

# REFERENCE GUIDE

This reference guide explains how the Multilateral Development Banks (MDBs) calculate and jointly report **private investment mobilization**.

The purpose of the methodology is to recognize and measure the private capital mobilized in MDB project activities. “[From Billions to Trillions: Transforming Development Finance](#)” outlines the MDBs’ joint commitment to mobilizing increased investment from the private sector and institutional investors.

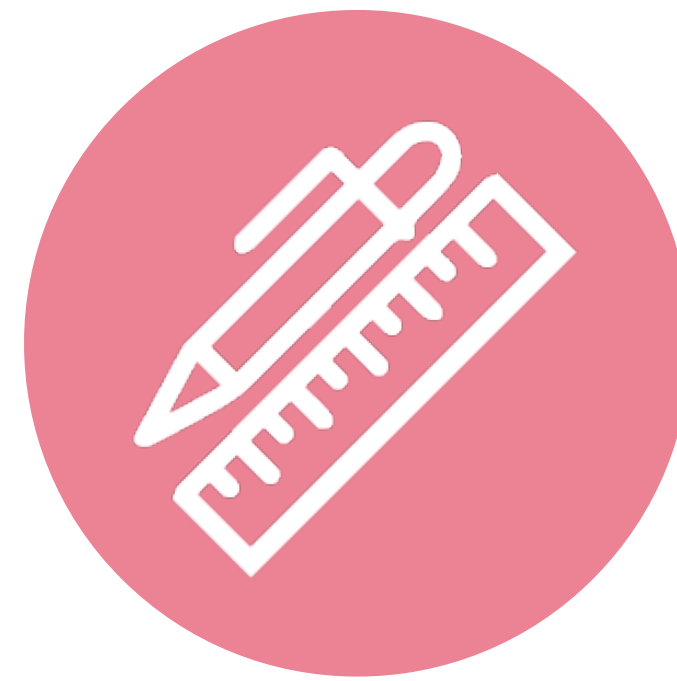


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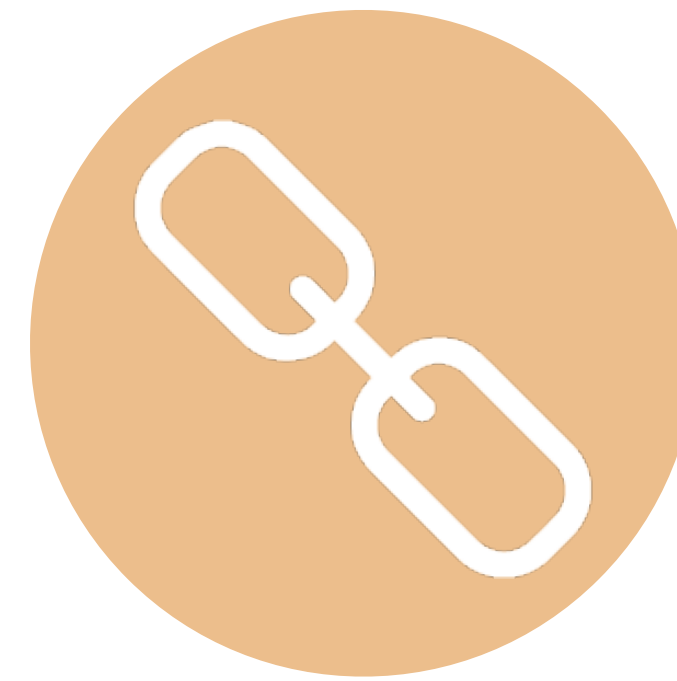
## Definitions

Key definitions related to the methodology



## Measurement

Inputs and measurement process



## Attribution

Attributing & preventing double counting among MDBs



## Comparison

Comparing the MDB methodology against other mobilization reports

This guide was prepared for International Finance Corporation (IFC) based on the joint methodology developed by the participating MDBs. [International Financial Consulting Ltd.](#) was engaged to prepare the guide, which was authored by Zach Bloomfield under the leadership of Diana Smallridge. Margaret Sider and Patricia Cameron provided analysis and publication support. International Financial Consulting Ltd. would like to thank Neil Gregory, Deborah Ilisevich Feigenbaum and Lin Shi at IFC for their guidance on developing the guide.

# SOURCES OF FINANCE

## DEFINITIONS

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The methodology is focused on assessing the private financing mobilized by an MDB, which must be assessed on a project-by-project basis, since the financing structure for each or activity is unique. These definitions define the sources of financing in a transaction.

### Total Activity Financing

is the total financing from all public and private sources provided in connection with a specific activity for which the MDB is providing financing. TAF is composed of the following three components:

1. MDB Commitment
2. Private Co-financing (incl. private sponsor financing)
3. Public Co-financing

### MDB Commitment

is the annual new investment commitment volumes of loans, equity, guarantees, etc. by an MDB.

### Private Co-financing (PCf)

is the investment made by a **private entity**, which is defined as a legal entity that is:

- (a) carrying out or established for business purposes and
- (b) financially and managerially autonomous from national or local government.

Some public entities that are organized with financial and managerial autonomy are counted as private entities. Other examples include registered commercial banks, insurance companies, sovereign wealth funds and other institutional investors investing primarily on a commercial basis

### Public Co-financing

is the investment made by an a public entity. Public entities include multilateral and bilateral financial institutions, export credit agencies, and any other institution whose primary purpose is to benefit or promote a specific national interest, regardless of ownership.

**Note:** Public co-financing is not included in this methodology, as its purpose is to measure private mobilization **only** by the participating MDBs

# LEVELS OF MEASUREMENT

## DEFINITIONS

## MEASUREMENT

## ATTRIBUTION

## COMPARISON

The methodology focuses on measuring and reporting private investment mobilized. Therefore, the only finance sources that are included in the methodology are MDB Commitment and Private Co-financing (PCf), also referred to as private mobilization. PCf is broken down into two key elements as described below.

### Private Direct Mobilization

is financing from a private entity on commercial terms due to the active and direct involvement of a MDB leading to commitment. Evidence of active and direct involvement include mandate letters, fees linked to financial commitment or other validated or auditable evidence of a MDB's active and direct role leading to commitment of other private financiers. **PDM** does not include sponsor financing.



### Private Indirect Mobilization

is financing from private entities provided in connection with a specific activity for which an MDB is providing financing, where no MDB is playing an active or direct role that leads to the commitment of the private entity's finance. **PIM** includes sponsor financing, if the sponsor qualifies as a private entity.



### Total Private Mobilization

### Private Co-financing

are the sum of all **PDM** and **PIM**.

*A sponsor is an entity or individual responsible for technical and financial success of activity*



# WAYS TO SEGMENT THE RESULTS

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## Infrastructure

The MDBs use a common definition to qualify transactions as infrastructure projects. Infrastructure is defined as underlying physical foundation or civil works (including integral and/or dedicated equipment) that support economic and social development. The following sectors are automatically classified as infrastructure:

- Energy (electricity generation, transmission, distribution)
- Water and waste management (water and sanitation, solid waste, irrigation, flood control)
- Transport (roads, ports, airports, urban transport, railway, fluvial and maritime transport)
- Telecommunications
- IT within infrastructure sectors
- Social infrastructure (schools, hospitals, etc.)

Captive infrastructure, reserved for the sole use of a firm, is excluded



Image by Samir Cabbarov, 2012. Via [Wikimedia Commons](#)





# TREATMENT OF LONG-TERM FINANCIAL INSTRUMENTS

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Long-term financial instruments have a tenor that is at least one year. Short-term (< 12 month tenor) instruments are tracked and reported separately. For some instruments, special treatment is required to differentiate MDB Commitment, **PDM** and **PIM**.

## Long-term Loans, Equity & Islamic Finance

Private co-financing is classified as **PDM** when there is a verifiable active and direct role played by an MDB in mobilizing a private financier.

In the case of loans and Islamic finance, examples of **PDM** could include syndicated loans or any other case where an MDB plays a role similar to a mandated lead arranger. Collection of fees or MoUs are examples of auditable evidence

For MDB equity investments, a verifiable role that demonstrates an MDB playing an active and direct role must occur for private co-financing to be classified as **PDM**. Being an anchor investor is not sufficient justification and is classified as **PIM**.

Lines of credit are treated as a type of loan.

## Long-term Guarantees

The total amount of the loan or equity being guaranteed by the MDB is counted as **PDM**. This includes both commercial risk guarantees and non-commercial risk guarantees. For commercial risk guarantees, the **PDM** is counted net of any amount reported as an MDB commitment.

## Short-term Finance (STF)

STF includes trade finance, supply chain finance and other programmatic support for real economic activity. There are two aspects of STF that are applicable in the methodology:

1. The portion of risk in a program not funded or guaranteed by an MDB that is funded or guaranteed by a private partner financial institution and a private confirming bank is counted as **PDM**.
2. The portion of risk distributed by an MDB on an unfunded or funded basis to private insurance companies or other private third parties is counted as **PDM**. For unfunded risk distributions, these flows would only be counted as PDM only if the three criteria for URTs are met (see next page)



# TREATMENT OF OTHER MOBILIZATION SITUATIONS

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## Unfunded Risk Transfer (URT)

An unfunded transfer of credit risk associated with loans or guarantees from an MDB to a third-party guarantor (like an insurance company or a commercial bank). Qualifies as **PDM** if it meets all three of the following conditions:

1. The risk transfer is in respect of the specific set of assets which the MDB is financing from its commitments
2. The timing of the commitment of the third-party insurer and the MDB's financing commitment are within twelve months of each other
3. The MDB reduces its reported commitments by the same amount as the coverage of the risk transfer.

## Client Bond Issuance

When an MDB supports the issuance of a bond by a client, the total amount raised by the client from bond issuance to private entities counts as **PDM** when the MDB can demonstrate an active and direct role in the bond issuance (while complying with legal requirements). Being an anchor investor to the bond issuance is not considered an active and direct role.

## Direct Transaction Support

MDBs may also provide advisory services and related assistance to a client where these services are linked to the procurement of funds for a specific activity. Procurement of private financing linked to the provision of advisory services counted as **PDM**.



# DECISION TREE: CLASSIFYING & MEASURING INPUTS

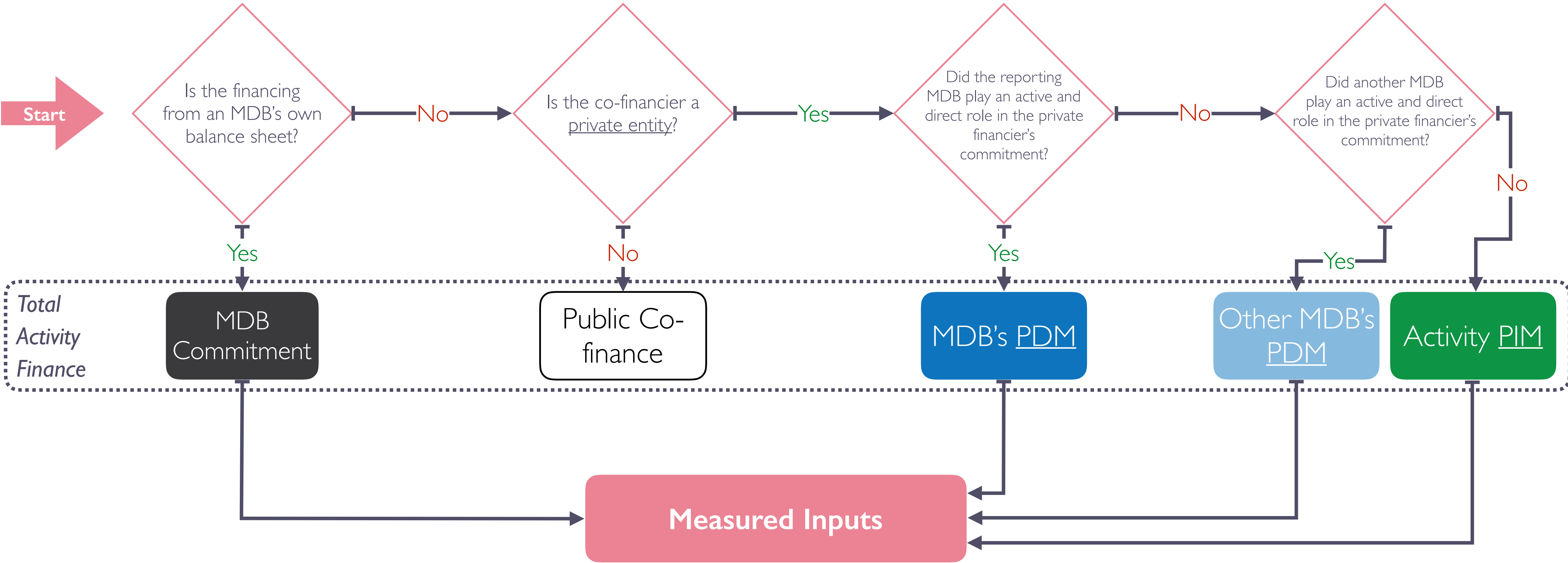
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This decision tree outlines how a reporting MDB would classify financing flows into a project.  
This decision tree applies to all instruments and situations where an MDB is co-financing alongside one or more private investor.







# OTHER REPORTING CONVENTIONS

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These include protocols and other data uniformity conventions agreed to by the MDBs.

## Timing of Measurement

1. Timing of measurement for **PDM** is normally the commitment date of the **PDM**.
2. Timing of measurement for **PIM** is normally the **PIM** commitment date if available. If not, PIM would be measured and reported based on the MDB's **PDM** commitment date, or the MDB commitment date when the **PDM** commitment date is not available.
3. Where the MDB's commitment to an activity is made in several tranches which are committed over more than one calendar year, and a **PDM/PIM** commitment date is not available, the Private Co-financing is deemed to be deployed, and will be measured, on a pro rata basis using the share of the MDB's commitments in each year to the total amount approved by the MDB for the activity.

## Reporting Period

is the calendar year, covering all commitments made during that year.

## Reporting Currency

is USD, at the applicable exchange rate as of the end of the calendar year being reported.

# ATTRIBUTING PRIVATE DIRECT MOBILIZATION

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**PDM** is attributed at its full value, less any adjustments in the case of guarantees or URTs, to the MDB which demonstrates the active and direct role.

## For the Reporting MDB

All private co-financing flows, classified as the reporting MDB's **PDM**, are reported as **PDM** in the joint reporting process.

## For the Counterpart MDB

Any private co-financing flows classified as the **PDM** of another MDB are ***not reported***.

# ATTRIBUTING PRIVATE INDIRECT MOBILIZATION

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**PIM** is attributed on a prorated basis, according to the reporting MDB's share of all Commitments attributed to all MDBs in an activity.

## Proration Formula

The ratio of the reporting MDB's Commitments to the total of all MDB Commitments is the way **PIM** is prorated and attributed to the reporting MDB.

In this way, the activity **PIM** is not double counted across both MDBs' reports. Instead, it is apportioned between the MDBs. The cases starting on the next page illustrate this in practice.

$$\left( \frac{\text{Reporting MDB's Commitment}}{\text{Reporting MDB \& Other MDB's Commitments}} \right) \times \text{Activity PIM} = \text{PIM attributed to reporting MDB}$$



# COMPARISON: MDB JOINT CLIMATE CO-FINANCE (CCF) APPROACH

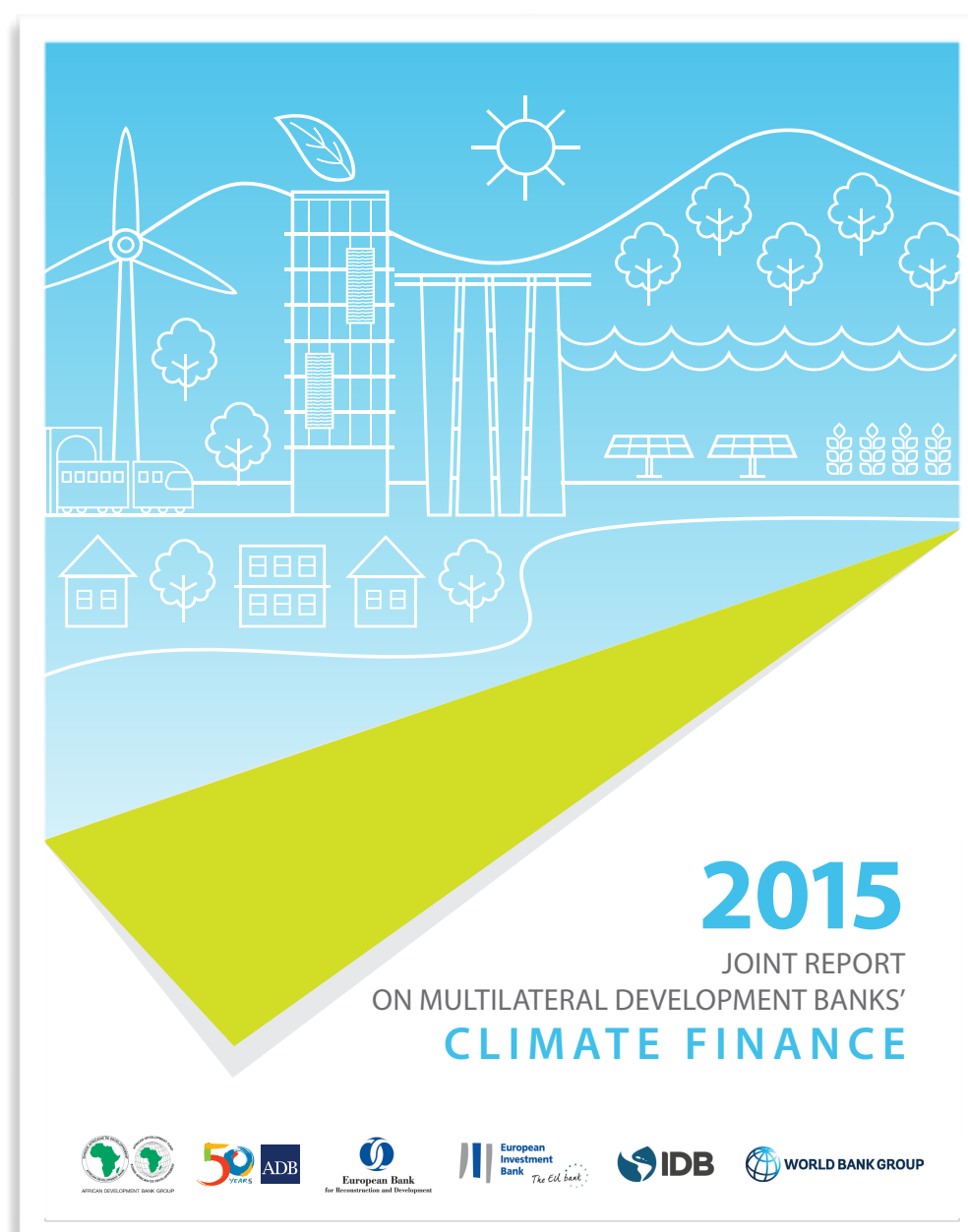
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The private mobilization methodology and climate co-finance approach are conceptually the same, with differences arising from the underlying purpose of the reporting initiative.



[Report available here](#)

## Equivalences

- Both are joint approaches developed by the MDBs
- Both seek to report total private co-financing provided alongside MDB transactions
- Both prorate the co-finance flows based on the proportion of total MDB commitments made by the reporting MDB; this is in order to mitigate double counting
- Both only prorate amongst the MDBs, as both approaches are framed as assessments of co-financing invested alongside MDB commitments
- Both cover the same range of transaction types

## Differences

- CCF only reports climate-related projects and not the whole universe of MDBs' projects
- CCF does not differentiate direct and indirect mobilization
- CCF reports co-financing from both private and public sources



# COMPARISON: OECD AMOUNTS MOBILIZED FROM THE PRIVATE SECTOR

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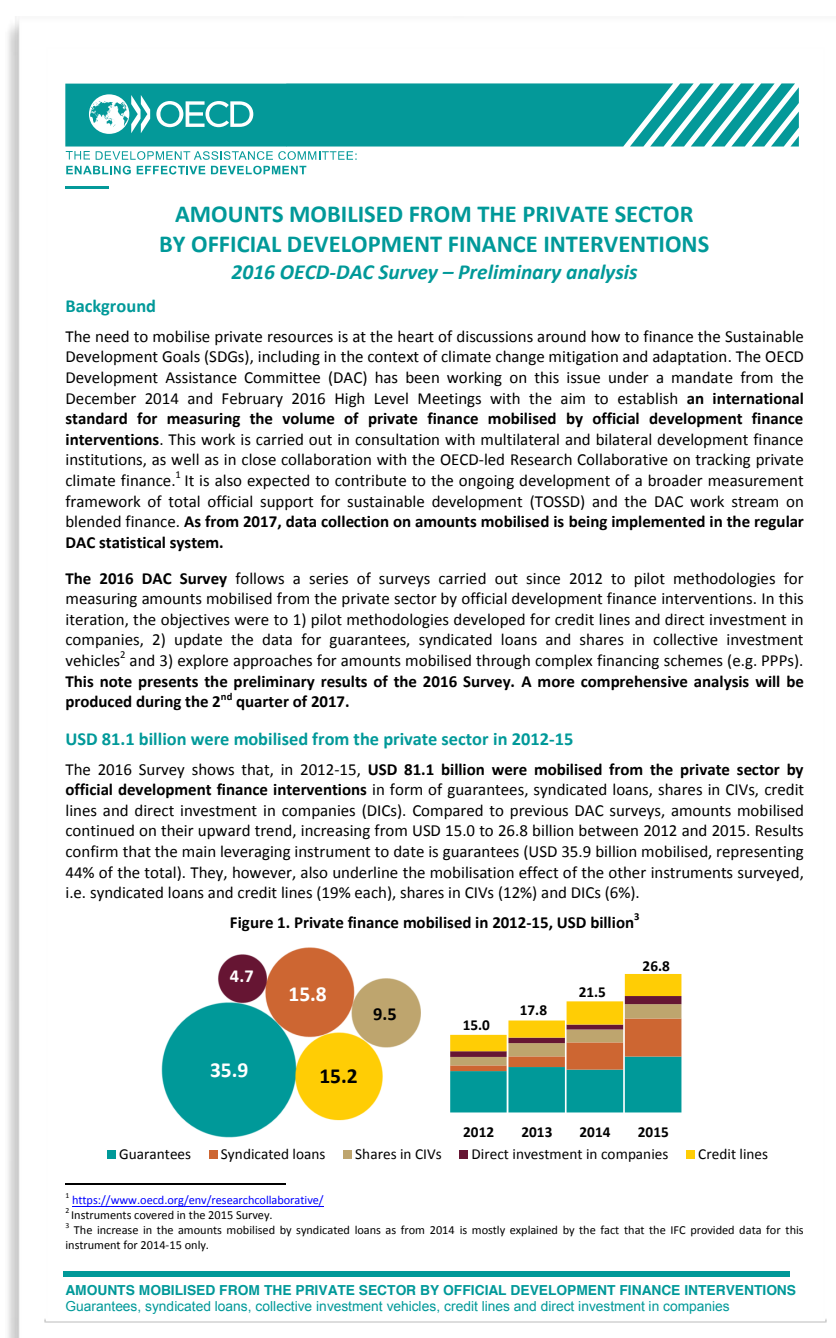
Both approaches have common underlying principles, but the scope of application and formulas used are different

## Similarities

- Both seek to demonstrate the private mobilization achieved with public resources, particularly 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 fees, or something similar, as the validating evidence of the public institutions' mobilization role

## Differences

- The OECD approach does not differentiate between direct and indirect mobilization
- 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 limited to three types of instruments—guarantees, syndicated loans and collective investment vehicles (CIVs)—while the MDB approach covers all instruments
- The OECD definition of infrastructure does not include social infrastructure (hospitals, schools, etc.)



Report available here



# CASE COMPARISON BETWEEN OECD AND JOINT MDB METHODOLOGIES

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Instrument	Example	OECD Approach	MDB Approach
<b>Guarantee</b>	An MDB guarantees 70% of a loan provided by a private bank, who is the sole lender to a project alongside the private sponsor	The full amount of the private loan is attributed as mobilized private investment	30% of the guaranteed private loan is reported as <b>PDM</b> (the rest is added to the MDB's Commitments)  100% of the private sponsor's investment is attributed as <b>PIM</b>
<b>Syndicated Loan</b>	An MDB leads a syndicate that includes one private lender and one public lender; the borrower is private	50% of the value of the private lender's investment is attributed to the MDB  The other 50% is shared proportionally (by commitment amount) between the MDB and the public lender	100% of the private loan is attributed to the MDB as <b>PDM</b>  100% of the sponsor's equity is attributed to the MDB as <b>PIM</b>  Nothing is attributed to the public lender
<b>Collective Investment Vehicles</b>	One MDB and one public investor commit to a CIV alongside a private investor with investments of USD 50, 30 and 20 million respectively; no direct or active role is played by any of the investors	50% of the private investment attributed 50/50 between the MDB and the public investor  The 50% is attributed on a prorated basis of total commitment between the MDB and the public investor	100% of the private investor's commitment is attributed to the MDB as <b>PIM</b>  Nothing is attributed to the public investor