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

**Report on the 2024 round of ODA-eligibility assessments of members' vehicles  
extending private sector instruments to developing countries**

In 2024, the Secretariat facilitated the first round of the ODA-eligibility assessments of members' vehicles that extend private sector instruments (PSI) to developing countries according to the methods for PSI revised in 2023 [[DCD/DAC\(2024\)40/ADD3/FINAL](#)]. This report summarises the main findings of the assessments, including ODA coefficients of individual vehicles, and identifies areas of further work to strengthen ODA integrity of PSI. It was first discussed at the meeting of the WP-STAT in September 2024, followed by a presentation for members' information at the meeting of the DAC in October 2024.

This document is issued as FINAL and UNCLASSIFIED.

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# Table of contents

Abbreviations and acronyms	3
Background	4
1. Key findings	5
1.1. Assessment outcomes	5
1.2. Main insights and takeaways	7
1.3. Areas of further work	9
2. Analysis of the ODA-eligibility assessments	14
2.1. Ownership, governance, and management	15
2.2. Pursuit of development objectives	21
2.3. Assessments of development impact and additionality	24
2.4. Practices and safeguards on financial additionality	26
Annex A. Assessment methodology	28
<b>Tables</b>	
Table 1. List of PSI vehicles presented for the ODA-eligibility assessment in 2024	6
<b>Figures</b>	
Figure 1. Main characteristics of private sector instruments in 2020-22	12
Figure 2. Financing models of PSI vehicles	16
Figure 3. Oversight of PSI vehicles	17
Figure 4. Additionality rationale of PSI vehicles	19
Figure 5. Direct and indirect investments by PSI vehicles	22
Figure 5. An example of PSI vehicles' assessments of development impact and additionality	25
<b>Boxes</b>	
Box 1. Typology of PSI vehicles	14
Box 2. Interpretations of additionality by PSI vehicles	20
Box 3. Development impact indicators used by PSI vehicles	26

# Abbreviations and acronyms

<b>B2B</b>	Business to business
<b>BoD</b>	Board of directors
<b>DAC</b>	Development Assistance Committee
<b>DFI</b>	Development finance institution
<b>ECA</b>	Export credit agency
<b>ECG</b>	Export Credit Group
<b>EFSD+</b>	European Fund for Sustainable Development Plus
<b>EMP</b>	Expert-managed programme
<b>EU</b>	European Union
<b>GIIN</b>	Global Impact Investing Network
<b>HIPSO</b>	Harmonized Indicators for Private Sector Operations
<b>IFC</b>	International Finance Corporation
<b>IRR</b>	Internal rate of return
<b>JETP</b>	Just Energy Transition Partnership
<b>LDC</b>	Least developed country
<b>LPAC</b>	Limited Partner Advisory Committee
<b>MDB</b>	Multilateral development bank
<b>MEL</b>	Measurement, evaluations and learning
<b>MFA</b>	Ministry of Foreign Affairs
<b>MSME</b>	Micro-, small- and medium-size enterprise
<b>NDC</b>	Nationally Determined Contribution
<b>ODA</b>	Official Development Assistance
<b>OPIM</b>	Operating Principles for Impact Management
<b>PPP</b>	Public-private partnership
<b>PSI</b>	Private sector instruments
<b>R&amp;D</b>	Research and development
<b>SDG</b>	Sustainable Development Goal
<b>SIDS</b>	Small Island Development State
<b>TVPI</b>	Total value paid in
<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>WB</b>	World Bank
<b>WP-STAT</b>	DAC Working Party on Development Finance Statistics

# Background

1. In October 2023, the Development Assistance Committee (DAC) approved the revised methods for private sector instruments (PSI). This methodological package includes methods for measuring the donor effort in loans to the private sector, equity investments, mezzanine finance instruments, guarantees and reimbursable grants. It also encompasses related ODA-integrity safeguards, as well as monitoring and review provisions.

2. A key safeguard of this methodological package is the ODA-eligibility assessment of members' PSI vehicles. The assessment establishes a list of ODA-eligible development finance institutions (DFIs) and other donor vehicles that provide PSI to developing countries and evaluates the extent to which donor effort in their PSI can be counted as ODA. These assessments are based on a detailed analysis of inputs reported by members, covering the vehicles' mandate, development focus of their investment strategy, and additionality mechanisms. The comprehensive information collected and published through this assessment process fosters transparency, accountability, trust, and promotes learning. Furthermore, these assessments encourage comparable accounting and reporting processes across donors who have chosen to count their effort in PSI as part of ODA. Notably, only PSI provided by vehicles assessed as ODA-eligible may be included in ODA.

3. In 2024, the Secretariat facilitated the first round of ODA-eligibility assessments according to the revised methods.<sup>1</sup> The assessment outcomes are presented in this report. Chapter 1. summarises the key findings, with Table 1 listing the ODA coefficients for each vehicle assessed for ODA-eligibility in 2024. The chapter also identifies areas that necessitate further work to strengthen the ODA integrity of PSI. Chapter 2 offers a thorough analysis based on members' inputs and additional sources of information. Annex A outlines the assessment methodology. Additionally, members' inputs via the standard template can be found in a separate Compendium of templates submitted in support of the 2024 ODA-eligibility assessments of members' PSI vehicles [DCD/DAC(2024)47].

4. As foreseen by the reporting methods for PSI, the report and the compendium were discussed at the meeting of the WP-STAT in September 2024.<sup>2</sup> Members were invited to comment on:

- a. The outcomes of the 2024 round of ODA-eligibility assessments of PSI vehicles, including the ODA coefficients, in particular the extent to which it has demonstrated the ODA-eligibility of members' PSI vehicles.
- b. Areas of further work on the ODA-integrity of PSI.
- c. The usefulness of the assessments and shared lessons learned.

5. Compared to the WP-STAT report, this version of the document includes one factual correction and a few refinements in response to members' comments during and shortly after the WP-STAT meeting.

6. **This report is shared for information.** As required by the Directives [see Annex 24 of DCD/DAC(2024)40/ADD3/FINAL], members will be given one month after the presentation of the report and compendium to signal to the Secretariat if any sensitive information needs to be removed before their declassification, and subsequent dissemination to the Export Credit Group (ECG) for information.

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<sup>1</sup> In 2020-21, the Secretariat facilitated members' self-assessments of their PSI vehicles. See DCD/DAC(2020)9/REV1 and DCD/DAC(2020)10/REV1.

<sup>2</sup> See DCD/DAC/STAT(2024)22 for the report and DCD/DAC/STAT(2024)35 for the compendium.

# 1. Key findings

7. This chapter first outlines the assessment outcomes, including the ODA-eligibility coefficients of individual PSI vehicles (section 1.1 below) to then present the main insights and takeaways from the assessments (see section 1.2). It also outlines areas of further work to continue building ODA integrity in the context of PSI (see section 1.3).

## 1.1. Assessment outcomes

8. Members dedicated significant efforts to the 2024 year's round of ODA-eligibility assessments. Almost all members who elect to count their PSI in ODA participated in the exercise and provided extensive information on the governance, operations and internal mechanisms of the vehicles. In total, 36 vehicles of 18 members were assessed: 18 were self-assessments and 18 were presented for the Secretariat's assessments. Compared to the 2020-21 self-assessments, the number of assessed vehicles nearly doubled from 19 to 36. The expansion mostly involved vehicles other than DFIs, notably programmes managed by experts on behalf of donor governments. Furthermore, all but one vehicles that were self-assessed in 2020-21 were part of this year's assessments. Therefore, the coverage of the 2024 round of the ODA-eligibility assessments is considered very high.

9. Each of the 36 vehicles scored 5 out of 5 points in each section of the template, hence confirming their ODA-eligibility. The aspects taken into account to obtain these scores are detailed below (see section 1.2). Thirty-four of the assessed vehicles were assigned an ODA coefficient of 100% (see Table 1). The coefficients of the other two vehicles were above 90%, reflecting the shares of financing allocated to countries that have graduated from the DAC List of ODA Recipients. The coefficients will remain in place in the context of ODA in 2023-27, unless reassessed. The assessment methodology is further elaborated in Annex A).

10. Several DFIs, such as CDP, COFIDES and DFC, and other vehicles known to extend PSI to developing countries were not presented for the ODA-eligibility assessments (see Annex A). In the absence of the assessments, the donor effort in PSI provided by these institutions is not reportable in ODA. Assessments of these vehicles can be carried out in 2025 or afterwards. EIB, which has so far been reporting its PSI in ODA has not submitted a template yet.<sup>3</sup>

11. While the outcomes of the assessment are encouraging overall, this report also suggests areas of further in support of the ODA integrity of PSI (see section 1.3). Potential resulting good practices, principles and recommendations could help promote the ODA characteristics of ODA-eligible PSI and promote the PSI vehicles' capacity to deliver impact in countries that need it the most. It could also serve as a key peer learning instrument for newly established or restructured PSI vehicles that seek to uphold the ODA characteristics in their strategies and modes of operation.

<sup>3</sup> Members agreed at the WP-STAT meeting in September 2024 that if EIB submits its template by the end of October 2024, allowing for a conclusion of the assessment process by the end of November 2024, and if the assessment process confirms the ODA-eligibility of EIB's PSI programme(s), the European Union Institutions will be allowed to report EIB's PSI in ODA according to relevant reporting methods.

Table 1. List of PSI vehicles presented for the ODA-eligibility assessment in 2024

Donor	Vehicle name	Abbreviation	Assessment type	ODA coefficient
<i>Development finance institutions (DFIs)</i>				
Austria	Austrian Development Bank	OeEB	Assessment	98.71
Belgium	Belgian Investment Company for Developing Countries	BIO	Assessment	100
Canada	FinDev Canada	FinDev	Assessment	100
Denmark	Investment Fund for Developing Countries	IFU	Assessment	100
Finland	Finnish Fund for Industrial Cooperation Ltd.	Finnfund	Assessment	100
France	Société de Participation et de Promotion de la Coopération Economique	Proparco	Assessment	100
France	STOA Infra & Energy	STOA	Assessment	100
Germany	German Investment Corporation	DEG	Assessment	94.26
Norway	Norwegian Investment Fund for Developing Countries	Norfund	Assessment	100
Portugal	Society for Development Finance	SOFID	Assessment	100
Sweden	Swedfund International AB	Swedfund	Assessment	100
Switzerland	Swiss Investment Fund for Emerging Markets	SIFEM	Assessment	100
United Kingdom	British International Investment Plc	BII	Assessment	100
<i>Expert-managed vehicles</i>				
Australia	Australian Development Investments	ADI	Self-assessment	100
Czechia	International Development Cooperation Guarantee Programme	IDCGP	Self-assessment	100
Germany	Financial Cooperation under the Business Sector „KfW Entwicklungsbank“ (KfW Development Bank)	KfW DB	Assessment	100
Korea	Economic Development Cooperation Fund	EDCF	Self-assessment	100
	Economic Development Promotion Facility	EDPF	Self-assessment	100
Netherlands	Access to Energy Fund	AEF	Self-assessment	100
	Building Prospects	BP	Self-assessment	100
	Dutch Fund for Climate and Development	DFCD	Self-assessment	100
	Dutch Good Growth Fund – Investing in Local Economies	DGGF 1	Self-assessment	100
	Dutch Good Growth Fund – Financing Local SMEs	DGGF 2	Self-assessment	100
	MASSIF	MASSIF	Self-assessment	100
Portugal	Portuguese Investment Support Fund in Mozambique	InvestimoZ	Assessment	100
Spain	Fund for the Promotion of Sustainable Development	Fonprode	Assessment	100
United Kingdom	Mobilising Finance for Forests	MFF	Self-assessment	100
	Mobilising Institutional Capital Through Listed Product Structures	MOBILIST	Self-assessment	100
	United Kingdom India Development Cooperation Fund	UKIDCF	Self-assessment	100
	FSD Africa Investments Ltd.	FSDAi	Self-assessment	100
<i>Programmes managed by development agencies</i>				
Australia	Australian Infrastructure Financing Facility for the Pacific	AIFFP	Self-assessment	100
France	Agence Française de Développement: PSI programmes	AFD (...)	Assessment	100
Sweden	Swedish International Development Cooperation Agency: guarantee instrument	Sida (...)	Self-assessment	100
Canada	Global Affairs Canada: International Assistance Innovation Programme	IAIP	Self-assessment	100
	Global Affairs Canada: International Climate Finance Programme	ICFP	Self-assessment	100
Japan	Japan International Cooperation Agency: Private Sector Investment Finance	JICA PSIF	Assessment	100

Note: Germany does not consider KfW Development Bank as a PSI vehicle, see the Compendium [DCD/DAC/STAT(2024)35].

## 1.2. Main insights and takeaways

### *Governance, ownership and mandate*

12. **PSI vehicles encompass a diverse range of official institutions and donor programmes that provide finance to the private sector in developing countries.** They include development finance institutions (DFIs), expert-managed programmes (EMPs), and private sector programmes within development agencies. DFIs operate as independent entities with distinct governance structures and accountability mechanisms. EMPs function as special-purpose vehicles managed by teams of experts, often focusing on a limited range of countries or themes. In contrast, private sector programmes within development agencies are typically integrated into the structure of their parent institutions.

13. **All PSI vehicles are predominantly owned by donor governments, either entirely or through majority stakes.** However, several vehicles, such as Finnfund, FSDAi, Proparco, SOFID, and UKIDCF, also have external sponsors, including international financial institutions and private sector entities. Donor governments provide the capital for these PSI vehicles and may receive dividends, although this is rare. Additionally, some DFIs issue bonds or utilise other forms of financial support, such as guarantees, to bolster their capital base and optimise risk exposure.

14. **Donor governments play a key role in the governance of their PSI vehicles.** They define their overall purpose, set their mandate or mission and approve their medium-term strategy and, in some cases, internal policies. For DFIs, governments appoint members of the board of directors and other supervisory bodies to oversee day-to-day management. Most EMPs maintain a more direct relationship with donor governments, with some governments being directly involved in the vehicles' investment decisions. Additionally, PSI vehicles report to donor governments on their financial and other performance, including realised impact and additionality.

15. **PSI vehicles are mandated to promote private sector development in developing countries through investments that are additional.** First and foremost, the economic development and welfare of partner countries is a core component of the mandates of PSI vehicles. They build local markets through supporting local enterprises directly or through intermediaries. A few PSI vehicles are tasked with the internationalisation of national companies, complementarily to or as part of their development mandate. Second, countries of operation are defined by the DAC List of ODA Recipients. Third, most vehicles are required to ensure their activities are additional and do not cause market distortions. The mandate to promote private sector development in developing countries is coupled with the need for financial self-sustainability, supporting only viable projects, and adopting risk-taking investment models.

### *Investment portfolio*

16. In 2020-22, donors extended USD 7.9 billion of ODA-eligible PSI to partner countries per year on average, accounting for 69% of all PSI flows reported in DAC statistics. The ODA-eligible PSI primarily consisted of loans (56%) and equities (38%).<sup>4</sup> A majority of these funds (63%) were extended by DFIs of three donors: United Kingdom's BII (23), France's Proparco and Germany's DEG (20% each). Over two-third of ODA-eligible PSI were provided to partner countries in Africa (40%) and Asia (28%). Thirty-three per cent were allocated to top 10 recipients, with middle-income countries receiving USD 4.5 billion. Most of the financing was targeted to economic infrastructure and services, mostly banking, financial and business services (43%) and the energy, transport and communication sector (23%). Production sectors, such as industry, mining, construction, agriculture, forestry and fishing, accounted for 21% of PSI disbursements in 2020-22 (see Figure 1).

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<sup>4</sup> As this analysis is based on flows, guarantees are not considered here.

### ***Development focus***

17. **The investment strategy of ODA-eligible PSI vehicles promotes economic development and welfare of developing countries as the main objective.** Guided by theories of change, these vehicles extend financing to build markets in developing countries, promote economic growth and inclusion, often in conjunction with gender, sustainability and climate objectives. When necessary, they provide various types of technical assistance to maximise the development potential of their investments. A significant portion of their investments is channelled through institutions in donor or third countries, primarily financial intermediaries. The domicile of these channels is not considered an ODA-eligibility criterion, provided they have demonstrated capacity to reach local MSMEs and deliver development impact. Regardless of the channelling modality, PSI vehicles maintain safeguards - such as negotiated clauses in investment contracts, regular monitoring, and ex-post evaluations - to ensure their financing reaches private entities in developing countries. At the same time, with some exceptions, PSI vehicles do not maintain mechanisms to actively promote untying of their investments.

18. **Most PSI vehicles actively align their investments with the needs of individual partner countries.** This alignment is achieved primarily through embedding their financing choices within broader development frameworks of donor countries or development plans and roadmaps of partner countries. Some vehicles also consider internationally communicated resource needs, such as the Nationally Determined Contributions (NDCs). Additionally, many PSI vehicles consult with the private sector and local embassies and utilise various market analyses and surveys. Some vehicles, particularly the EMPs, are specialised in a limited range of sectors and geographies to foster maximum impact.

19. **In principle, all investments of ODA-eligible PSI vehicles are assessed and screened on their development impact.** Informed by available standards, the development impact mechanisms involve multiple steps, i.e. pre-screening, ex-ante assessment, regular monitoring during the investment lifetime and often ex-post evaluations. The intended development impact and methods for achieving it are established during the ex-ante assessments and monitored through regular reporting by the clients. Technical assistance is provided if needed to implement the impact delivery plan. While many vehicles carry out these assessments internally, some involve external experts. When working with investment funds and other intermediary channels, PSI vehicles often rely on the expertise and methods of these channels but request regular reporting.

### ***Financial and value additionality***

20. **PSI vehicles use frameworks to operationalise their additionality mandate.** These frameworks include client checklists and analyses of country- and deal-level indicators. They clarify whether an investment meets additionality requirements and how official interventions could enhance the client profile. Typically, DFIs and other PSI vehicles conduct multi-dimensional assessments with scoring systems before making investment decisions. The assessments evaluate local conditions based on available evidence and client due diligence. Projects with insufficient additionality scores are either rejected or subjected to further investigation. Some PSI vehicles monitor investments throughout their lifespan to build institutional knowledge, inform methodological updates or prepare investment exits. Upon conclusion of an investment, PSI vehicles generally report to their governments on the achieved impact and additionality. Many PSI vehicles integrate additionality assessments and monitoring with development impact assessments.

21. **PSI vehicles maintain various interpretations of the additionality concept.**

- a. **Most PSI vehicles view their financial additionality as providing finance at market terms in underserved contexts.** Such financing is deemed to build markets without distortions. The non-distortive nature of PSI is further ensured by investing in commercially viable projects and striving to self-financing institutional

models. Some PSI vehicles also consider their catalytic effect as a form of financial additionality. Moreover, PSI vehicles must screen their investments for compliance with relevant state aid rules. Value additionality is achieved through customised capacity building, implementation of ESG standards, transfer of knowledge and technology and other enabling practices.

- b. **At the same time, however, many other vehicles consider their PSI to be additional through sub-market or concessional terms.** This mostly refers to failed markets or markets with insufficient financing volumes and terms (e.g. maturities). Such conditions can hinder the implementation of projects with high impact potential, making PSI interventions justifiable.

22. **Additionality could be further enhanced through collaboration with export credit agencies (ECAs).** The Secretariat's assessments revealed that PSI vehicles leveraged ECA extensive expertise in credit and political risk assessment, as well as their knowledge of sustainability and commercial characteristics in key business sectors. Closer collaboration could foster mutual understanding of the distinct roles of development and trade finance, strengthen safeguards to ensure a level playing field, and facilitate greater coordination in the field, including in co-financing scenarios.

23. **While self-sustainability and financial additionality requirements can bring synergies, they should be pursued primarily in support of the most underserved geographies and market segments.** Self-sustainability for PSI vehicles demands investments in bankable projects, which can be necessary to avoiding market distortions. However, this financing model can drive PSI vehicles to allocate resources to established and well-functioning markets with low risks and adequate returns. This shift can raise concerns about the overall additionality of such PSI.

### 1.3. Areas of further work

24. The 2024 round of ODA-eligibility assessments has proven an exceptionally valuable source of information, providing a broad array of insights and lessons learned on the practices of ODA-eligible PSI vehicles. Building upon the key findings from the assessments, this section outlines several areas where further work is needed to enhance the ODA integrity of PSI, in particular given the recent expansion of PSI programmes and the new role that PSI has assumed in ODA, following members' approval of the revised methods in 2023.

25. The proposed follow-up work, in line with the priorities expressed by members, could start next year at the WP-STAT level, preparing and building upon future biennial reports on PSI, joint analyses between the DAC and ECG Secretariats<sup>5</sup>, as outlined in sections 1.6 and 2.7 of the Annex 25 of the Reporting Directives, and planned future reviews of the PSI reporting methods.<sup>6</sup> The WP-STAT would invite collaboration with relevant stakeholder communities.

26. The timeline for the follow-up work should be mindful of members' on-going efforts to implement the revised reporting methods as these should be prioritised. Upon implementation, members' reporting on PSI will provide additional evidence to support any further work.

<sup>5</sup> The Secretariat will provide financial compensation to, and discuss a final working arrangement with, the ECG Secretariat for its contribution to the joint analyses provided for in the Reporting Directives [DCD/DAC(2024)40/ADD3/FINAL].

<sup>6</sup> Such clarification work can provide for example the basis for a more stringent and differentiated scoring system in the assessment template, if members wish to do so.

### ***Additionality framework and practices***

27. PSI vehicles utilise additionality frameworks to ensure their investments build sustainable markets without distorting them. These frameworks incentivise support for viable projects and promote financial self-sustainability. However, interpretations of additionality vary among vehicles and donors. While some consider financing additional when provided at or near market terms, others view extended periods of grace and maturity ensuring financial additionality. Others see their enabling and catalytic roles, or their development impact as a source of additionality.

- ***Possible follow-up work: take stock of existing forms of additionality, ensure harmonisation of members' interpretations of the definition e.g. through elaborating minimum standards for recording PSI in ODA, refining the typology of additionality, establishing best practices on financial terms potentially in consultation with other stakeholders.***<sup>7</sup>

### ***Engagement with national companies***

28. While PSI vehicles generally work with local private sector enterprises, a few also support the internationalisation of national companies. Such finance is considered ODA-eligible since its proceeds are used to establish or expand subsidiaries in partner countries. Some vehicles also engage with national companies as project co-financiers or guarantee their investments. Providing a clear rationale for working with donor country-based companies could reinforce the development characteristics of such financing.

- ***Possible follow-up work: elaborate best practices/principles for engaging with the private sector in donor or third countries to ensure compliance with ODA requirements. This work should take into account the outcomes of the on-going review of the DAC Recommendation on Untying ODA.***

### ***Governance of PSI vehicles***

29. Donor governments play a central role in the governance of their PSI vehicles, but the governance models vary by vehicle type and member. Some governments maintain direct oversight, while others delegate this responsibility to specialised institutions or boards. The scope and explicitness of mandates vary too. Some argue that the emphasis on profitability of PSI vehicles could divert their focus from development impact and additionality. Explicit pro-development mandates and strong oversight mechanisms are essential for promoting the ODA characteristics of PSI operations.

- ***Possible follow-up work: elaborate best practices/principles to ensure effective pro-development mandates and oversight on ODA expenditures. This work could benefit from interested stakeholders, such as the Association of European Development Institutions (EDFI) and the Community of Practice – Private Finance for Sustainable Development (CoP-PF4SD).***

### ***Proactive investment model***

30. Many PSI vehicles work on a demand-driven basis. Many such vehicles call project proposals through their networks or other channels and are approached to co-finance projects developed and structured by multilateral development banks (MDBs) and other DFIs. Moreover, some PSI vehicles see their value added primarily in the very fact they provide finance in developing countries. In contrast, some vehicles actively participate in the designing of new projects and actively participate in the governance of their clients. Some also actively promote the transfer and generation of knowledge through various capacity-building methods. Such hands-on involvement can lead to greater development outcomes.

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<sup>7</sup> Such work would help prepare for the review of the definition of additionality in 2030. See DCD/DAC(2023)48/FINAL.

- **Possible follow-up work: elaborate best practices on proactive pursuit of development objectives to ensure ODA-eligibility of PSI, including active ownership, project development and knowledge transfer and generation.**

#### ***Development focus and additionality of financial intermediaries***

31. Many PSI vehicles channel their investments through funds, financial institutions and other intermediaries to promote financial inclusion and local MSME development. These channels are selected based on their capacity to deliver development impact. However, there is a need for further understanding of financial additionality of the financing provided to these vehicles as well as the services offered by the intermediaries to local enterprises.

- **Possible follow-up work: explore approaches for working with intermediary channels and develop good practices for safeguarding the development profile and additionality of PSI throughout the entire investment chain, to ensure compliance with ODA requirements.**

#### ***Treatment of bond subscriptions in ODA***

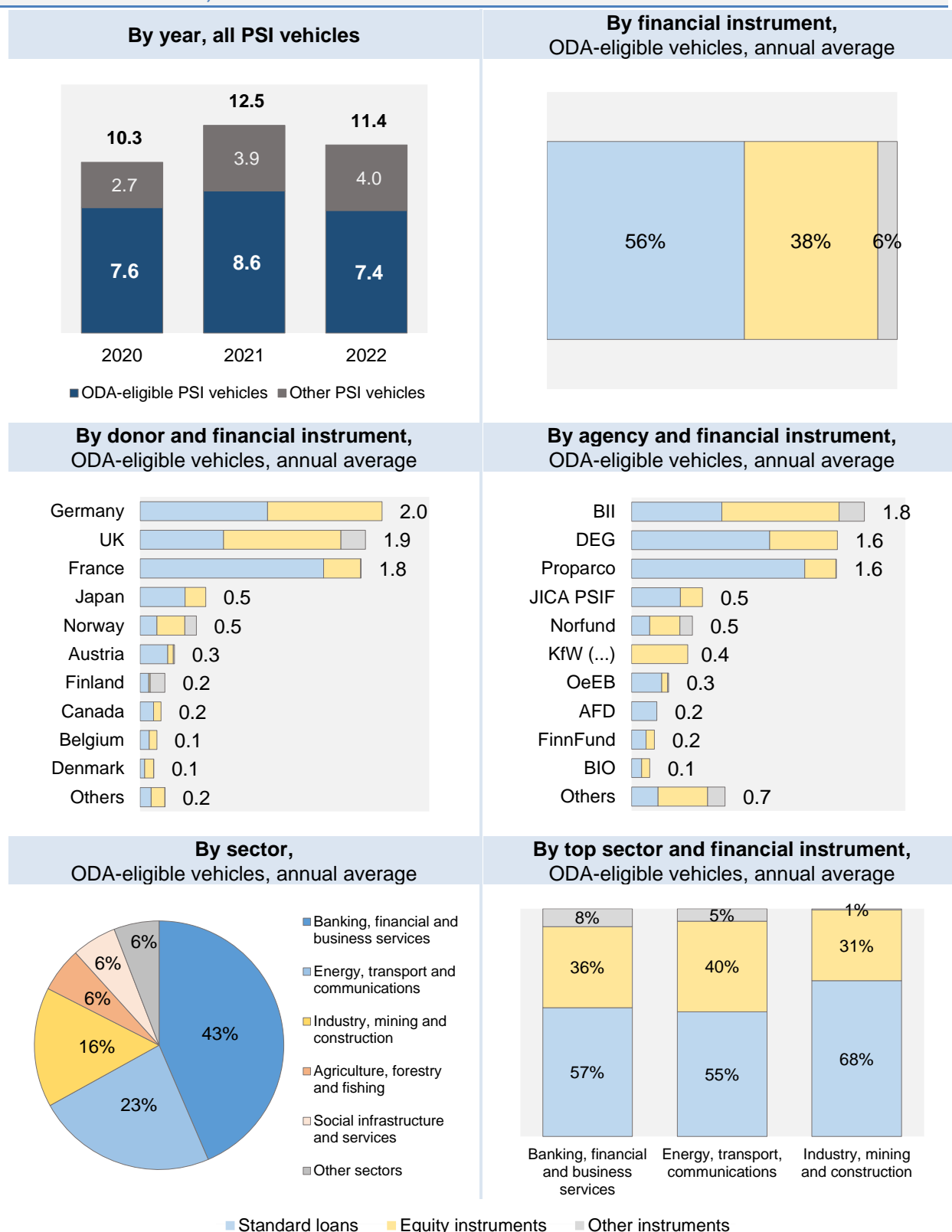
32. Members' 2023 agreement on the revised methods for PSI clarified the ODA-eligibility status and accounting rules for most instruments deployed by PSI vehicles in support of development. However, discussions are yet to take place on the treatment of bond subscriptions in ODA. Until then, bonds are to be considered on a case-by-case basis<sup>8</sup> although that instrument belongs to the palette of PSI market-building solutions.

- **Follow-up work: clarify the treatment of bonds in ODA.**

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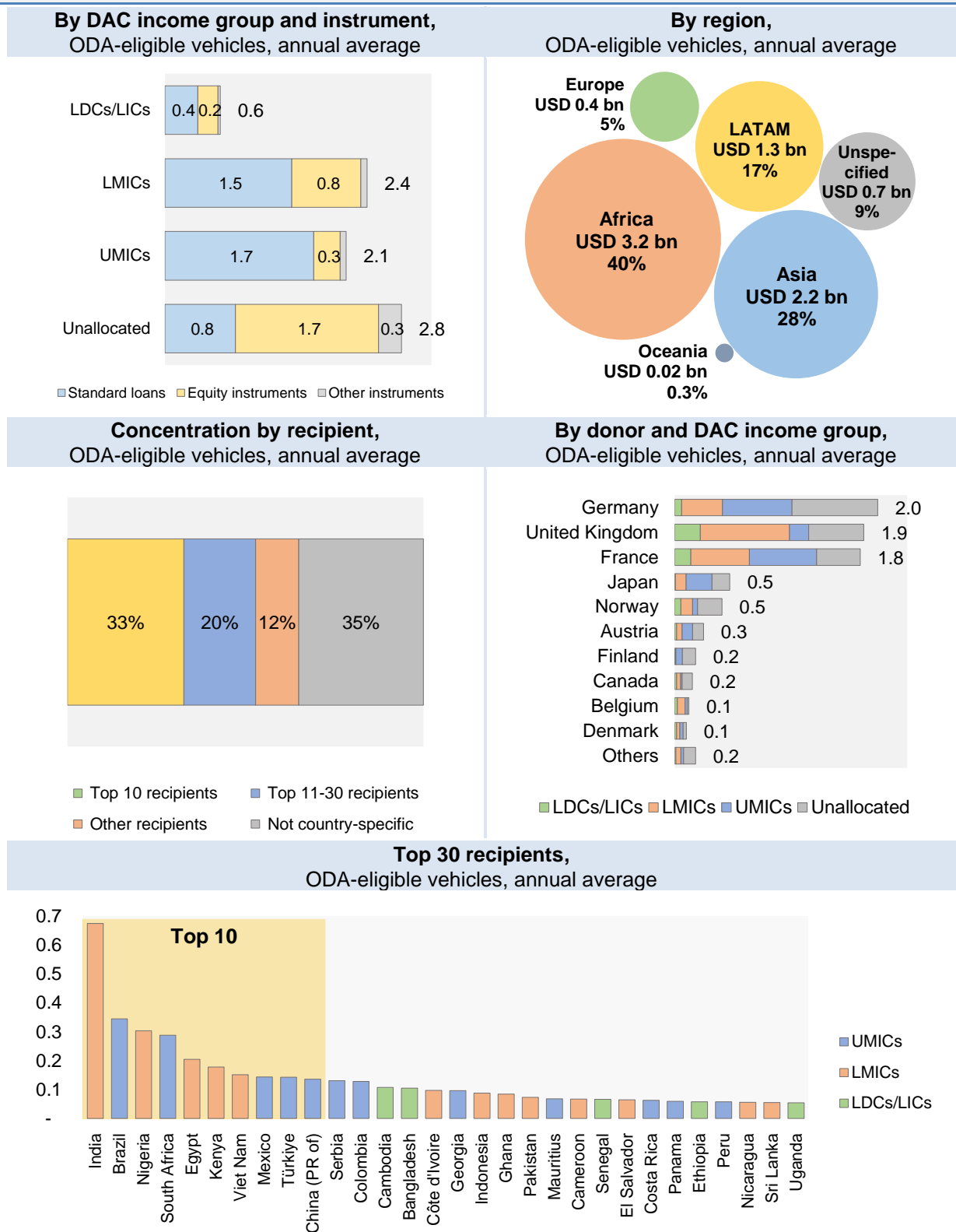
<sup>8</sup> See DCD/DAC(2023)33/FINAL.

**Figure 1. Main characteristics of private sector instruments in 2020-22**  
**Gross disbursements, USD billion**



Note: See Table 1 for the list of ODA-eligible PSI vehicles, as per the 2024 round of ODA-eligibility assessments. Guarantees are not shown in these charts as they do not constitute a flow upon issuance. Source: Creditor Reporting System.

**Figure 1. Main characteristics of private sector instruments in 2020-22**  
**Gross disbursements, USD billion**



Note: See Table 1 for the list of ODA-eligible PSI vehicles, as per the 2024 round of ODA-eligibility assessments. Guarantees are not shown in these charts as they do not constitute a flow upon issuance. Source: Creditor Reporting System.

## 2. Analysis of the ODA-eligibility assessments

33. This chapter features a detailed analysis of the ODA-eligibility assessments of members' PSI vehicles in 2024. It also fosters transparency and accountability and promotes peer learning on PSI in ODA. It is based on inputs received from members through the standard template as well as other publicly available sources of information, such as annual reports, websites of the assessed institutions, the CRS data and, to a limited extent, also the Secretariat's interactions with individual members. This chapter first suggests a working typology of PSI vehicles (see Box 1) to then consider the ownership and governance of ODA-eligible PSI vehicles, their development focus, impact measurements and additionality mechanisms.

### Box 1. Typology of PSI vehicles

**PSI vehicles encompass a diverse range of institutions and programmes.** To effectively capture their governance and management models, three distinct categories could be established for the purpose of this analysis: Development Finance Institutions (DFIs), Expert-Managed Programmes (EMPs), and private sector programmes of development agencies:

- a. **Development Finance Institutions (DFIs)** are standalone entities owned and mandated by donor governments or their delegated agencies. DFIs are accountable to their government stakeholders, who are represented in their Board of Directors (BoD) or equivalent supervisory bodies, as well as special-purpose committees. DFIs generally operate with a higher degree of autonomy compared to other PSI vehicles.
- b. **Expert-Managed Programmes (EMPs)** are special-purpose entities established and capitalised by donor governments but are administered by expert institutions. Such experts include DFIs (AEF, BP, MASSIF, MFF by FMO, and InvestimoZ by SOFID), specialised government agencies (DGGF 1 by RVO.nl), or private consulting firms and asset managers (DGGF 2 by PricewaterhouseCoopers and Triple Jump). Additionally, the DFCD is managed by a consortium comprising a DFI, an asset manager and civil society organisations. Donor governments often play an active role in the decision-making processes and monitoring of these vehicles.
- c. **Private sector programmes of development agencies** are integrated within the larger structure of donor development agencies but operate with their own budget lines and rules. These programmes coordinate with other parts of their host institutions while maintaining a distinct operational focus.

## 2.1. Ownership, governance, and management

### *Shareholders and owners*

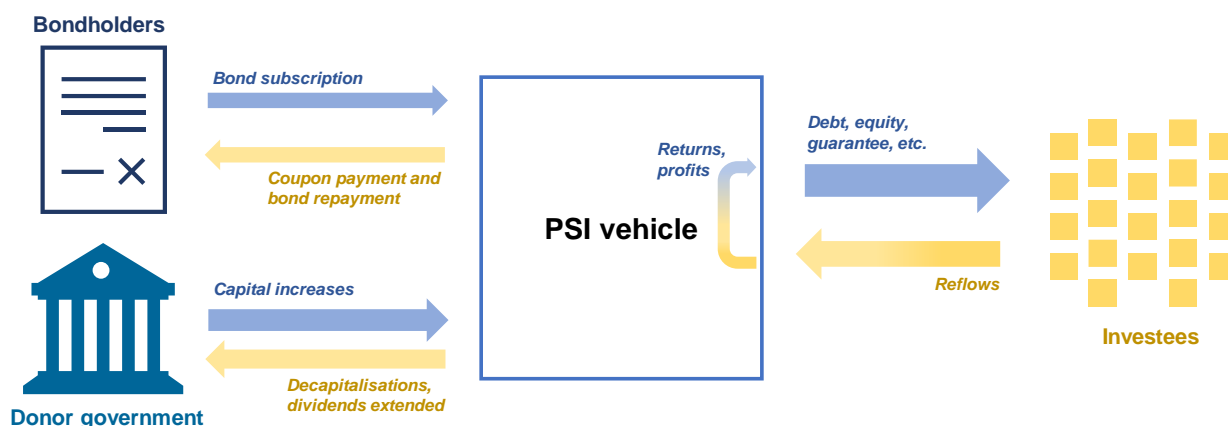
34. **Donor governments are the only owners of PSI vehicles or hold a majority of their shares** (see Figure 2). Most vehicles are owned either directly by their responsible ministries, most notably Ministry of Foreign Affairs (MFA), or indirectly through development agencies (DEG, Proparco), sovereign wealth funds (STOA), or export credit agencies (FinDev, OeEB). Some vehicles have relatively diverse shareholding structures that may include both official and private sector entities. For example:

- a. Finnfund is majority-owned by the State of Finland (96%), followed by Finland's export credit agency Finnvera (3.9%) and the Confederation of Finnish Industries (0.1%).
- b. Proparco is owned by 21 shareholders. In 2023, these included French public and private financial institutions, most notably the French Development Agency (AFD) that held 84.8%, the national development bank Bpifrance (3.2%), or the commercial bank BNP Paribas (1.5%), among others. International financial institutions held 7.5% of the shares, including the Development Bank of Southern Africa (DBSA; 2.4%), the Development Bank of Latin America (CAF; 1.8%), Bank of Africa-BMCE Group (1.5%) and the Aga Khan Fund for Economic Development (0.9%). Investors, including the French energy and telecommunication companies Engie and Bouygues, respectively, or Africa Global Logistics, owned 1% of the shares. Other funds, namely the asset manager Amundi and the private equity fund FPS Mirova Solidaire held together 0.5% of the capital shares.
- c. Korea's EDPF is owned by the central government (73%), Korea Development Bank (KDB; 19%), and the Central Bank of Korea (7.9%)
- d. STOA's capital is owned by the French sovereign wealth fund Caisse des Dépôts et Consignations (CDC; 66.6%) and AFD (33.3%).
- e. SOFID is owned at 80.5% by the State Treasury, while 17.1% of its shares are equally distributed across four Portuguese banks Banco BPI, Novo Banco, Caixa Geral de Depósitos, and Millenium BCP. The remaining 2.4% are held by CAF.
- f. UKIDCF is partially owned by the State Bank of India Group (that is majority-owned by the Government of India). Moreover, FSDAi is owned by the United Kingdom's Foreign, Commonwealth and Development Office (FCDO) and FSD Africa, which is funded by the FCDO and Department for Environment Food & Rural Affairs (DEFRA), IFC and private donors.

35. **PSI vehicles reinvest their earnings and, although very rarely, extend dividends to their shareholders** (see Figure 2). Net gains are typically used to bolster the vehicles' capital reserves or to fund capacity-building and technical assistance activities (e.g., OeEB). Still, Proparco allocates a portion of its profits to remunerate its shareholders, including AFD, the largest shareholder, which then redirects these funds to other ODA initiatives. Many PSI vehicles do not pay dividends due to modest investment returns, often necessitating additional capital injections from governments to sustain their operations. Additionally, some DFIs issue bonds or utilise other financial instruments to enhance their capital base and investment capabilities. For instance, the European Fund for Sustainable Development Plus (EFSD+)

provides guarantees to DFIs. These financing models help PSI vehicles autonomise their budgets and reduce reliance on donor governments.<sup>9</sup>

**Figure 2. Financing models of PSI vehicles**



36. **Donor governments play a crucial role in the governance of PSI vehicles.** Depending on the type of vehicle, they establish or approve mandates, mission statements, internal strategies and criteria for geographic, thematic and impact allocation (e.g. Norfund). They also set internal policies related to development impact and additionality. Further, governments are involved in negotiating and approving budgets, capital increases, dividend distributions, and decapitalisations. For some vehicles, such as OeEB, state guarantees are provided to cover potential losses of individual investments.

37. **The day-to-day management of PSI vehicles is handled by experts with relevant skills.** These professionals are responsible for tasks including research, analysis, screening, assessments, evaluations, reporting, investment monitoring, and financial and budget management. Development and investment bankers provide the necessary financial and risk expertise, while measurement, evaluation, and learning (MEL) specialists conduct assessments of development impact. Compliance with additionality requirements is overseen by both financial and MEL experts.

38. **The governance of PSI vehicles varies between larger DFIs and smaller PSI vehicles.** While managers of smaller PSI vehicles often interact directly with relevant government agencies, processes within DFIs are supervised by BoD or equivalent bodies.

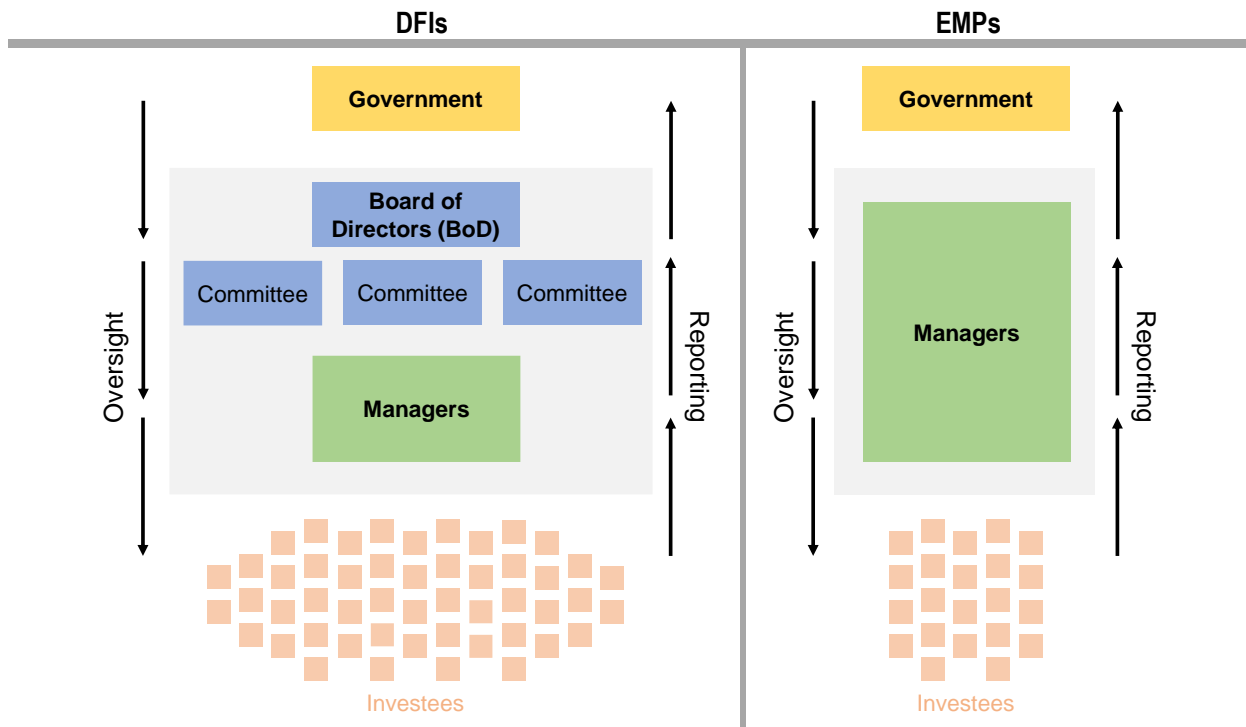
- a. Board members - including the chairman and deputy chairman - are typically appointed by relevant ministries. Some DFI boards also include external observers from private foundations, NGOs, or academia.
- b. The BoD approves medium-term strategies, oversees their implementation, and has the final authority on individual investment proposals. It may operate in a centralised manner or through specialised committees such as those for investment, risk, impact, compliance, audit, or human resources. In some cases, government representatives may have the power to veto board decisions.

39. **PSI vehicles are accountable to donor governments for fulfilling their mandates and implementing medium-term strategies.** Beyond the Board of Directors in the case of DFIs, regular reporting to responsible ministries is a common accountability mechanism. Most PSI vehicles report to the MFAs or ministries of economy, finance, or industry. For instance, FinDev reports to the Canadian Ministry

<sup>9</sup> See also DCD(2023)31.

of Export Promotion, and MFF reports to the British Department for Energy Security and Net Zero (DESNZ). Additionally, many PSI vehicles present their performance to national parliaments or other legislative bodies. A significant number of PSI vehicles are also subject to external audits and evaluations, either on an ad-hoc basis by consultants or on a regular basis by independent commissions and national audit offices.

Figure 3. Oversight of PSI vehicles



### Mandates

40. **The mandates of ODA-eligible PSI vehicles encompass three core components:**
- Development objectives:** PSI vehicles are tasked with pursuing clear development goals, aimed at fostering economic and social progress in developing countries.
  - Developing countries:** They are permitted to operate only within countries and territories listed on the DAC List of ODA Recipients.
  - Additionality:** Their operations must be additional, meaning they may not cause market distortions and should fill financing gaps.

The three-fold mandate is typically provided by parliamentary acts related to international development cooperation, government resolutions, ordinances, or decrees. For DFIs, the mandates are often detailed in their statutes.

#### *Development objective*

41. **The economic development and welfare of partner countries is a core component of PSI vehicles' mandates.** This mostly translates in building markets and promoting private sector development,

economic growth, employment creation and financial inclusion, often in conjunction with gender, sustainability and climate objectives. For example:

- a. **FinDev** is mandated “to support economic growth in developing countries through investment in the private sector while being financially sustainable”,
- b. **IFU**’s investment must “support the green transition and contribute to poverty alleviation and reduced inequality”,
- c. **Norfund** is mandated “to create jobs and improve lives by investing in businesses that drive sustainable development and invest in the transition to net zero in emerging markets”,
- d. **OeEB**’s mandate is “to provide stimulus for sustainable economic growth in order to improve the living conditions of people in disadvantaged regions over the long term”,
- e. **Swedfund**’s mission is “to fight poverty through sustainable investments in developing countries”.

42. Moreover, many EMPs are focused on a limited list of themes and development impact areas. For example, AEF, BP, ICFP and MFF were set up, respectively, to promote access to clean energy, promote infrastructure investments, address climate change challenges, and halt deforestation.

#### *Geographic focus*

43. **PSI vehicles are mandated to invest in countries and territories on the DAC List of ODA Recipients.** However, exceptional provisions allow some PSI vehicles to invest in other countries. For example, DEG, as stipulated in its *Gesellschaftsvertrag* (legal status), is permitted to invest in countries that have graduated from the DAC List during a transitional period. Currently, these non-eligible countries primarily include Chile and Uruguay, although they were on the DAC List when the investment decisions were made.<sup>10</sup>

44. **PSI vehicles use various mechanisms and safeguards to determine the geographic allocation of their investments.** For instance:

- a. Geographic allocation is checked and reviewed over the lifetime of individual investments, starting with project pre-screening and followed by monitoring and ex-post evaluations. This may also include verifications by advisory boards and investment committees.
- b. Some vehicles restrict the uses of their financing through contractual provisions, such as use-of-proceeds or opt-out clauses.
- c. Certain governments set geographical targets for their PSI vehicles. For example, the Swiss government requires SIFEM to allocate 60% of its portfolio to priority countries of the national development co-operation policy, and 12% to least developed countries (LDCs). Norfund focuses its investments on 30 core countries selected for their additionality and development impact potential. Swedfund participates in the Africa Resilience Accelerator, which supports private sector development in fragile states.
- d. A few PSI vehicles are restricted to only work in a specific list of countries. For instance, ADI operates only in 13 countries selected by Australia’s Department of Foreign Affairs and Trade (DFAT), and AIFFP’s geographic scope is limited to the

<sup>10</sup> In any case, disbursements to countries and territories that have graduated from the DAC List of ODA Recipients have not been counted in ODA since the graduation year, and the ODA coefficient for the concerned PSI vehicles is below 100% (see Table 1).

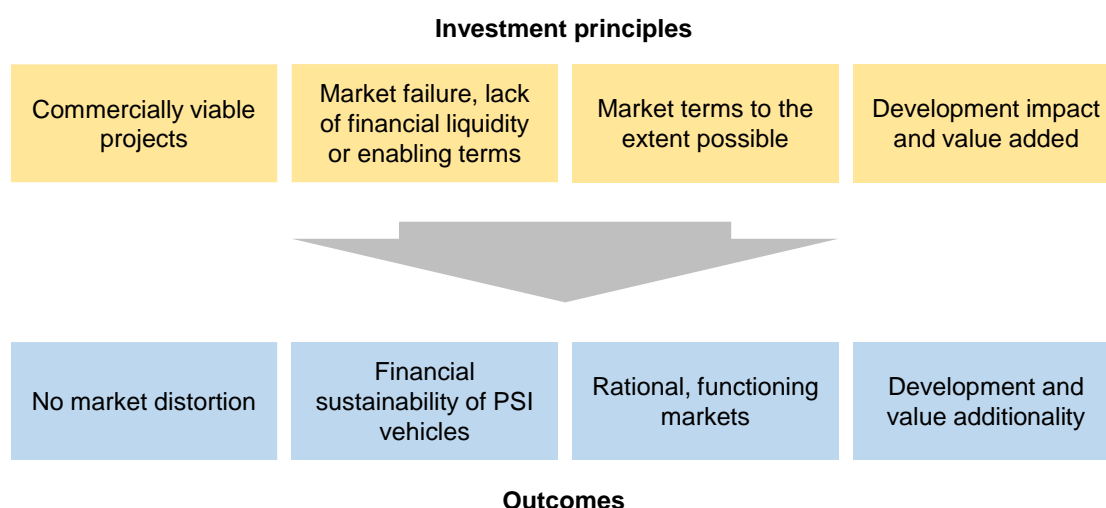
Pacific Island Forum countries and Timor-Leste. FSDAi focuses exclusively on Africa, InvestimoZ on Mozambique, and UKIDCF prioritises India. The Netherlands' BP and DGGF also operate within a predefined list of countries, including LDCs and fragile states.

45. **These safeguards are crucial when PSI investments are channelled through intermediaries.** For example, many investment funds operate in regions that encompass both ODA and non-ODA eligible countries, such as Latin America, South America, the Caribbean, Eastern Europe, Asia, the Middle East, East Asia, and Oceania. Some investment funds maintain a global scope. To mitigate the risk of ODA funds being used in ineligible countries, some PSI vehicles enforce geographic restrictions through contractual provisions (e.g., EDCF, Swedfund). Moreover, funds invested by Norfund are required to allocate at least 50% of their portfolios to Norfund's core countries, Sub-Saharan Africa, and 33% to LDCs. Regular reporting by intermediaries to PSI vehicles is essential for managing this risk. Additionally, some PSI vehicles actively engage in the governance of intermediaries to oversee their allocation decisions (e.g. Finnfund, Norfund, and Swedfund).

#### *Additionality requirements*

46. **ODA-eligible PSI vehicles are mandated to ensure financial additionality of their investments.** This entails avoiding market distortions, focusing on underserved markets, collaborating with financially-sound clients, and, in most cases, striving for the vehicles' own financial self-sustainability (see Figure 4). Concessional or below-market terms may be offered only in contexts where markets are absent or private sector development is hindered by a lack of liquidity or inadequate terms, such as short maturities. Moreover, some vehicles are mandated to only finance companies that have not been able to receive commercial financing (AIFFP, DGGF 1). Some institutions, such as Finnfund, are legally precluded from competing with commercial actors. Besides, some vehicles are mandated to focus on early-stage high risk investments (ADI), mobilising private finance, or promote knowledge transfer. Some PSI vehicles enhance their financial additionality by selling equity stakes once they have become commercially attractive (ADI).

**Figure 4. Additionality rationale of PSI vehicles**



47. **Value addition often goes hand in hand with financial additionality.** To develop a resilient private sector that generates wealth in the long run, PSI vehicles often assist their clients in building various

capacities and mitigating risks that yield long-term development impact. (see Box 2). Some vehicles also develop and structure new investment opportunities (e.g., OeEB).

### Box 2. Interpretations of additionality by PSI vehicles

The interpretation of additionality varies across members and their PSI vehicles. Some perceive their additionality as providing financing at or near market terms, while others consider concessional terms as a source of additionality. Some vehicles understand their additionality primarily beyond the provision of financial liquidity alone, emphasising the development impact they (intend to) achieve. Beyond the DAC definitions, some PSI vehicles (e.g. FinDev) also use the MDB additionality framework.<sup>11</sup>

Financial additionality encompasses a range of investment practices, depending on the vehicle. Most PSI vehicles interpret it as investing at market terms. In practice many loans are provided with market-based interest rates but with extended maturities and grace periods that are unavailable in the market (e.g. EDCF, SOFID). Some also offer fixed interest rates, while equity sponsors may only acquire minority stakes. Some vehicles consider themselves financially additional through the provision of concessional finance (e.g. IDCGP, InvestimoZ, and SOFID). PSI vehicles also understand their financial additionality through de-risking and catalysation. These practices include acting as anchor investors in investment funds and bond subscriptions (e.g., DEG and Proparco), absorbing first losses in structured deals and mobilising financing from other sources.

Value additionality is seen as crucial for raising the commercial and development potentials of supported projects. This can include technical assistance in support of investees' internal standards and practices as well as their business models, product development, advertising and pricing, and overall competitiveness. Some vehicles actively work with their investees to transfer knowledge and technology and build research and development (R&D) capacities. Some also support their clients in accessing networks, associations and international trade fairs. They can also mitigate political, regulatory and other non-financial risks that their clients are exposed to. Many vehicles also act as active owners to positively influence the investees' decision-making processes (e.g. BII, Finfund, IFU, InvestimoZ, Norfund, SOFID, STOA and Swedfund). There are also innovative additionality models, such as MOBILIST, which helps its partners access external finance through listing on local and global stock exchanges.

Many PSI vehicles combine the concept of additionality with development impact. Although the DAC definition of additionality includes intended development impact (or development additionality) as one of the criteria for ODA-eligibility of PSI, it also requires financial and/or value additionality for each eligible investment: for a PSI activity to be ODA-eligible, it must be additional financially or in value, together with its development additionality. Nonetheless, many PSI vehicles seem to consider their operations eligible as long as they aim to deliver substantial development impact. This often involves operating in liquid markets that offer volumes and terms which are deemed insufficient for the commercial success of projects and impede development impact. Greater clarity on the interaction between financial additionality and development impact in PSI vehicles' decision making could help promote both objectives more effectively.

48. **PSI vehicles are required to strive to financial self-sustainability, reducing reliance on fiscal resources is a priority for many PSI vehicles.** This in turn incentivises investing primarily in financially sound companies and bankable projects. For example, JICA's PSIF is required to invest in opportunities

<sup>11</sup> See DCD/DAC(2018)47/FINAL and DCD/DAC(2023)48/FINAL for the provisional and revised DAC definitions of additionality. See the *Multilateral Development Banks' Harmonized Framework for Additionality in Private Sector Operations*, <https://www.ifc.org/en/insights-reports/2018/201809-mdbs-additionality-framework>. The MDBs describe additionality as "interventions by [MDBs] to support private sector operations [that] should make a contribution beyond what is available in the market and should not crowd out the private sector." MDBs adopted Principles to Support Sustainable Private Sector Operations in 2012 with additionality as the first principle.

with a high likelihood of success, while SIFEM and Swedfund must achieve a positive operating profit. Specifically, Swedfund's investees must increase turnover and profitability by at least 60% during the investment lifespan, SIFEM targets an internal rate of return (IRR) of 3% and a total value paid-in (TVPI) of 1.15. For PSI vehicles with the legal status of banking institutions the profitability objectives (and risk exposure) need to be aligned with broader macroprudential policies and regulatory frameworks, such as Basel III. Additionally, aside from investment returns, PSI vehicles can secure extra financing from international markets through bond issuance or other financial services (see Figure 2). Some also optimise their risk exposure through external guarantees such as those provided by EFSD+. Still, such profitability targets should not incentivise divert PSI vehicles from contexts that involve higher levels of risk or investments with high development impact potential.<sup>12</sup>

## 2.2. Pursuit of development objectives

49. PSI vehicles pursue their development additionality primarily through a pro-development investment strategy. In addition, many PSI vehicles actively seek to respond to the concrete needs of partner countries.

### *Pro-development investment strategy*

50. **The promotion of economic development and welfare of partner countries is central to the market-building investment strategy of ODA-eligible PSI vehicles.** Unlike approaches that primarily aim for profit-making or the promotion of national interests, the investment strategies of ODA-eligible PSI vehicles are grounded in a theory of change that seeks positive economic, social, and environmental impacts in partner countries. Some PSI vehicles develop thematic frameworks, such as on renewable energy, sustainable forestry, financial institutions, and SME development (e.g., DEG, Finnfund, IFU, EDCF and EDPF).

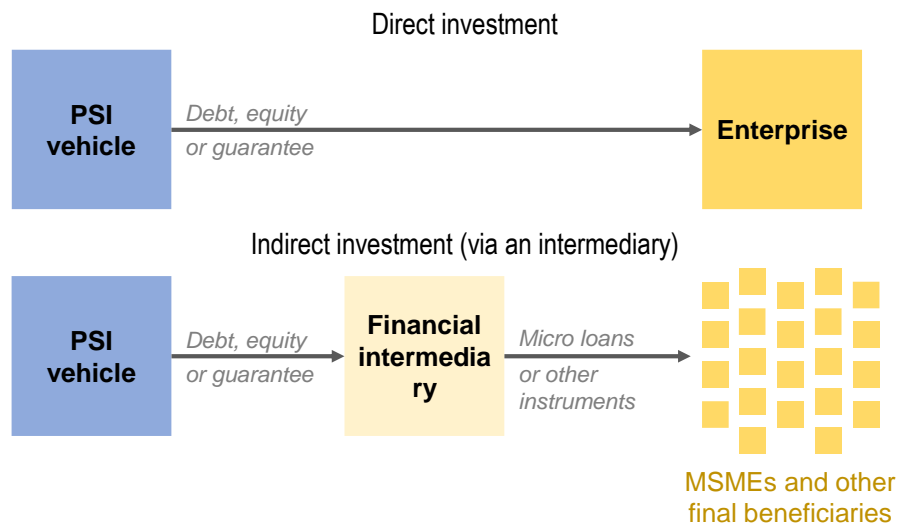
51. **PSI vehicles typically provide a mix of financial instruments and non-financial contributions.** On the financial side, they mostly deploy standard and subordinated loans to the private sector, common and preferred equities, and shares in collective investment vehicles. Some also issue guarantees and subscribe bonds issued by local financial institutions and other enterprises (see Figure 1). Although rare, some vehicles use hybrid instruments, such as convertible loans. Certain DFIs and other PSI vehicles also extend financing in local currencies to maximise the development and market-building potential of their interventions. Beyond finance, some PSI vehicles become active owners in client companies and intermediaries, positively influencing their decision-making processes.

52. **Many PSI vehicles channel their financing to local beneficiaries through intermediaries** (see Figure 5). Direct support typically targets larger enterprises or special purpose vehicles through loans, equity investments, and occasionally, investment guarantees. Indirect financing primarily involves investment funds, banks, and other intermediaries that, in turn, provide liquidity to local MSMEs and smaller projects. The comparative advantage of such intermediated financing stems from their specialisation and expertise, knowledge of local markets, networks and tailor-made impact methods. In this context, PSI vehicles support

<sup>12</sup> The OECD DAC Blended Finance Principles Guidance provides insights on core concepts as additionality, minimum concessionality, mobilisation and commercial sustainability. It is currently being updated to reflect the evolutions and lessons learned in the context of blended finance, also with respect to development impact. Further work on additionality can strengthen the Guidance, which calls in its launch version that "Donors should encourage and facilitate a harmonised approach towards assessing additionality in development finance, including for blended finance." See OECD (2021), The OECD DAC Blended Finance Guidance, OECD Publishing, Paris, <https://doi.org/10.1787/ded656b4-en>.

- a. Investment funds and other collective investment vehicles through the acquisition of shares/units or, less frequently, bond subscriptions,
- b. Banks and other financial institutions through debt financing (e.g. loans and bond subscriptions) to strengthen their regulatory capital and on-lending capacities.
- c. The investment portfolios of both funds and financial institutions through guarantees.

**Figure 5. Direct and indirect investments by PSI vehicles**



53. **PSI vehicles select the intermediary channels based on their proven capacity to deliver development impact.** Many such intermediaries are based in donor or third countries, including international financial centres or economies with favourable fiscal environments. The choice of intermediaries in such geographies is primarily motivated by inadequate conditions in partner countries, such as restrictive legal and regulatory environments, unfavourable political and security contexts, high corruption levels or limited currency convertibility. Moreover, the selection of donor or third country-based intermediaries may be the outcome of competitive bidding processes.<sup>13</sup> In specific cases, PSI vehicles may also extend financing to the official sector, including state-owned enterprises and multilateral development banks (MDBs) that work with the private sector, such as the International Finance Corporation (IFC), IDB Invest, Trade and Development Bank (TDB), Development Bank of Southern Africa (DBSA) and Africa Finance Corporation (AFC). Additionally, Canada's reimbursable grants are channelled through IFC, IDB Invest, and the Asian Development Bank (ADB).

54. **Some PSI vehicles actively work with the private sector in donor countries.** Although this collaboration mostly involves advisory services, broader consultations, and co-financing arrangements, a few vehicles (DGGF 1, IDCGP, and SOFID) primarily provide financing to donor country-based companies to support their internationalisation to developing countries. However, unlike direct export credits or insurance, such finance must be deployed in support of local subsidiaries or joint ventures. This is verified through regular reporting on the use of received financing from PSI vehicles.

55. **Most PSI vehicles do not consider untying in their investment strategy.** Their internal policies do not stipulate conditions on the procurement of goods and services or other uses – whether to the benefit of donor or partner countries. Consequently, national content that occurs in the uses of PSI proceeds is

<sup>13</sup> Besides, intermediaries extending finance to multiple recipient countries or territories are logically based in a third country.

claimed to be unintended and the support is thus considered untied. Nevertheless, some PSI vehicles encourage local procurement in their interactions with clients or through impact assessments, and tied investments are illegal under the United Kingdom's development assistance regulations.

### ***Alignment with partner countries' needs***

56. **Most ODA-eligible PSI vehicles strive to align their investment decisions with the needs of individual partner countries.** While PSI vehicles base their strategies in the 2030 Agenda and the Paris Agreement, they tailor their financing to local contexts to ensure its impact and suitability. This alignment is pursued through several approaches:

- a. **Alignment with development policies and roadmaps.** To address partner countries' needs effectively, some PSI vehicles align their investment decisions with national development co-operation frameworks set by donor development ministries or other agencies (e.g. BII, Sida). They may also integrate them into bilateral agreements between donor and partner country governments (e.g. EDCF, EDPF, UKIDCF) or into national development roadmaps of recipient countries (e.g. BII). Additionally, some PSI vehicles consider internationally-negotiated resource needs, such as Just Energy Transition Partnerships (JETPs). DFIs like Finnfund, OeEB, and SIFEM also refer to consult the Nationally Determined Contributions (NDCs) of partner countries.
- b. **Consultations.** To gain insight into local needs, challenges, and opportunities, many PSI vehicles consult networks of experts, practitioners, and potential private sector clients, including chambers of commerce, business associations, as well as local public sector representatives. For instance, many EMPs (e.g., AEF, BP, DGGF1, DGGF2, FSDAi, MASSIF) consult local businesses, while some also engage with donor embassies (e.g. BIO). Larger PSI vehicles, such as BII and Proparco, and programmes hosted by DFIs and development agencies maintain country or regional offices in developing countries to facilitate these consultations.
- c. **Market intelligence.** To offer competitive, fit-for-purpose services that deliver development impact, most PSI vehicles monitor local policies, legal frameworks, and regulations (e.g., OeEB), as well as decisions from local legislatures related to markets, taxes, and private enterprises. They also analyse macroeconomic indicators and other data published by national regulators and international organisations.
- d. **Specialisation.** Some EMPs focus on development objectives within a limited number of countries or sectors, allowing them to deliver tailored, high-impact services. This approach is often seen in smaller vehicles, such as ADI, AEF, AIFFP, MFF, or MOBILIST, though some larger DFIs, such as Norfund and SIFEM, also maintain lists of priority countries.

57. However, some PSI vehicles adopt less proactive approaches. These vehicles view alignment with the SDGs, climate action, and gender equality as sufficient proof of their pro-development model. Additionally, some vehicles delegate the assessment of development potential to financing applicants (e.g., IDCGP), assuming they have the best understanding of local market needs. Others rely on sister institutions, particularly when co-financing with other DFIs or MDBs.

### 2.3. Assessments of development impact and additionality

58. **ODA-eligible PSI vehicles employ robust mechanisms to assess the development impact and additionality of their investments.** While impact and additionality are distinct categories, their assessments are usually conducted through a single process, involving relevant staff of PSI vehicles or external experts. The assessment process also integrates client due diligence and verifications of the commercial viability of projects.

59. The impact assessments are frequently aligned with internationally endorsed standards, such as the Harmonized Indicators for Private Sector Operations (HIPSO), Operating Principles for Impact Management (OPIM), and other tools from the Global Impact Investing Network (GIIN) or IFC Performance Standards. Many DFIs have their impact principles verified by independent parties to enhance the credibility and objectivity of their assessments. Additionality assessments consider various contextual indicators and deal-specific data. Contextual indicators include various data published by the World Bank (WB) and other stakeholders, usually disaggregated by year and country. Deal-specific data are collected directly from the applicants through questionnaires (e.g. EDCF, EDPF), due diligence checks, field visits or interviews. These analyses also use available market and product intelligence and information obtained through external consultations, such as donor embassies. Most PSI vehicles conduct their assessments internally, although several vehicles involve external parties (e.g. ADI, BIO, DGGF 2, EDPF, FONPRODE and UKIDCF). Many vehicles also publish their assessments online at least for a representative sample of projects through their websites, annual reports, and other communication channels.

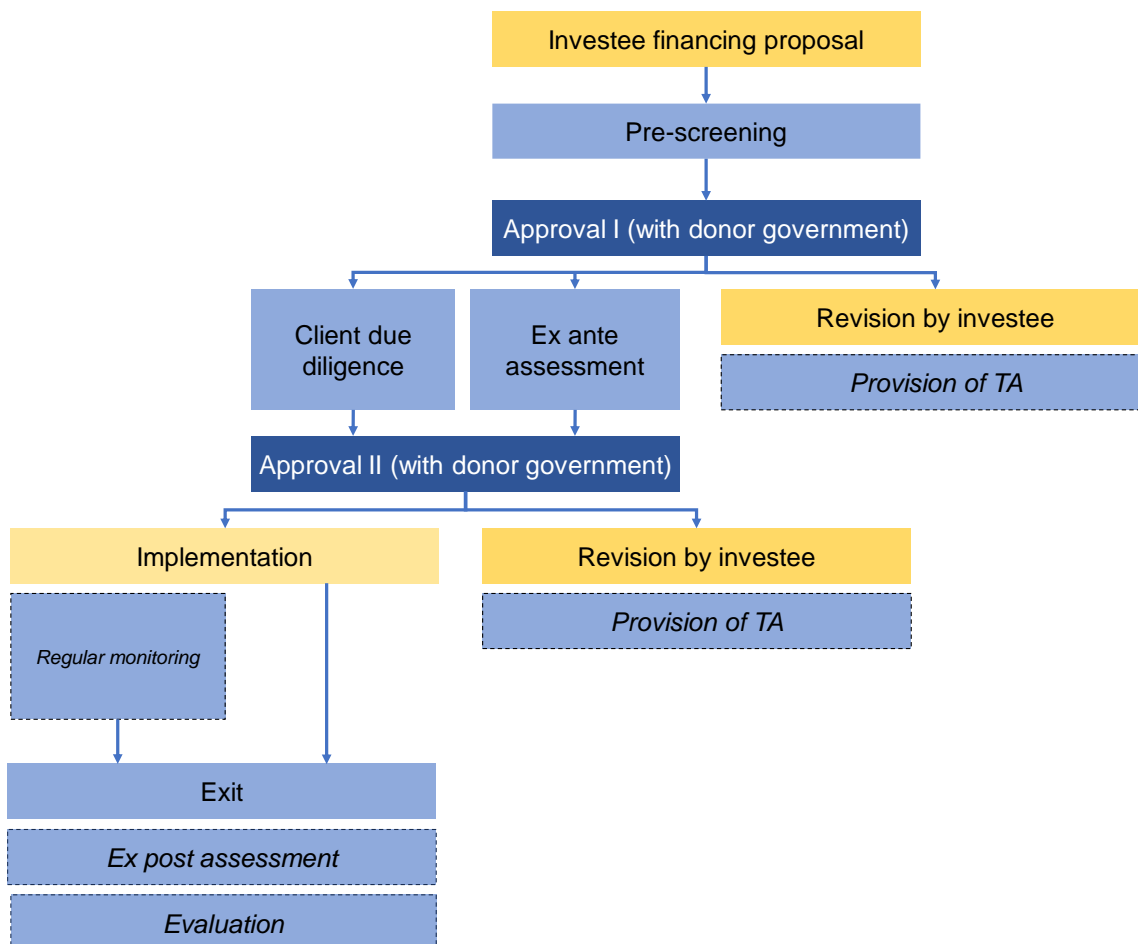
60. The assessment process typically involves several stages throughout the investments' lifecycle, beginning with pre-screening and assessments before investment decisions, followed by monitoring, and closing with ex-post reviews and evaluations (see Figure 6). The key steps include:

- a. **Pre-screening.** PSI vehicles often pre-screen project proposals to evaluate their development impact, economic viability and integrity of the applicant as well as the extent to which the official intervention could be additional. Tools used may include checklists, questionnaires, exclusion lists and a basic contextual analysis. Projects with inadequate development or additionality potential may be improved and resubmitted or get rejected.
- b. **Client due diligence.** Sometimes carried out in parallel to project pre-screening or ex-ante assessments, PSI vehicles carry out thorough client due diligence. It analyses the applicants' governance structure, staff skills, ESG standards in place (if any) as well as their financial position, assets and liabilities, available liquidity, funds' investment portfolio (KfW-DB), and their comparison to available benchmarks.
- c. **Ex-ante assessment.** Projects undergo a thorough assessment of their potential development impact and commercial viability. It also includes an assessment of the additionality of the intended public intervention and client due diligence. Most vehicles utilise scoring systems and multidimensional impact indicators (see Box 3 and paragraph 58). The assessment process first establishes a baseline and additionality rationale to then identify potential areas for development impact, and determine the methods, technical assistance, roadmaps, and timeframes for its realisation. For projects with low scores, PSI vehicles may collaborate with applicants to enhance project design and bankability, or strengthen the additionality rationale. In principle, projects initiated by PSI vehicles are designed to deliver development impact and ensure the PSI vehicles' additionality.
- d. **Monitoring.** PSI vehicles regularly (at least annually) monitor the projects during their implementation. This includes clients' reporting, field visits and interviews on

the usage of received financing, achieved and planned development impact, and financial performance. Monitoring also helps identify any actions needed, including technical assistance, to ensure that impact objectives are met. Some vehicles also monitor the additionality of their interventions to inform potential exit decisions (e.g. KfW-DB).

- e. **Ex-post impact assessment and evaluation.** Upon exit, PSI vehicles evaluate the development outcomes and impact of their investments, as well as draw lessons learned. In some cases, this also includes financial additionality of the vehicles' interventions. This evaluation can be documented in a report (e.g., IFU). Some PSI vehicles also conduct ex-post evaluations on a representative sample of projects, which can inform future assessments and updates to impact frameworks.

Figure 6. An example of PSI vehicles' assessments of development impact and additionality



61. PSI vehicles generally do not directly assess the development impact of investments made by channelling intermediaries. Instead, they establish performance contracts and impact plans with intermediaries at the transaction or portfolio level (e.g. IFU) before extending financing. PSI vehicles then participate in the governance of intermediaries or require regular reporting to track impact.

62. Moreover, the development impact and additionality assessments undergo regular reviews and updates. They integrate internal evaluations and lessons learned from on-going and completed projects

as well as feedback from clients and other stakeholders. As needed, the impact and additionality frameworks are also adapted to reflect changes in national and international policy, such as the DAC revised methods for PSI. Such updates are conducted by the vehicles themselves or in collaboration with external experts (e.g. OeEB and Finnfund). For example, IFU has recently partnered with the University of Copenhagen to develop an academically driven methodology for assessing its investments on additionality.

### Box 3. Development impact indicators used by PSI vehicles

Impact indicators are a core tool for assessing the potential impact of individual investments ex ante, the progress and effectiveness in its achievement, and evaluating realised impact ex post. In the context of PSI vehicles' frameworks, they can be generic, business-specific or thematic:

- **Climate action:** reduced GHG emissions, # of people who benefitted from adaptation to the effects of climate change,
- **Domestic resource mobilisation:** taxes generated,
- **Employment creation:** # of jobs created,
- **Energy:** energy generated, installed renewable energy capacity, # of renewable energy installations, # of business, household or underserved groups with improved access to electricity,
- **Financial intermediation and MSME development:** # of businesses served, # of new businesses, # of entrepreneurs or SMEs served, #number of active clients,
- **Financial performance:** rate of return, weighted average cost of capital (WACC), debt-to-equity ratio,
- **Gender equality:** # of female jobs created, # of women-led business served, # of female entrepreneurs served, # of women in leadership positions,
- **Industry:** % of increased sales, % of increased exports, labour productivity, yield improvement,
- **Mobilisation/catalysation:** volume of co-financing, volume of private finance mobilised, volume of participation by the client,
- **Technology and knowledge transfer:** # of capacity-building sessions, # of new technologies introduced, # of innovative models.

Moreover, some PSI vehicles measure impact of their financing through the portfolio composition of their intermediaries. Related indicators include the share of fragile states, least developed countries (LDCs), small island developing states (SIDS) or sub-Saharan African countries in total portfolio.

## 2.4. Practices and safeguards on financial additionality

63. Financial and value additionality is a fundamental ODA-eligibility criterion of PSI. Although the interpretation of additionality varies depending on the context (see Box 2), this concept primarily aims to ensure that official interventions do not crowd out the private sector. While value and development additionality are mainly promoted through the pro-development investment strategy and impact assessments of PSI vehicles, financial additionality can also be achieved through specific investment practices and safeguards and additionality assessments. For example, PSI vehicles:

- a. Base their service pricing on available indicators, such as data on credit defaults, credit ratings and the recoveries on defaulted projects shared by MDBs and DFIs through the GEMs database Global Emerging Markets Risk Database Consortium (GEMs) or country risk classifications and minimum premium rates developed by the Export Credit Group (ECG).
- b. Hinge their interest rates on dominant international rates, such as SOFR, EURIBOR or rates set by local central banks or monetary authorities (e.g. Norfund).
- c. Invest only in minority stakes of local companies.
- d. Are prohibited from becoming major financiers in multi-stakeholder financing arrangements (SOFID, InvestimoZ).
- e. Only support enterprises that could not access financing on the market. In such cases, the PSI vehicles may request proof of refusal (DGGF 1) or consult ECAs which act as lender of record (AIFFP).
- f. Screen their investments against relevant state aid rules, such as in the context of the European Union (EU)'s Competition Policy.
- g. Strive to financial self-sustainability through supporting commercially viable projects that generate financial returns. Some vehicles are set concrete turnover or profit objectives (e.g. JICA, SIFEM and Swedfund).
- h. Publicly disclose their additionality assessments, which may increase incentives for robust management of additionality (e.g. SIFEM).

64. Furthermore, there is a great potential for PSI vehicles to expand their collaboration with export credit agencies (ECAs). Some PSI vehicles already share information on local markets, client due diligence, or industry-specific expertise (ADI, IDCGP, IFU, EDPF). Although this cooperation is often informal, ECAs can attend working groups to develop and identify projects with vehicles (EDCF) and participate in the assessment of investments (IDCGP). PSI vehicles and ECAs can also co-finance projects to achieve large-scale investment in risky contexts and benefit from each other's additionality assessments. For example, Finland's Finnvera, Korea's KEXIM, Denmark's EIFO (formerly EKF), and Germany's KfW IPEX-Bank frequently co-finance development projects with DFIs. Moreover, investees of PSI vehicles can receive export insurance – such investments need to happen in a dialogue with both the PSI vehicles and ECAs (IFU, AEF, MASSIF).

65. Still, such collaboration needs to contribute to mutual appreciation of the distinct roles the export credit and development communities play in partner countries. Existing standards that distinguish between the developmental and trade nature of PSI and export credits respectively should be maintained. In addition, decision-making processes of ECAs and PSI vehicles should be kept independent to ensure clarity in the pursuit of their respective mandates.

# Annex A. Assessment methodology

## *Methodological anchor*

66. The 2024 round of the ODA-eligibility assessments followed the methodology detailed in Annex 24 of the DAC Statistical Reporting Directives [see DCD/DAC(2024)40/ADD3/FINAL].<sup>14</sup>

## *Call for inputs*

67. During the first quarter of 2024, the Secretariat called for inputs in the context of the WP-STAT, using the standard template:

- a. Quantitative inputs on the disbursement breakdown to calculate the share of PSI extended in line with the ODA definition, and
- b. Qualitative inputs on the mandate, mission, ownership, development focus, impact, due diligence mechanisms, and additionality mechanisms used by individual PSI vehicles.

68. Nineteen members returned completed templates for 38 vehicles. Nineteen templates were submitted as self-assessments, 18 were presented for the Secretariat's assessment and one was shared for the Secretariat's information (Iceland's SDG Fund). See also paragraph 77.

## *Secretariat's analysis and clarification requests*

69. The Secretariat reviewed all received templates. Where it was deemed useful or necessary, the Secretariat requested clarifications or further inputs. Most of these clarification requests concerned the

- a. Alignment of PSI vehicles' investments with the needs of individual recipient countries,
- b. Additionality mechanisms, including the exit rationale, and
- c. Development and additionality characteristics of PSI channelled through intermediaries.

70. All members responded to the Secretariat's questions and some also provided additional documentation, e.g. on DEG and SOFID.

71. As part of the email communication, members were also requested to indicate whether they wished to redact any part of the submitted templates before their public disclosure through the Compendium [see DCD/DAC/STAT(2024)35]. Two members made use of this provision and removed certain details from the templates.

72. At that stage of the process, the Secretariat treated both the assessments and self-assessments in an identical way. This approach was to ensure maximum credibility of the assessment outcomes, in particular for members who decided to self-assess most, or all of their vehicles.

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<sup>14</sup> See also DCD/DAC(2023)22/FINAL.

73. In addition, to inform its analysis, the Secretariat consulted:
- a. Publicly available sources of information, such as the PSI vehicles' websites, annual reports and financial statements. In some cases, the Secretariat also analysed available information on the intermediaries supported by the PSI vehicles and reports by audit firms, such as Moody's.
  - b. Available CRS data.
  - c. Individual members and their DFIs through dedicated videocalls or in the context of capacity-building sessions.

### ***Outcomes of the assessment and ODA coefficient***

74. Aside from the key findings and the underlying methodology, this report presents ODA coefficients (see Table 1). The coefficients are calculated for PSI vehicles which have scored at least 4 out of 5 points for each of the template sections:

- B. Mandate, mission and ownership,
- C. Development focus, impact and due diligence and
- D. Additionality mechanisms.

75. Given the closed (yes/no) character of the template questions, each question answered "yes" or similar was assigned score 1. The ODA coefficient reflects the share of disbursements of such PSI vehicles in 2021-2023 that were extended to countries and territories on the DAC List of ODA Recipients, administered with the promotion of economic development and welfare of developing countries as the main objective and additional financially and/or in value, together with their development additionality.<sup>15</sup>

76. Once the Secretariat concluded its analysis, individual members received the Secretariat's perspective on the ODA-eligibility of the presented vehicles, including the ODA coefficient. Members were given at least two weeks to react or provide feedback. Concerning vehicles for which the completed templates arrived after the deadline for submission and in an advanced stage of the process, the time for reaction was shorter. Overall, no member objected. The final ODA coefficients are presented in Table 1. They are applicable to members' reporting on PSI intragovernmental transfers, i.e. capital increases, decapitalisations and dividends paid by the government in 2013-17, unless reassessed before.

77. After a discussion with the United Kingdom, the self-assessment of the Green Growth Equity Fund was withdrawn as the vehicle rather showed the characteristics of a public-private partnership financed by the United Kingdom, India, the Netherlands (FMO), Green Climate Fund (GCF) and private investors. Iceland's SDG Fund was not assessed either as it is a grant-making vehicle promoting business-to-business (B2B) partnerships.

### ***Report***

78. The outcomes of the assessments, and the key findings are summarised in this report. It was first presented to the WP-STAT for discussion at its meeting in September 2024. Compared to the report presented to the WP-STAT in September 2024, this version of the report includes one factual correction by Portugal concerning the assessment status of InvestimoZ (changed from self-assessment to assessment), and integrates a few refinements to address comments received by members during and shortly after the WP-STAT meeting. The compendium also includes an update on the disbursement breakdown concerning the Australian Development Investments (ADI), as requested by Australia.

<sup>15</sup> See Annex 24 of the Reporting Directives [DCD/DAC(2024)40/ADD3].

79. As required by the Directives [see Annex 24 of DCD/DAC(2024)40/ADD3/FINAL], members will be given one month after the presentation of the report and compendium to signal to the Secretariat if any sensitive information needs to be removed before their declassification, and subsequent dissemination to the Export Credit Group (ECG) for information.

***Examples of vehicles that were not assessed on their ODA-eligibility in 2024***

80. The following official vehicles known to extend PSI to developing countries were not submitted to the ODA-eligibility assessment in 2024:

- a. Cassa Depositi e Prestiti (CDP), Italy, since its additionality mechanism is still under development (activities not reported in ODA),
- b. Dutch Entrepreneurial Development Bank, own resources (FMO-A), the Netherlands, which is considered a private bank in the context of the Netherlands' national account system (activities not reported in ODA),
- c. Dutch Good Growth Fund – Exporting Dutch Entrepreneurs (DGGF 3), the Netherlands (activities not reported in ODA),
- d. European Investment Bank (EIB) – PSI programmes, European Union Institutions, that have so far been reported in ODA,
- e. International Development Finance Corporation (DFC), United States, which is not considered ODA-eligible (activities not reported in ODA),
- f. Italian Society for Enterprises Abroad (SIMEST), Italy, which is not considered ODA-eligible (activities not reported in ODA),
- g. Japan Bank for International Cooperation (JBIC), Japan, which is not considered a development institution (activities not reported in ODA),
- h. Compañía Española de Financiación del Desarrollo, S.A. (COFIDES), which is not considered ODA-eligible (activities not reported in ODA).