The second challenge is measurement. It is relatively easy to track investment linked to a specific transaction but which is not a contractual part of the transaction, for example, co-financing. Measuring private investment catalysed as a result of the impact of the intervention or activity is more problematic. Not only is it essentially arbitrary to delimit how far along the results chain one goes to track finance catalysed, it is also not obvious how far into the future to look. An investment may be made, for example, as a result of an operation, an activity or advice that has helped improve the business and investment climate in a client country, by reducing red tape in the registration of new businesses or by improving creditor rights. Or infrastructure financed by the WBG could make it possible to profit from private sector activity where this was previously not the case.

The relationship of the investment to these kinds of interventions may be easy to grasp conceptually, but it is very difficult to measure quantitatively, even when significant (and costly) effort is expended. Yet failure to take into account the important contribution of development institutions in attracting private financing through such means would paint an incomplete and fundamentally misleading picture of their impact and effectiveness.

Given the importance of acknowledging this contribution, the WBG is investigating the potential of using “multipliers” to estimate private investment catalysed. Drawing on various studies, particularly from the infrastructure sector, we are attempting to come up with credible “rules of thumb” for estimating the impacts on private investment of WBG interventions or investments. The methodological challenges are enormous, however, and the outcome is likely to be, at best, an “order of magnitude” estimate.
The question of how private resources can best be mobilised is at the heart of discussions around how to finance the Sustainable Development Goals (SDGs) (OECD, 2014a) and to realise developed countries’ commitment to mobilize, by 2020, USD 100 billion per year for climate action in developing countries (UNFCCC, 2009).

The potential exists: global savings have never been higher, there are new sources of capital that can be tapped, innovative financial instruments are widely available and investment opportunities abound. Yet in order to realize this potential, incentives need to be created to help mobilize and channel “patient capital” – i.e. medium or long-term investment – particularly from the private sector. Public funds can be used to create these incentives, providing guarantees, mitigating risks, improving the enabling environment and helping to improve technical capacity at the receiving end (see the “In my view” box by Philippe Orliange).

To ensure that these funds achieve their maximum impact, and to assess whether governments and private sources are living up to their commitments, it is fundamental to monitor and measure them. The OECD Development Assistance Committee (DAC) is currently expanding the scope of its statistical framework, introducing new reporting requirements and methodologies for measuring the amounts mobilized from the private sector through public sector interventions.

This chapter presents the outstanding challenges in measuring international private finance mobilized by public funding. It reviews the results of a recent survey on mobilization and, drawing on the lessons from this work, concludes with a number of recommendations to providers of development assistance, including developing common and pragmatic approaches, and increasing internal capacity to report data on the mobilization effect of their interventions.

International stakeholders are joining forces to track mobilized finance

Today’s development financing packages can be complex, with multiple actors involved in the various financial and implementation phases of an activity or project (often referred to as “blended finance”, see Chapter 3).
Efforts are underway in several fora to improve the tracking of information on mobilised finance. Within the climate community in particular, a range of partners involved in the OECD-hosted Research Collaborative on tracking private climate finance has been conducting work to measure publicly-mobilised private finance for climate action in developing countries (Box 4.1). The OECD-DAC work is being taken forward in co-operation and synergy with these partners so as to arrive at widely shared definitions and standards.
Box 4.1. Estimating mobilised private finance for climate action

The OECD-hosted Research Collaborative on tracking private climate finance is a network of researchers, development finance institutions and governments working together to identify, develop and assess methodologies for estimating publicly-mobilised private finance for climate action in developing countries.* Based on the work of the Research Collaborative, the OECD recently estimated private climate finance mobilised in 2013-14 in the context of the United Nations Framework Convention on Climate Change commitment made by developed countries to jointly mobilise USD 100 billion per year by 2020 (Figure 4.1).

Figure 4.1. Estimates of private finance mobilised by developed countries through bilateral and multilateral channels for climate action in developing countries

Commitments, USD billion

<table>
<thead>
<tr>
<th>Year</th>
<th>By developed country bilateral public climate finance</th>
<th>By multilateral public climate finance (attributed share to developed countries)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>6.2</td>
<td>4.0</td>
</tr>
<tr>
<td>2014</td>
<td>8.1</td>
<td>8.5</td>
</tr>
<tr>
<td>Average</td>
<td>7.3</td>
<td>6.7</td>
</tr>
</tbody>
</table>

Notes: Private co-financing data from development finance institutions were used as best-available evidence of mobilisation. Where multiple public financiers were involved, amounts of private co-financing were attributed at the activity level using volume-based pro-rating across public finance instruments and actors (from developed and developing countries alike). Estimates are for ODA recipients and/or UNFCCC non-Annex I countries. They include private finance from all geographical origins.


Moving forward, however, some methodological questions remain to be addressed. For instance, alternatives are being explored for differentiating between mobilisation and co-financing. Methods for taking into account the role played by each public actor and finance instrument (other than simple volume-based pro-rating) are also being developed. In doing so, co-operation and synergies with the ongoing work of the OECD-DAC, as well as joint initiatives by bilateral (Stumhofer et al., 2015) and multilateral (Joint-MDBs, 2015) development finance institutions are being ensured. How to estimate the mobilisation effect of credit lines is, for instance, an area where stakeholders are working to advance a common understanding.

Work conducted under the Research Collaborative also highlights the importance of public finance for capacity building, and of domestic public policies in developing countries in order to catalyse private finance at scale (Haščič et al., 2015). Therefore, if measurement only captures direct mobilisation or co-financing, there is, on the one hand, a risk of overestimating the role of public co-financiers at the project level. On the other hand, it also means that private finance mobilised indirectly – in the absence of direct public co-finance – will not be captured at all, leading to an underestimation of the total. This implies that activity-based monitoring and reporting of private finance mobilised directly at the project level should be complemented with other methods for estimating indirect mobilisation.

* For more information, see: www.oecd.org/env/researchcollaborative.
Measuring mobilised finance presents challenges of definition, scope and methodology

To provide accurate, comparable data on mobilisation at the international level, several questions must be answered and agreement must be reached on:

- **Definition**: How does the term “mobilised” differ from other terms such as “catalysed” and “leveraged”? What is meant by “private” vs. “public” finance?
- **Scope**: How to develop a common understanding of the boundaries of a project – of where it starts and ends?
- **Methodology**: What proven and internationally agreed methods exist for assessing causality and attributing mobilisation of private finance?

What is the difference between catalysed, leveraged and mobilised?

The terms “catalyse”, “leverage” and “mobilise” are often used interchangeably (see the challenge piece by Jeff Chelsky). To permit accurate and comparable monitoring of sustainable development finance, however, it is important to distinguish among these terms and the contexts they describe (Figure 4.2):

- **Catalyse** usually refers to actions aimed at stimulating positive change. The result of such actions – the catalytic effect – may be financial (funds mobilised) or non-financial (transfer of knowledge, sharing of new practices, introduction of a policy, etc.). It is generally recognised that catalytic effects are difficult to measure statistically.

- **Mobilise** and **leverage** are usually used more restrictively to refer to the ways in which specific mechanisms stimulate the allocation of additional financial resources to particular objectives. In the context of OECD-DAC methodological work, the term “leverage” is usually associated with a quantitative indicator, such as a leverage ratio, while “mobilise” refers to a causal link between private finance made available for a specific project and the official flows that were used to incentivise them.

![Figure 4.2. Catalytic vs. mobilisation or leverage effects](http://dx.doi.org/10.1787/5jm3xh459n37-en)

It is important to agree on definitions of private and public flows

While distinguishing between private and public finance is also vital when measuring mobilisation, at present there is a lack of agreement on how to define these terms. In the OECD-DAC statistical framework, transactions are classified as public or private according to the ownership of the financing entity (this complies with balance of payments principles): if more than 50% of an entity is publicly owned, its operations are considered public. This is the definition applied by the
OECD-DAC when measuring mobilisation. In other fora, however, private finance is sometimes defined more broadly and may include activities undertaken by public corporations on a commercial basis, e.g. national electric companies. Co-financing from such corporations could, therefore, be considered private finance. These definitional differences affect the comparability of the data provided by the various entities tracking flows.

Assessing causality is difficult

While some subjectivity is embedded in most methodologies used by institutions, measuring causality statistically can be particularly complex. It is difficult to demonstrate that private financiers would not have invested without the corresponding official investment. To provide credibility at the international level, therefore, it is critical to make conservative assumptions in defining a measure of causality.

In addition, whenever more than one official investor is involved in a project that has mobilised private finance, the issue of attribution arises (i.e. how much each official investor mobilised). Being able to clearly attribute the amount of private finance mobilised by each investor is essential, however, to avoid double counting. Pro rata attribution – based on the amounts invested by each official agency – is, mathematically, the simplest approach. Yet this methodology does not take into account certain factors (e.g. a more active role by one of the official agencies, or different risk levels born by each official body). While these factors are difficult to quantify, taking them into account would provide a better reflection of causality (see the “In my view” box by Pierre Jacquet).

Double-counting of mobilised finance must be avoided

One of the particular challenges in capturing the amounts mobilised internationally from the private sector is how to provide a full picture while avoiding double counting. In an international statistical system that receives reports from all the contributors to a given financial package, there is a risk that the amount mobilised could be counted several times. A recent review carried out by the DAC revealed that most institutions are likely to use total private investment in a project as a proxy for the private finance mobilised through their interventions. Figure 4.3 shows a typical example: in this case, the investment by Daewoo and K-water in the Patrind hydropower project would be counted by each of the official investors.

Defining boundaries can be difficult, especially in large projects

Defining project boundaries is also crucial to avoid double counting, especially in the case of large projects (e.g. in the infrastructure sector) involving multiple investors, from both the official and private sectors, with different financial instruments. For example, the boundaries of a road project might be considered to be limited to the actual construction of the highway, or they might be broadened to include other related investments, such as the construction of gas stations and other services along the road. Depending on the definition of boundaries, the number of official actors as well the amount of private investment involved in the project could vary significantly, making the causal links between public and private investment difficult to establish. This is why defining boundaries in complex projects allowing the attribution of the amounts mobilised on a fair and statistically sound basis is a major methodological challenge.
In my view:
Engaging the private sector in sustainable development finance involves commitment, careful analysis and alignment of objectives

Pierre Jacquet,
President, Global Development Network

The increasing scarcity of public budgets has naturally led to heightened expectations about private financing for the Sustainable Development Goals (SDGs). As such, this is quite a challenge: public and private objectives do not coincide naturally and private firms are not philanthropic, even though some individuals within them may be. Two dimensions are crucial to reconcile these differing objectives, beyond identifying unexploited synergies that can deliver “low-hanging fruit” – such as energy-saving initiatives.

Improving the regulatory and policy environment. Negotiating and adopting a list of global goals in itself does not ensure the kind of stable and predictable regulatory policy environment needed to promote investment. The SDGs are desired results, but there is still a lot of debate and disagreement on how to commit and get there. Continuing scientific uncertainties, including in the area of climate change, are exploited by various interest groups fighting for their own parochial interests. As a result, sustainable development policies remain largely experimental, questionable and unstable. Clear, consistent and credible public commitments are needed. How can we expect the private sector, for example, to help fight climate change if governments cannot themselves put a credible price on carbon emissions?

Ensuring the compatibility of profits with social objectives. Because the private sector is driven by profits, its involvement is often perceived as problematic. Building trust is a priority, and this must be founded on a better understanding of the role and responsibilities of private companies and, beyond this, of the notion of profitability itself. Of course, profits can be excessive and their distribution unjust. Yet, profitability itself is not the culprit. Profits are crucial for increasing real incomes and ensuring the sustainability of efforts and investments, as well as of results over time. Recognising this, social business champions support activities that both achieve social objectives and are profitable enough to be self-sustainable (Chapter 5). The question is how to make the pursuit of social objectives compatible with market-led profit requirements.

In my view, sound public development finance can play a role in resolving some of these issues. Above and beyond funding what private markets won’t finance spontaneously, it can use innovative financial instruments – such as subsidies, insurance and partial guarantees – to mobilise investment. Such an approach requires sound risk analysis to arrive at informed decisions about desirable risk allocation (notably between the public and private parties). It also calls for conviction concerning why, when and how to support private investments with public money in order to reach social and environmental objectives. And there is an additional difficulty: effective instruments to mobilise finance for a project or activity include insurance and guarantees, which imply a willingness to finance (should the covered risk materialise) rather than actual financing. In many cases, no money may need to be spent, which makes the corresponding public finance effort more difficult to measure and communicate, and the links with results or impact more blurred. Despite these difficulties, this is a very promising path, and one that may lead to a profound revolution in public-private partnerships and in public finance in support of the SDGs.
The OECD-DAC is developing an international standard for measuring mobilisation

The OECD-DAC has long-standing experience in measuring and monitoring development finance, and in establishing commonly agreed definitions and standards. Building on this experience, and on co-operation with a wide range of partners from bilateral and multilateral development finance institutions, it has developed and piloted methodologies for measuring the amounts mobilised from the private sector through a first set of instruments and mechanisms: guarantees, syndicated loans and equity shares in collective investment vehicles (e.g. investment funds).

Following the basic principles underpinning international statistical systems, these methodologies are designed to be realistic and feasible, conservative in the assessment of causality, fair (pro-rated attribution), and pragmatic in terms of point of measurement (point in time for the measurement) and data availability.

The OECD-DAC statistical framework has been expanded to include this information – which will be reflected in regular reporting as of 2017 – and work is underway to develop methodologies for other leveraging instruments and mechanisms (e.g. credit lines, direct equity, mezzanine finance and structured finance). The measure of amounts mobilised from the private sector, which up to now have not been reliably or uniformly measured in international statistical systems, will provide consistent and comparable statistics on private sector finance for development, thereby increasing transparency. It is also expected to contribute to the ongoing development of a broader measurement framework of total official support for sustainable development (TOSSD) (Box 4.2).
I.4. MEASURING PRIVATE FINANCE MOBILISED FOR SUSTAINABLE DEVELOPMENT

A new OECD survey confirms the feasibility of collecting data on mobilisation

In April 2015, the OECD-DAC launched a new data survey (Benn et al., 2016). Its aims were to:

- pilot the new methodologies it has developed for measuring the amounts mobilised from the private sector by guarantees, syndicated loans and shares in collective investment vehicles
- assess the feasibility of collecting activity-level data on the amounts mobilised
- collect comprehensive data on the amounts mobilised from the private sector through the above mechanisms over the period 2012-14.

The scope of the survey was limited to amounts mobilised from the private sector as a result of official development finance interventions (i.e. export-related transactions were excluded), including both international and domestic private funds. It also sought information on the climate focus of the activities reported on. Amounts mobilised entirely from official sources were not included in this survey, as these are captured through regular data collection in OECD-DAC statistics.

The survey targeted 71 institutions, including bilateral and multilateral development finance institutions, development banks and development co-operation agencies. Of the 56 institutions that responded to the survey, 29 provided comprehensive data, representing a fair picture of the institutions that are known to use the 3 mechanisms surveyed. Some institutions were not able to share data because activity-level information on mobilisation was not readily available in their internal systems. For a few of the smaller institutions, lack of resources was a major obstacle to participating in the survey. Other reasons for not participating included confidentiality concerns. These challenges limiting participation underscore the need for a pragmatic approach to developing methodologies for other instruments.

Box 4.2. A measure of total official support for sustainable development

DAC ministers agreed in December 2014 to develop a new measurement framework, provisionally entitled total official support for sustainable development (TOSSD). This measure aims to recognise and further incentivise efforts in support of sustainable development above and beyond official development assistance (ODA). Such efforts could include: 1) the leveraging/catalytic effect of ODA; 2) blending operations, risk-mitigation schemes and equity stakes invested in sustainable development activities in developing countries; and 3) public finance for global public goods where these are deemed relevant for development and aligned with developing countries’ priorities.

Analytical work carried out through country pilot studies, inclusive policy dialogues and technical consultations across the international community have been crucial in modernising and broadening the OECD-DAC statistical framework. TOSSD will help to measure, monitor and mobilise development finance from a wide variety of sources in support of the ambitious 2030 Agenda. Work to develop the scope, boundaries, statistical conventions and operational modalities of the TOSSD framework is being carried out with the participation of a wide range of development actors and stakeholders in a transparent, inclusive consultation process.

The TOSSD measure will provide important information – for both provider and recipient countries – about the components of various financing packages, including the instruments used, their terms and how they are combined. This knowledge should, in turn, increase knowledge about financing strategies and best practices for effectively tapping and deploying a wide range of development finance from public and private sources to fund the Sustainable Development Goals. Bringing together data from OECD members, emerging economies, developing countries, the United Nations, other multilateral organisations and other relevant fora, the new statistical directives and policies will provide an important contribution to international standards and norms.


A new OECD survey confirms the feasibility of collecting data on mobilisation

Box 4.2. A measure of total official support for sustainable development

DAC ministers agreed in December 2014 to develop a new measurement framework, provisionally entitled total official support for sustainable development (TOSSD). This measure aims to recognise and further incentivise efforts in support of sustainable development above and beyond official development assistance (ODA). Such efforts could include: 1) the leveraging/catalytic effect of ODA; 2) blending operations, risk-mitigation schemes and equity stakes invested in sustainable development activities in developing countries; and 3) public finance for global public goods where these are deemed relevant for development and aligned with developing countries’ priorities.

Analytical work carried out through country pilot studies, inclusive policy dialogues and technical consultations across the international community have been crucial in modernising and broadening the OECD-DAC statistical framework. TOSSD will help to measure, monitor and mobilise development finance from a wide variety of sources in support of the ambitious 2030 Agenda. Work to develop the scope, boundaries, statistical conventions and operational modalities of the TOSSD framework is being carried out with the participation of a wide range of development actors and stakeholders in a transparent, inclusive consultation process.

The TOSSD measure will provide important information – for both provider and recipient countries – about the components of various financing packages, including the instruments used, their terms and how they are combined. This knowledge should, in turn, increase knowledge about financing strategies and best practices for effectively tapping and deploying a wide range of development finance from public and private sources to fund the Sustainable Development Goals. Bringing together data from OECD members, emerging economies, developing countries, the United Nations, other multilateral organisations and other relevant fora, the new statistical directives and policies will provide an important contribution to international standards and norms.

Survey data have confirmed the leading mobilisation instruments and actors

The survey results (Benn et al., 2016) show that USD 36.4 billion was mobilised from the private sector in 2012-14 by official development finance interventions in the form of guarantees (USD 21.3 billion or 59%), syndicated loans (USD 8.4 billion or 23%) and shares in collective investment vehicles (USD 6.7 million or 18%) (Figure 4.4). The total amount mobilised by these three instruments rose over the three-year period (an overall increase of 44% between 2012 and 2014); most of the increase was attributable to syndicated loans, for which the amounts mobilised quadrupled.

The instruments surveyed mobilised USD 36.4 billion from the private sector in 2012-14, mostly through guarantees.

Figure 4.4. Private finance mobilised per instrument and year, 2012-14
Through guarantees, syndicated loans and shares in collective investment vehicles, billions USD, current prices

<table>
<thead>
<tr>
<th>Year</th>
<th>Guarantees</th>
<th>Syndicated loans</th>
<th>Shares in CIVs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>11.7 (32%)</td>
<td>3.1 (8%)</td>
<td>0.5 (1%)</td>
</tr>
<tr>
<td>2013</td>
<td>14.4 (40%)</td>
<td>4.2 (12%)</td>
<td>1.2 (3%)</td>
</tr>
<tr>
<td>2014</td>
<td>19.6 (55%)</td>
<td>7.1 (20%)</td>
<td>4.5 (13%)</td>
</tr>
</tbody>
</table>

Total: USD 36.4 billion

Note: CIVs = collective investment vehicles.

StatLink: http://dx.doi.org/10.1787/88893357695

Over half of the total amount was mobilised by multilateral organisations, with the Multilateral Investment Guarantee Agency (MIGA) taking the lead, followed by the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) (Figures 4.5 and 4.6).

The major bilateral actors in this area were the United States (USD 10 billion), followed by the United Kingdom (USD 2.7 billion) and France (USD 1.6 billion) (Figure 4.7). Here again, a large share of the total amount was mobilised through guarantees, especially by the Overseas Private Investment Corporation (OPIC). Shares in collective investment vehicles were the second largest leveraging instrument for bilateral actors (mainly the United Kingdom), while syndicated loans played the smallest role.
Figure 4.5. **Private finance mobilised per type of institution and financial instrument, 2012-14**

Billions USD

<table>
<thead>
<tr>
<th>Type of Institution</th>
<th>Guarantees</th>
<th>Syndicated Loans</th>
<th>Shares in CIVs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multilateral development banks</td>
<td></td>
<td></td>
<td>18.8</td>
</tr>
<tr>
<td>Development finance institutions</td>
<td></td>
<td></td>
<td>12.8</td>
</tr>
<tr>
<td>Development banks</td>
<td>2.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development co-operation agencies</td>
<td>1.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public-private partnerships</td>
<td>0.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>0.2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: CIVs = collective investment vehicles.


Figure 4.6. **Top provider institutions, 2012-14**

Billions USD

<table>
<thead>
<tr>
<th>Institution</th>
<th>Guarantees</th>
<th>Syndicated Loans</th>
<th>Shares in CIVs</th>
</tr>
</thead>
<tbody>
<tr>
<td>MIGA</td>
<td></td>
<td></td>
<td>8.0</td>
</tr>
<tr>
<td>IFC</td>
<td>3.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBRD</td>
<td>2.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AsDB</td>
<td>2.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IADB</td>
<td>1.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>0.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPIO</td>
<td></td>
<td></td>
<td>8.3</td>
</tr>
<tr>
<td>CDC Group</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USAID</td>
<td></td>
<td>1.7</td>
<td></td>
</tr>
<tr>
<td>AFD</td>
<td></td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td>Sida</td>
<td>0.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>2.5</td>
<td></td>
</tr>
</tbody>
</table>

Notes: CIVs = collective investment vehicles; MIGA = Multilateral Investment Guarantee Agency; IFC = International Finance Corporation; EBRD = European Bank for Reconstruction and Development; AsDB = Asian Development Bank; IADB = Inter-American Development Bank; OPIC = Overseas Private Investment Corporation; USAID = United States Agency for International Development; AFD = French Development Agency; Sida = Swedish International Development Cooperation Agency. The IFC does not treat guarantees as a mobilisation instrument in its internal reporting system. Guarantees appear directly on the IFC’s balance sheet (in 2012-14, long-term guarantees amounted to USD 1.2 billion).

The top recipients of mobilised funds were middle-income countries

The majority of private finance mobilised through guarantees, syndicated loans and shares in collective investment vehicles benefited developing countries in Africa (29.1%), followed by Asia (27.2%) and the Americas (21.1%) (Figure 4.8). The target region or country could not be identified for 7.3% of the total amount mobilised. In terms of recipient countries, the top beneficiary was Turkey (7.1%), followed by a relatively homogeneous distribution among Chile, India, Pakistan, Serbia, Côte d’Ivoire, the People’s Republic of China (hereafter “China”), Brazil, Jordan and Ghana (Figure 4.9). Together these ten countries received approximately one-third of the total amount mobilised, most of which was mobilised through guarantees. In the case of Côte d’Ivoire, Pakistan and Serbia, almost the entire amount of private investment mobilised was attributable to guarantees. Syndicated loans were, nonetheless, a major leveraging instrument for activities in Brazil, Chile, China, Jordan and Turkey. While shares in collective investment vehicles were mainly used to mobilise private funds for activities in India and Turkey, a large share of the amounts mobilised through these vehicles was also reported under “Africa, regional”, without specifying the beneficiary country.

Between 2012 and 2014, 29% of mobilised private finance went to Africa.

In addition, the survey showed that the amount mobilised from the private sector through these three instruments was concentrated largely in middle-income countries (72.3% of the total). Only USD 2.9 billion (8%) of the total amount targeted the least developed countries, and USD 0.7 billion (2%) other low-income countries (Figure 4.10). While guarantees represented the main mobilisation instrument in the least developed countries (USD 2.4 billion, 82%) and other low-income counties (USD 0.6 billion, 86%), syndicated loans were also important in middle-income countries (USD 5.3 billion, 36% in upper middle-income countries).
In terms of sectoral breakdown, the survey data revealed that a majority of the private funds mobilised benefited the energy, banking and industry sectors (USD 11, 8 and 7 billion respectively). Guarantees were the main mobilisation tool in most sectors, particularly in the water and sanitation sector (71%). Shares in collective investment vehicles were an important mobilisation tool in the banking sector (35%), while in other sectors they seemed to play a marginal role. Syndicated loans, while used in all sectors, were most significant in the transport sector (Figure 4.11).
Figure 4.10. Private finance mobilised by income group and financial instrument, 2012-14

Billions USD

Notes: CIVs = collective investment vehicles; LDCs = least developed countries; LICs = low-income countries; LMICs = lower middle-income countries and territories; UMICs = upper middle-income countries and territories.

StatLink  http://dx.doi.org/10.1787/888933357759

Figure 4.11. Private finance mobilised by sector and financial instrument, 2012-14

Billions USD

Note: CIVs = collective investment vehicles.

StatLink  http://dx.doi.org/10.1787/888933357769
Relatively little of the finance mobilised was climate-related

According to the survey, only 19% of the total amount mobilised from the private sector by guarantees, syndicated loans and shares in collective investment vehicles in 2012-14 was climate-related (Figure 4.12). This finance targeted climate change mitigation in particular (71%), with around 27% addressing both mitigation and adaptation objectives. Not all respondents were able to provide the information requested on the climate focus of their spending (nine respondents, covering 40% of the total amount, did not respond). The data show, nonetheless, that these institutions also operate in climate-related sectors. For example, amounts mobilised by these institutions for renewable energy projects, which are usually considered climate-related, amounted to USD 3.5 billion over the period.

In 2012-14, 19% of the amount mobilised was climate-related (USD 6.8 billion).

Figure 4.12. Climate-related private finance mobilised, 2012-14

A significant share of syndicated loans was reported as climate-related (31% of the amount mobilised by this instrument, compared to 16% for guarantees and 11% for shares in collective investment vehicles).
The way forward for measuring mobilised private finance

In his introductory piece, Jeff Chelsky sets out two basic challenges:
1. establishing clarity regarding what is being measured, including defining words like “mobilised”, “catalysed” and “leveraged”
2. capturing the indirect, broader impact of activities and efforts to attract private finance.

While the use of these terms continues to present challenges, much work has been done to clarify their meaning. In the case of mobilised finance, this includes work to define the associated measurement using comparable, international standards. In particular, the survey described in this chapter confirms that it is feasible to collect data that permit measuring the direct mobilisation effect of guarantees, syndicated loans and shares in collective investment vehicles, although some institutions may need to strengthen their capacity to collect this information.

Building on the survey, work is underway to develop similar methodologies for other financial instruments used for development purposes, such as mezzanine finance, credit lines, direct investment in companies and project finance. It will be important to learn from the experiences of OECD-DAC members (see “Engaging the private sector in development co-operation: Learning from peers” in Part II of this report) and others in measuring private finance mobilised through this second set of instruments, paying special attention to avoiding double counting in an international statistical system.

There is still much work to be done, however, to be able to define and capture the “indirect” – or “catalytic” – effect of public interventions. As mutual learning continues to nourish thinking on this front, Mr Chelsky recommends ensuring, nonetheless, that the indirect “catalytic” impact of every project also be tracked. What matters, after all, are the improvements in the quality of people’s lives – and these result not only from the quantity of investment, but from its quality as well (Chapter 6).

Key recommendations for measuring mobilised private finance

- Clarify and clearly define the scope of what is being measured when developing standards for measuring mobilisation.
- Harmonise, as much as possible, diverse approaches for measuring mobilisation (including those being developed by the climate community), keeping in mind the need to avoid double counting at the international level.
- Continue methodological work to cover a broader range of instruments.
- Engage widely with other actors and stakeholders to ensure that the methodologies proposed are realistic and fair.
- Whenever possible, take steps to make the data readily available in internal systems for regular reporting.
- Agree on the definitions, scope and methodology for measuring direct mobilisation and work towards approaches to capture the “indirect” – or “catalytic” – effect of public interventions.
Notes

1. In the DAC statistical system, mobilisation refers to the stimulation by specific financial mechanisms/interventions of additional resource flows for development.

2. In OECD-DAC directives, transactions are defined as public (or official) if they “are undertaken by central, state or local government agencies at their own risk and responsibility, regardless of whether these agencies have raised the funds through taxation or through borrowing from the private sector”. This also includes “transactions by public corporations i.e. corporations over which the government secures control by owning more than half of the voting equity securities or otherwise controlling more than half of the equity holders’ voting power; or through special legislation empowering the government to determine corporate policy or to appoint directors. Private transactions are those undertaken by firms and individuals resident in the reporting country from their own private funds” (OECD, 2013, para. 13).

3. A survey carried out in 2014 to assess whether development finance institutions measured the amounts mobilised from the private sector as a result of their interventions, and when this was the case, how they measured such amounts. See also: www.oecd.org/dac/stats/documentupload/surveymobilisation.pdf.

4. Syndicated loans are loans provided by a group of lenders (called a syndicate) for a single borrower. The main objective is to spread the risk of borrower default across multiple lenders so as to encourage private investment.

5. With the possibility of identifying the origin of funds mobilised, differentiating between developing and high-income countries.

6. For the purposes of this survey, official/public sector institutions comprise development co-operation agencies, bilateral and multilateral development banks, and development finance institutions. Most development finance institutions are also considered official institutions; the Development Bank of Austria, which is a privately owned entity executing a public mandate from the Austrian government, is also assimilated as an official institution.

7. Climate-related finance is measured using the Rio markers and multilateral climate components. See also OECD (2014b).

References


