Organisation for Economic Co-operation and Development

DCD/DAC/STAT(2023)20/REV1

Unclassified

English - Or. English

4 August 2023

Development Co-operation Directorate
Development Assistance Committee

DAC Working Party on Development Finance Statistics

Private sector instruments: additionality, reporting requirements and data disclosure, and monitoring, safeguards and disciplines

Special WP-STAT session on Private Sector Instruments (PSI), 28 August 2023

As part of the review of the provisional reporting methods for private sector instruments (PSI), this note presents a proposal for strengthened ODA-integrity in the context of PSI through clarified overarching rules and reporting requirements on donor effort and cash flows for the two reporting approaches, mechanisms for switching reporting approaches, a reinforced additionality framework as well as monitoring and review mechanisms. The document also puts forward tools for promoting complete data reporting on PSI in ODA under both the instrument and institutional approach. Developed in line with the agreed 2016 HLM general principles for PSI, the proposal takes into account the outcomes of the Part 1 of the review in the first semester of 2022 and builds upon members' discussions in the context of the WP-STAT since September 2022. The note is also informed by the experience from the provisional reporting methods and their implementation in members' reporting.

The proposal is presented for DISCUSSION by the WP-STAT at the special session on PSI on 28 August 2023 under item 6 of the draft annotated agenda [DCD/DAC/STAT/A(2023)3].

Contact:
Julia BENN – julia.BENN@oecd.org
Tomáš HOS – tomas.HOS@oecd.org
Valérie GAVEAU – valerie.GAVEAU@oecd.org

JT03523998

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Private sector instruments: additionality, reporting requirements and data disclosure, and monitoring, safeguards and disciplines

Background

1. The important role of the private sector in development has always been acknowledged in the international development discourse. To build markets in developing countries, many donors have founded development finance institutions (DFIs) and similar vehicles that extend private sector instruments (PSI). The Addis Ababa Conference on Financing for Development gave a new impetus to this type of activities, identifying the private sector as a resourceful partner in advancing economic development and welfare in developing countries.

2. Prior to the ODA modernisation, most PSI deployed by bilateral DFIs and other PSI vehicles other than equities had been out of scope of ODA. The 2014 HLM Communiqué[1], however, opened the door for a profound reconsideration of the measurement of donor effort in DAC statistics, with the 2016 HLM Communiqué[2] adding concrete principles for integrating PSI in the modernised ODA measure. ODA donor effort would then consist of grants and grant equivalents of loans, equities, guarantees, mezzanine finance and other instruments. The resulting statistical system would foster innovation, incentivise greater mobilisation of private resources for development, promote local private sector development and domestic resource mobilisation, and build ODA integrity through enhanced transparency, accountability and comparability.

3. While the agreement on the provisional reporting methods in 2018 furthered members' discussions on PSI in ODA, it failed to establish coherence, consistency and comparability across members, and put a question mark on the credibility of ODA. The continued measurement of certain PSI in ODA on a cash-flow basis introduced hybrid accounting of ODA, which brought DAC statistics at odds with the OECD Recommendation on Good Statistical Practice.[3] Reported data have been found patchy and members' reporting on additionality incomplete and unconvincing. Moreover, the provisional methods do not include at all some elements foreseen by the 2016 HLM Communiqué, such as the possibility to switch between reporting approaches and comprehensive monitoring and review mechanisms.

4. As part of members' review of the provisional reporting methods, this note addresses these shortcomings. It clarifies overarching reporting requirements on donor effort and cash flows for the two reporting approaches, designs a mechanism for switching reporting approaches, strengthens requirements on additionality, and sets monitoring and review mechanisms. The document also establishes tools for promoting complete data reporting on PSI in ODA under both the instrument and institutional approach.

[1] See https://www.oecd.org/dac/OECD%20DAC%20HLM%20Communique.pdf.

[2] See www.oecd.org/dac/DAC-HLM-Communique-2016.pdf.

[3] See legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0417

5. This paper is based on the 2016 HLM general principles for PSI, taking into account the outcomes of the Part 1 of the review in 2022[4] and members' subsequent deliberations to date, especially in June-July 2023. The proposals are also informed by lessons learned from the implementation of provisional reporting methods and members' discussions in the past.[5]

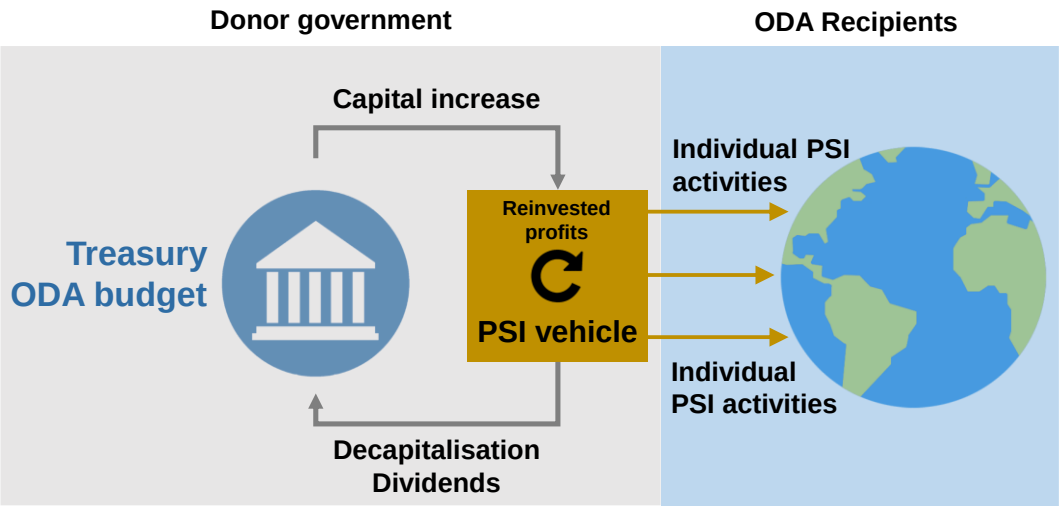
6. **Members are invited to comment on the proposal and, in cases where options are presented, express their preference (see text in square brackets in paragraphs 34, 36 and 38, Box 2 and Annex A). A final version of the proposal will be issued for approval by the WP-STAT in September 2023.**

1. One system, two points of measurement, one set of rules

7. The 2016 HLM Principles were designed with the understanding that the institutional setups of members' PSI mechanisms and the characteristics of employed financial instruments are largely comparable across all members. Most DFIs and other PSI vehicles benefit from regular capital increases, provide financial services to the private sector on terms that are close to the market, make profits and reinvest them, and may be asked to transfer parts of their capital back to the government. Some PSI vehicles may also emit dividends to their owners/shareholders (see Figure 1).

8. In this vein, the 2016 HLM Principles put forward requirements that are equal across all members that choose to report donor effort in PSI in ODA, whatever the approach (institutional or instrument). Principles iii, vii, xiii and xiv require that all such members assess the ODA-eligibility of their PSI vehicles [see DCD/DAC(2023)22], report comprehensive data on PSI (see section 1.3) and agree to disclose their data on PSI in DAC statistics following a unique set of rules (see section 1.4).

Figure 1. A single PSI system



[4] See more details on the outcomes of the Part 1 of the review and next steps in DCD/DAC/STAT(2022)15 and DCD/DAC(2022)39/REV1. Details on the approach for members' discussions in the context of the review Part 2 can be found in DCD/DAC/STAT(2022)29.

[5] In particular, see the proposal for a lock-in period in DCD/DAC/STAT(2016)15 and reporting requirements in DCD/DAC/STAT(2016)24.

9. Overall, principles i, ii, iv, viii and xiii instruct that the effort of the official sector in providing PSI is counted as ODA, while the financial flows themselves are tracked as other official flows (OOF). Two different approaches co-exist for reporting and members decide which approach they apply in their ODA accounting on individual PSI vehicles (see section 1.2), with the other being reported for memorandum to build transparency and allow for monitoring.

1.1. Two points of measurement of donor effort

10. In pursuit of a more comparable and fit-for-purpose measurement of ODA, through the 2014 HLM Communiqué, members agreed to measure their donor effort in sovereign loans on a grant equivalent basis.[6] The 2016 HLM Principles explicitly extend this rationale to PSI.

11. In this context, principles ii, iv, vi and xii establish a measurement of donor effort at two distinct points of the PSI system (see Figure 1), namely:

a. **Transfer of capital to PSI vehicles**. Donor effort in such intra-governmental transfers takes into account the ODA coefficient established as part of the ODA-eligibility assessment [see DCD/DAC(2023)22] as well as reflows to the donor government (i.e. decapitalisations and dividends paid to the government).

b. **Individual PSI activities**. Donor effort in individual PSI activities is expressed through their grant equivalents, calculated using instrument-specific methods [see DCD/DAC(2023)22, DCD/DAC/STAT(2023)3/REV3, DCD/DAC/STAT(2023)4/REV3, DCD/DAC/STAT(2023)13/REV2].

1.2. Two reporting approaches

12. Members choose one of the points of measurement in section 1.1 for ODA accounting purposes and report the other for memorandum to promote transparency and allow for monitoring of comparability (principle xiii). In this context,

a. Measurement of ODA donor effort at the point of capital increases is referred to as the "**institutional approach**";

b. Measurement of ODA donor effort at the point of individual PSI activities is referred to as the "**instrument approach**".

13. Under both approaches, decapitalisations of PSI vehicles and dividends paid to the government constitute reverse effort and enter in ODA grant equivalent calculation, provided the concerned PSI vehicles benefitted from at least one capital increase counted in ODA (see principle vii).

14. Members may switch from one reporting approach to another (principles ii and xiii). This change of the point of measurement of ODA donor effort is, however, subject to a specific mechanism outlined in section 2.

[6] See paragraph 10 of the 2014 HLM Communiqué https://www.oecd.org/dac/OECD%20DAC%20HLM%20Communique.pdf.

1.3. Reporting requirements

15. In line with principle xiii of the 2016 HLM Communiqué, the same reporting requirements apply to all members reporting PSI in ODA, under the instrument and institutional approach. Members report:

a. **Donor effort**, including

i. **Intra-governmental transfers**, i.e. capital increases and decapitalisations of PSI vehicles and dividends paid to the government (counted in ODA for institutional approach and reported for memorandum under the instrument approach);

ii. **Grant equivalents of individual PSI activities** (counted in ODA for instrument approach and reported for memorandum under the institutional approach);

b. **Cash flows** of individual PSI activities (recorded in OOF).

16. An overview of CRS reporting requirements is included in Annex C.

1.4. Data disclosure rules

17. In line with principle xiv, the same data items are published for all members that report PSI in ODA, under both the instrument and institutional approaches, using a unique set of disclosure rules:

a. There is no restriction to data disclosure on capital increases, decapitalisations and dividends paid to the government, noting these are reported as annual aggregates (see Annex C).

b. Data on individual PSI activities will be disclosed according to relevant instrument-specific rules [see DCD/DAC(2023)22, DCD/DAC/STAT(2023)3/REV3, DCD/DAC/STAT(2023)4/REV3, DCD/DAC/STAT(2023)13/REV2].

18. PSI data will be published through the DAC aggregate tables and the Creditor Reporting System (CRS). In addition, resources permitting, a new dedicated data table will be developed, including all types of PSI data in a downloadable format.

1.5. Implementation

19. The reporting arrangement based on two points of measurement, using two reporting approaches, one set of reporting requirements and data disclosure rules will be implemented in 2024 on activities in 2023, with a possible transition period of one or two years, depending on the instrument, as specified in DCD/DAC(2023)22, DCD/DAC/STAT(2023)3/REV3, DCD/DAC/STAT(2023)4/REV3 and DCD/DAC/STAT(2023)13/REV2. During the transition period, the default process of the provisional reporting methods [see DCD/DAC/STAT(2023)9/ADD3] will continue to govern members' reporting on PSI.

2. Switching reporting approaches and the lock-in mechanism

20. As provided for in principles ii and xiii, members may change the approach for measuring donor effort in PSI. Specific provisions are, however, necessary to avoid ODA inflation through double counting of effort, and thus to protect the credibility of ODA. A lock-in mechanism is also necessary to ensure the comparability of members' reporting over time and in the context of the ODA-integrity safeguards (see section 4.1).

2.1. From the instrument to the institutional approach

21. When switching from the instrument to the institutional approach, members will notify the Secretariat prior to the submission of their annual Advance Questionnaire for the switching year.

22. Concerning PSI vehicles that extend equities, preferred equity and reflow-based reimbursable grants, the switch from the instrument to the institutional approach is only possible under the ex-ante method. This is necessary to avoid potential repetitive cancellations of outstanding equity portfolios from ODA accounting [see DCD/DAC/STAT(2023)3/REV3].

2.2. From the institutional to the instrument approach

2.2.1. Lock-in period mechanism

23. When switching from the institutional to the instrument approach, a lock-in period needs to be defined, during which the reporting approach may not be changed to avoid double counting of effort in ODA.[7]

24. The lock-in period is defined as the time span over which the two approaches have resulted in comparable donor effort. The lock-in period ends when the cumulative donor effort in (grant equivalents of) individual PSI activities since the first ODA capital increase has exceeded the cumulative donor effort in capital increases. This comparison of donor effort is carried out in constant prices.

25. The switch may be effectuated in the first year after the end of the lock-in period. For example, if the cumulative grant equivalents of individual activities exceed the cumulative value of ODA capital increases in 2028, the switch can be implemented as part of reporting in 2030 on activities in 2029 (see Box 1 for an illustrative example).

2.2.2. Activation of the lock-in mechanism

26. Members who wish to switch from the institutional to the instrument approach will notify the Secretariat ideally one year prior to and in any case well before the submission of their annual Advance Questionnaire for the switching year.

27. Members that wish to switch to the instrument approach will provide the Secretariat with detailed calculation of the lock-in period, including an overview of relevant capital increases and grant equivalents of individual PSI activities.[8] See section 2.2.3 for treatment of PSI before the implementation of the revised methods for PSI.

---

[7] See DCD/DAC/STAT(2016)15/REV1 for more details and past considerations on the lock-in mechanism.

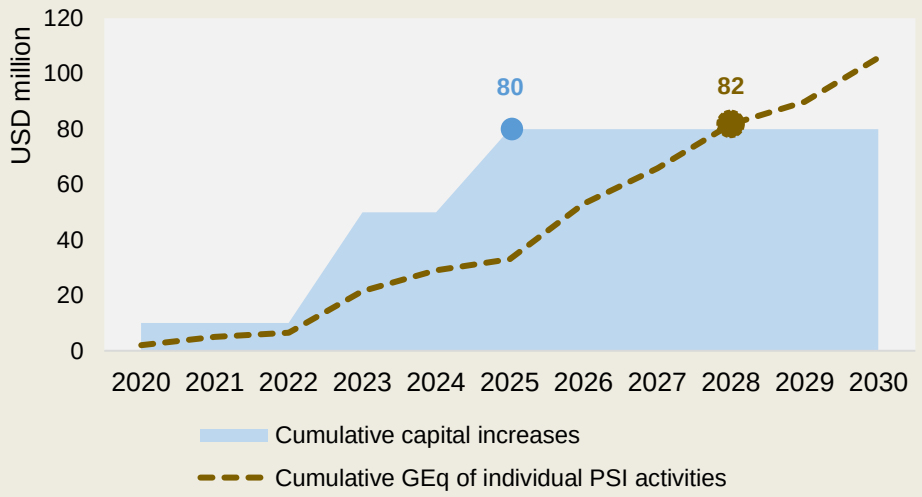
[8] Details on the calculation can be provided through a reference to relevant CRS data (if those are complete), including details on grant equivalents calculated according to the revised methods [see

28. The switch may only be effectuated upon validation by the Secretariat.

Box 1. Example of a lock-in period

A donor government decided to increase the capital of its PSI vehicle with USD 70 million during 2023-25. The vehicle received USD 40 million in 2023 and USD 30 million in 2025 from the donor ODA budget. The vehicle had previously been capitalised with ODA funds in 2020 (USD 10 million). Overall, in 2025, the cumulative capital increases reported in ODA over time total at USD 80 million.[9]

Figure 2. Lock-in period: 2020-28



In 2028, the cumulative grant equivalents of individual PSI activities of that vehicle since 2020 (first capital increase) exceed the cumulative volume of ODA capital increases. The end year of the lock-in period is thus 2028. The donor may switch to the instrument approach in the context of its reporting in 2030 on activities in 2029.

2.2.3. Treatment of PSI extended prior to the implementation of the revised methods for PSI

29. As a general rule, the calculation of the lock-in period takes into account capital increases made from 2018 onwards, as this is the year of the implementation of grant equivalent accounting in the DAC statistics as well as the implementation of the provisional reporting methods.

30. Grant equivalents of individual PSI activities for the period from 2018 until the implementation of the revised methods in 2024-25 are calculated retroactively based on financial details of individual activities (all instruments), using the instrument-specific methods in DCD/DAC(2023)22, DCD/DAC/STAT(2023)3/REV3, DCD/DAC/STAT(2023)4/REV3 and DCD/DAC/STAT(2023)13/REV2]. Should such

DCD/DAC(2023)22, DCD/DAC/STAT(2023)3/REV3, DCD/DAC/STAT(2023)4/REV3 and DCD/DAC/STAT(2023)13/REV2].

[9] This example is in current prices for the reason of a simple presentation.

activity-level financial details be unavailable, the Secretariat will suggest possible ways for overcoming the data gaps.

3. Additionality

31. Additionality is a core ODA-eligibility criterion of PSI (see principle v and xi). To facilitate members' comparable reporting, the provisional reporting methods include a definition of financial, value and development additionality and invite activity-level reporting on additionality type (financial, in value or both) in combination with additionality description and a description of the development objective.

32. Although the completeness and quality of the reported data have been improving over time, members, CSOs and other stakeholders have found the provided information patchy and overly brief [see DCD/DAC(2020)10/REV1, DCD/DAC/STAT(2020)23, DCD/DAC/STAT(2022)15 and joint CSO recommendations[10]]. Reporting on additionality is critical not only for demonstrating the ODA eligibility of PSI, but also for communicating members' approaches to building local markets free of market-distortive tendencies.

3.1. Strengthened additionality framework in DAC statistics

33. In line with principles v, x and xi of the 2016 HLM Communiqué, additionality of PSI is considered at two levels, notably:

a. In the context of the ODA-eligibility assessment of members' PSI vehicles, concerning the mechanisms used to assess additionality; and

b. For each individual PSI activity.

34. While work on additionality in the context of the ODA-eligibility assessment has been accomplished as part of discussions on the first batch of topics [see DCD/DAC(2023)22], this section focuses on improving the quality and comprehensiveness of members' reporting on additionality of individual PSI activities. In this context, it puts forward a streamlined definition of additionality in DAC statistics (see section 3.1.1 and Box 2) and a basic classification of additionality types for CRS reporting purposes (see section 3.1.2 and Annex A). [Option A: It also proposes that, to qualify as ODA, individual PSI activities must convey financial and development additionality.]

3.1.1. Streamlined definition of additionality

35. Members use a unique definition of additionality in the context of DAC statistics. This definition makes a distinction between financial, value and development additionality.

36. For a PSI activity to be ODA-eligible, it must be [Option A: financially additional, together with its development additionality. Value additionality on its own is not a

[10] See the "Joint CSO messages and recommendations towards the 2nd batch of instruments under negotiation in the review of the provisional reporting methods for Private Sector Instruments" shared on 30 June 2023, the "Joint CSO recommendations following the Consultation with Civil Society Organisations on Private Sector Instruments held on Thursday 12th January 2023" shared on 25 January 2023 and the "Joint CSO recommendations ahead of the September 2022 meeting of the DAC WP-STAT: Towards increased quality and integrity of ODA in the context of Private Sector Instruments and Special Drawing Rights" shared on 27 September 2022.

sufficient demonstration of ODA-eligibility.] [Option B: additional financially or in value, together with its development additionality.] (See Box 2.)

3.1.2. Updated reporting on additionality in CRS

37. Details on additionality of individual PSI activities are reported through the following CRS fields (see also Annex C):

a. "Additionality type", using a standardised classification facilitating reporting on additionality in a way that is streamlined, comparable and easy to analyse. The proposed categories are included in Annex A.

b. "Additionality description", providing clarifications or complementary explanations on the additionality type.

c. "Development additionality description", to clearly demonstrate the development additionality of individual PSI activities, particularly their intended development impact.

38. Reporting on the additionality type and development objective is required for all individual PSI activities of PSI vehicles reported in the context of ODA. Multiple additionality types can be reported for each activity. Reporting on additionality description is voluntary except where the unspecified additionality [Option A: sub-type][Option B: sub-types] has been used (see Annex A). See section 4.1 for an ODA-integrity safeguard related to additionality.

Box 2. Streamlined definition of additionality for reporting of PSI in ODA

--- OPTION A ---

[The DAC statistics distinguish between three types of additionality: "financial additionality", "value additionality" and "development additionality". Both financial and value additionality seek to avoid market distortions. **For a PSI activity to be ODA-eligible, it must be financially additional, together with its development additionality.** Value additionality on its own is not a sufficient demonstration of ODA-eligibility.

A PSI activity conveys

- **Financial additionality** in cases where private sector partners are unable to obtain financing from capital markets (local or international) for a specific activity at the necessary terms and/or scale, or where it mobilises finance from the private sector that would otherwise not have been invested.
- **Development additionality** if it is intended to deliver development impact that would not have occurred without the partnership between the official and the private sector.
- **Value additionality** in cases where the official sector provides (or mobilises) non-financial value to its private sector partners that the capital markets would not offer. It is often pursued through investment conditionality, active ownerships (e.g. board participation), capacity building activities, advisory services and other technical assistance and other ways.]

--- OPTION B ---

[The DAC statistics distinguish between three types of additionality: "financial additionality", "value additionality" and "development additionality". Financial and value additionality seek to avoid market distortions. **For a PSI activity to be ODA-eligible, it must be additional financially or in value, together with its development additionality.**

A PSI activity conveys

- **Financial additionality** in cases where private sector partners are unable to obtain financing from capital markets (local or international) for a specific activity at the necessary terms and/or scale, or where it mobilises finance from the private sector that would otherwise not have been invested.
- **Value additionality** in cases where the official sector provides (or mobilises) non-financial value to its private sector partners that the capital markets would not offer. It is often pursued through investment conditionality, active ownerships (e.g. board participation), capacity building activities, advisory services and other technical assistance and other ways.
- **Development additionality** if it is intended to deliver development impact that would not have occurred without the partnership between the official and the private sector.]

3.1.3. Implementation

39. Members adopt the streamlined definition of additionality and implement the updated reporting framework on additionality in their data reporting starting in 2024 on activities in 2023, with a possible transition period of one or two years, depending on the instrument, as specified in DCD/DAC(2023)22, DCD/DAC/STAT(2023)3/REV3, DCD/DAC/STAT(2023)4/REV2 and DCD/DAC/STAT(2023)13/REV2.

40. For activities committed prior to the implementation year, members may use the definition of additionality and reporting requirements agreed upon in the context of the provisional reporting methods.[11]

4. Monitoring, safeguards and disciplines

41. The 2016 HLM Communiqué foresaw ODA integrity safeguards and monitoring mechanisms (principle xv) as well as a review mechanism (principle viii). This section puts forward a set of safeguards to incentivise provision of complete essential data on PSI (notably additionality and grant equivalents), a biennial report and a review mechanism.

4.1. ODA-integrity safeguards related to essential data on PSI

42. This section proposes two safeguards to promote comparability of members' data reporting and to incentivise provision of essential PSI data items, i.e. additionality and grant equivalents (with related financial details).

[11] See enhancement v. of DCD/DAC/STAT(2023)9/ADD3.

4.1.1. Safeguard on additionality

43. The 2016 HLM Communiqué acknowledges the particular nature of PSI in the context of ODA due to the limited concessionality of the underlying activities and their mostly for-profit orientation. To allow members to demonstrate the ODA-eligibility of their PSI in ODA, the principle xi puts forward specific criteria and requirements in this area, notably detailed reporting on additionality. Hence, the Secretariat can only warranty the ODA status of members' individual PSI activities if their additionality has been demonstrated through relevant CRS fields on additionality, irrespective of the approach used (see also section 3.1.2).

44. See section 4.1.3 on a remedial adjustment of ODA donor effort if members do not report on or are unable to demonstrate the additionality of individual PSI activities.

4.1.2. Safeguard on grant equivalents

45. The statistical framework for measuring donor effort in PSI works with the joint understanding that both approaches generate comparable levels of ODA over time. To allow for monitoring of this critical premise and to ensure equal reporting requirements among all members, the Secretariat can only warranty the ODA status of members' individual PSI activities if data on individual PSI activities have been provided with all information necessary for calculating grant equivalents, irrespective of the approach used.

46. See section 4.1.3 on a remedial adjustment of ODA donor effort if members do not report on grant equivalents of individual PSI activities, including related financial details to verify the grant equivalent calculation.

4.1.3. Remedial adjustment to ODA donor effort

47. The remedial adjustment to ODA donor effort is a last-resort safeguard to promote comparability in members' reporting under both approaches and to ensure that ODA-eligibility of members' PSI is demonstrated in complete and transparent manner. It is thus only used in the event of non-provision of data items that are essential in the context of PSI.

48. Should members' CRS reporting on additionality (see section 4.1.1) or grant equivalents and related financial details (see section 4.1.2) be incomplete, the Secretariat will request the missing data items as part of the regular data quality feedback rounds following the standard annual reporting cycle. If the requested data items have not been provided during a period of three months following the request, a remedial adjustment will be introduced in ODA donor effort (ODA grant equivalents).

49. If applicable, the remedial adjustments will be applied as follows:

a. Under the instrument approach, PSI activities with incomplete essential data items will be disqualified from ODA donor effort. Accordingly, grant equivalents of concerned activities are not recorded in ODA.

b. Under the institutional approach, a negative entry will be recorded in the ODA grant equivalent field under the reporting year for which PSI activities are reported with incomplete essential data items. More details on the valuation of the remedial adjustment can be found in paragraph 51. It also sets rules for ensuring comparability between the institutional and instrument approaches.

50. If applicable, remedial adjustments will be considered and thoroughly explained in the biennial reports (see section 4.1.4).

Mechanism for valuing the remedial adjustment under the institutional approch and ensuring comparability between the institutional and instrument approaches

51. While the remedial adjustment is rather straightforward to apply under the instrument approach, this process may be rather complex under the institutional approach. A particular attention thus needs to be paid to ensuring comparability between both reporting approaches. In this context, under the institutional approach:

a. The adjustment may only be applicable to vehicles that:

   i. Have received at least one capital increase included in ODA donor effort from 2023 onwards (i.e. the first year of the implementation of the revised methods for PSI, including reporting requirements).

   ii. Operate within the lock-in period (see section 2.2), during which donor effort in individual PSI activities relates to capital increases counted in ODA.

b. Furthermore, under the institutional approach, the value of the remedial adjustment will be calculated, depending on the reported information, as follows:

   i. If data on grant equivalents are provided, the value of the remedial adjustment corresponds to the sum of grant equivalents of the concerned activities.

   ii. If data on grant equivalents are not provided, they are estimated based on grant elements reported by the concerned member in previous years. If such historical data are not available, instrument-specific DAC average grant elements are used instead.

   iii. If no data are provided for a given year, the downward adjustment corresponds to the ODA donor effort in the last capital increase.

c. In any case, the value of the remedial adjustment may not exceed the cumulative sum of capital increases included in ODA donor effort since 2018 (see paragraph 29).

4.1.4. Implementation

52. The safeguards on additionality and grant equivalents will be implemented in 2024 on activities in 2023, with a possible transition period of one or two years, depending on the instrument, as specified in DCD/DAC(2023)22, DCD/DAC/STAT(2023)3/REV3, DCD/DAC/STAT(2023)4/REV2 and DCD/DAC/STAT(2023)13/REV2. See also paragraph 40.

4.2. Biennial report

53. To ensure the credibility of ODA reporting on PSI, the HLM principle xv seeks a regular (biennial) report covering both quantitative and qualitative aspects of members' PSI.

54. In relation to members' methodological deliberations on individual instruments, the biennial report will summarise the outcomes of:

a. A joint analysis by the DAC and ECG Secretariats to address concerns expressed about blurring the lines between export credits and PSI.[12]

b. An analysis by the DAC Secretariat of the geographic, recipient income group, sectoral and thematic characteristics of all PSI to address concerns expressed about ODA integrity.[13]

c. The Secretariat's assessment of the need to update the surcharge component of instrument-specific discount rates, if relevant.

55. Moreover, the report will include:

a. An overview of ODA donor effort reported by individual members and a comparison with net disbursements of individual PSI activities.

b. Assessment of the quality and comprehensiveness of PSI data reported by individual members, including intra-governmental transfers and individual PSI activities. For individual PSI activities, this includes detailed data on reflows and information on additionality.

c. Assessment of the comparability of reporting under the instrument and institutional approaches over time.

d. An estimation of reinvested profits of individual PSI vehicles, taking into account capital increases, gross disbursements, capital reflows and other service payments.

e. If applicable, a comprehensive explanation of remedial adjustments to ODA donor effort in the context of the ODA-integrity safeguards on additionality and grant equivalents (see section 4.1).

56. The report will be issued as unclassified, presented to the DAC and the ECG Secretariat for information. Should the report identify competition or other issues pertaining to ODA integrity or effectiveness, the DAC will be invited to address them in a subsequent discussion.

57. Findings presented in the report can also invite a review of relevant parts the methodology for private sector instruments (see section 4.3).

58. The biennial reports may also suggest a DAC discussion on the need for minimum standards and disciplines for PSI (principle xv). If relevant, this may also involve the ECG and its Secretariat.

59. The first biennial report is expected to be produced in 2026, i.e. the year after the transition period for implementing instrument-specific methods [see DCD/DAC(2023)22, DCD/DAC/STAT(2023)3/REV3, DCD/DAC/STAT(2023)4/REV3 and DCD/DAC/STAT(2023)13/REV2].

4.3. Review mechanism

60. HLM Principle viii introduced the need for reviewing the PSI framework. In this vein, outcomes of the biennial analysis carried out by the Secretariat may invite the WP-

[12] See DCD/DAC(2023)22. The contribution of the ECG Secretariat is subject to the finalisation of a working arrangement between DAC and ECG Secretariats on future monitoring of PSI.

[13] See DCD/DAC(2023)22, DCD/DAC/STAT(2023)3/REV3, DCD/DAC/STAT(2023)4/REV3 and DCD/DAC/STAT(2023)13/REV2.

STAT to review and, if agreed, revise relevant aspects of the updated methods for PSI. Comparability of the reporting approaches and grant equivalent methods will be of particular importance in the context of the review.

61. In addition, the Secretariat will regularly assess the need for reviewing and, if agreed, revising, the main parameters used for calculating grant equivalents of individual PSI, in particular the surcharge component of instrument-specific discount rates. Other parts of the methodological framework on PSI will be reviewed too, if needed, including (but not limited to) reporting requirements and rules for data disclosure, safeguards, monitoring, additionality types, mechanism for switching the reporting approaches and other provisions. As regards surcharge components of discount rates for equities, this assessment will be carried out once every four to six years.[14] Outcomes of these assessments will be integrated in the biennial report (see section 4.1).

62. Moreover, members will duly review the methods for the treatment of equities in 2030.[15]

63. Potential adjustments to any part of the PSI framework resulting from the reviews outlined in paragraphs 60-62 will be subject to an approval by the WP-STAT and the DAC.

5. Other considerations

5.1. Reporting on supplementary CRS items

64. As for any activity reported as ODA, members are expected to report on all relevant qualitative fields of the CRS template. This includes, among other things, expected starting and completion dates, policy objective markers and keywords as well as type of blended finance. The CRS description field is used to communicate various characteristics of individual PSI, such as channel residence or instrument details not captured through the used classifications and codes. See paragraphs 371 and 397-414 of DCD/DAC/STAT(2023)9 and Annex B of this document.

5.2. Untying of PSI

65. Over the last few years, DAC members and CSOs have stressed the need for a thorough discussion on PSI in the context of untying. Since untying is not an ODA-eligibility criterion for PSI, it is proposed to address this topic as part of members' review on modernising the reporting and implementation framework of the DAC Untying Recommendation [see DCD/DAC(2022)59] to ensure maximum synergies and cross-fertilisation of ideas. The review is expected to address the risks of possible increasing levels of tied aid in the context of PSI.[16]

[14] See section 7.4 of the treatment of equities in DCD/DAC/STAT(2023)3/REV3.

[15] Idem.

[16] Enhancement vii of the provisional reporting methods for PSI [see DCD/DAC/STAT(2023)9/ADD3] states that "Members will continue consultations in Phase 2 with ECG/Participants on competition and trade-related issues (subject to agreement by ECG/Participants)".

5.3. Development Co-operation Report provider profiles

66. Resources permitting, the provider profiles of the Development Co-operation Report (DCR) will include a section dedicated to PSI. It will offer a brief overview of the main trends on PSI, including

a. Total ODA donor effort scored by PSI;

b. Volumes of capital increases and other intra-governmental transfers over time;

c. Sums of grant equivalents and net disbursements of individual PSI activities;

d. Average grant elements of individual instruments (loans to the private sector, guarantees, equities mezzanine finance etc.) possibly broken down by DAC income group;

e. DAC income group distribution of PSI gross disbursements;

f. Gross disbursements and reflows per financial instrument, noting that loan principal/equity sales would be presented separately from interest/dividends received.

5.4. Treatment of PSI beyond ODA

67. Some providers choose not to report their PSI in ODA. It can also happen that some PSI vehicles will be assessed as not ODA-eligible as part of the ODA-eligibility assessment of PSI vehicles. In this context,

a. Members are expected to report outflows from such PSI vehicles. Reporting on additionality, financial terms and conditions, channels and other descriptive pieces of information are strongly encouraged but optional.

b. Donor effort in relation to such vehicles is not reportable in ODA. Data on intra-governmental transfers and grant equivalents of individual activities are not required for PSI beyond ODA.

c. Rules for data disclosure pertaining to PSI activities beyond ODA are identical to those reportable in ODA.

d. See paragraph 81 of Annex C for CRS reporting guidance on PSI beyond ODA.

Annex A. Classification of additionality types for CRS reporting

Additio-nality type	Additio-nality code	Additionality sub-type	Description	Requirement
Financial additionality	11	Targeting underserved geographies	Including LICs, LDCs and SIDS and other high-risk or capital-constrained markets.	Required
	12	Targeting underserved sectors or segments	Including high-risk or capital-constrained sectors of economic activity (or segments thereof).	
	13	Providing investment terms unavailable on the market	Including both volume and qualitative considerations (e.g. currency, maturity, interest and/or fees, amortisation schedule, flexible collateral, return expectations etc.) to promote a project bankability. It can also include various innovative mechanisms otherwise not available on the market at a reasonable cost.	
	14	Highly concessional finance in response of market failure	Has intentionally clearly sub-commercial terms, including concessional finance in response to market failure.	
	15	Aims to mobilise private finance	Aims to mobilise private finance which would not have been invested without the official intervention.	
	19	Other, please specify		
Value additionality	21	Mitigation of non-financial risks	Including various country, regulatory, project, macroeconomic, political and other risks. The official sector may use its reputation, convening power or good relationship with local authorities and the private sector to mitigate such risks.	[Option A: Voluntary] [Option B: Required]
	22	Promotion of environmental, social or governance (ESG) standards	Including through activities that aim to improve the management of private sector partners by adopting ESG standards and promoting responsible business conduct, e.g. in the areas of gender equality, climate action, quality jobs and decent income, resource and energy efficiency, business integrity etc.	
	23	Promotion of knowledge transfer and generation	Including through various capacity-building activities, support to in-house research and development (R&D), access to networks and associations, growth opportunities etc.	
	29	Other, please specify		

Annex B. Illustration of CRS reporting on PSI

	CRS item number	CRS item name	Capital increase	Individual PSI activities (loan commitment and disbursement)	Individual PSI activities (equity sale and dividends, ex-ante method)	Decapitalisation	Dividends paid back to the government
A. Identification data	1	Reporting year	2023	2023	2023	2023	2023
	1b	Commitment date	31-12-2023	12-01-2023	15-03-2018	31-12-2023	31-12-2023
	2	Reporting country / organisation	999	999	999	999	999
	3	Extending agency	1	22	22	22	22
	4	CRS Identification N°	2023000001	2023000002	2018000001	2023000003	2023000004
	5	Donor project N°	ABC1	ABC2	XYZ1	ABC3	ABC4
	6	Nature of submission	1	1	3	1	1
B. Basic data	7	Recipient code	998	645	1030	998	998
	8	Channel of delivery name	PSI vehicle 1	Bank XYZ	Fund ABC	PSI vehicle 2	PSI vehicle 3
	9	Channel code	11000	62001	63003	11000	11000
	10	Bi/Multi	1	1	1	1	1
	11	Type of flow (…)	60	60	60	60	60
	12	Type of finance	110	421	520	110	110
	13	Co-operation modality	B05	C01	C01	B05	B05
	14	Short description / Project title	Capital increase (…)	Construction of solar (…)	Support to SMEs in (…)	Decapitalisation (…)	Dividends received (…)
	15	Sector/Purpose code (…)	99810	23230	24030	99810	99810
C. Supplementary data	16	Geographical target area		Northern states in (…)	Mali, Senegal, Togo (…)		
	16b	Regional aid to LDCs			2		
	17	Expected starting date		01-01-2023	01-03-2018		
	18	Expected completion date		10-01-2028	31-12-2023		
	19	Description	Capital increase (…)	To support (…)	To support (…)	Decapitalisation (…)	Dividends received (…)
	19b	SDG focus		7.1;13.0	5.1;8.10		
	19c	Keywords					
	20	Gender equality		0	2		
	21	Aid to environment		0	0		
	22	Democratic and inclusive governance		0	0		
	23	RMNCH		0	0		
	23b	Disaster risk reduction		0	0		
	23c	Nutrition		0	0		
	23d	Inclusion and empowerment of persons with disabilities		0	0		
	24	FTC					
	25	PBA					
	26	Investment		1	1		
	27	Type of blended finance		3	3		
	28	Biodiversity		0	0		
	29	Climate change - mitigation		2	0		
	30	Climate change - adaptation		0	0		
	31	Desertification		0	0		

	CRS item number	CRS item name	Capital increase	Individual PSI activities (loan commitment and disbursement)	Individual PSI activities (equity sale and dividends, ex-ante method)	Decapitalisation	Dividends paid back to the government
D. Volume data	32	Currency	999	999	999	999	999
	33	Commitments		20000			
	33b	Capital Expenditure %		100			
	34	Amounts extended		15000			
	34b	ODA grant equivalent	50000	1814.161		-7500	-5000
	35	Amounts received			15257.984		
	36	Amount untied		15000			
	37	Amount partially untied		0			
	38	Amount tied		5000			
	39	Amount of IRTC					
	40	If project type, amount of experts-commitments					
	41	If project type, amount of experts-extended					
	42	Amount of export credit					
	43a	Leveraging mechanism and role/position		9			
	43b	Amounts mobilised from the private sector		10000			
	43c	Origin of the funds mobilised		2			
E. For non-grants only		*Guarantee amount*					
	44	Type of repayment *Type of fee payment*		1			
	45	Number of repayments per annum *Number of fee payments per annum*		2			
	46	Interest rate *Expected return per annum* *Guarantee fee rate*		01500			
	47	Second interest rate					
	48	First Repayment date		01-12-2023			
	49	Final repayment date *Date of expected maturity*		10-01-2028			
	50	Interest received *Dividends received per annum*		18.74	2453.214		
	51	Principal disbursed and still outstanding *Equity disbursed and still held*		15000			
	52	Arrears of principal					
	53	Arears if interest					
Institutional approach							
For PSI only	54	PSI flag	**1**	**4**	**4.1**	**1**	**1**
	55	Additionality type		15	11; 15; 22; 24		
	56	Additionality description		This loan (…)	This invest (…)		
	57	Development additionality description		It is expected that (…)	Intended impact (…)		
Instrument approach							
For PSI only	54	PSI flag	**5**	**2**	**2.1**	**5**	**5**
	55	Additionality type		15	11; 15; 22; 24		
	56	Additionality description		This loan (…)	This invest (…)		
	57	Development additionality description		It is expected that (…)	Intended impact (…)		

Annex C. Updated CRS reporting requirements on PSI

68. This annex presents updated reporting requirements, implementing the HLM Principles i, ii and xiii. The effort of the official sector in providing PSI is measured at two distinct points. Members choose one of the points of measurement for their reporting on ODA and provide details on the other for memorandum to allow for monitoring comparability of the reporting approaches and to foster transparency. The financial flows themselves are tracked as other official flows (OOF).

Required types of PSI data

69. In line with the 2016 HLM Principles as well as paragraph 10 of the 2014 HLM Communiqué, all members, irrespective of the approach chosen, report data on

a. **Donor effort**, including

i. Intra-governmental transfers (capital increases and decapitalisations of PSI vehicles, and dividends paid to the government);

ii. Grant equivalents of individual PSI activities;

b. **Cash flows** of individual PSI activities.

70. Donor effort, regardless of the point of measurement (i.e. intra-governmental transfers or individual PSI activities) is reported through the CRS field "grant equivalent".

CRS reporting guidance

71. The following lines provide detailed guidance for members' reporting on PSI in CRS per type of PSI data (intra-governmental transfers and cash flows) and more globally, using the CRS field "PSI flag". See Annex B for illustrative examples of CRS reporting per type of PSI data under the institutional and instrument approaches.

Guidance per type of PSI data

1. Intra-governmental transfers

72. Intra-governmental transfers are reported as aggregates by year, extending agency, capitalised PSI vehicle and financial instrument in combination with

a. A co-operation modality code "B05=intra-governmental transfers" (new);

b. No entries in the CRS volume fields, i.e. "commitment", "amounts extended" and "amounts received";

c. Unspecified entries in CRS fields on "recipient code" (998) and "purpose code" (99810).

73. Moreover, capital increases are reported as positive grant equivalents while decapitalisations and dividends paid to the government are reported as negative grant equivalents.[17]

[17] Since cash flows are not reported on intra-governmental transfers, it is no longer needed to offset ODA capital increases in OOF, contrary the provisional reporting methods.

2. Cash flows

74. Data on cash flows related to individual PSI activities are required. Members' reporting on cash flows consists of details on commitments, disbursements and reflows (received loan principal and interest, proceeds from equity sales and dividends, received guarantee fees and equivalent reflows on other instruments).

75. Comprehensive reporting on reflows is necessary for monitoring PSI flows and donor effort ex post. It is also needed for calculating ex-post adjustments to the ex-ante measurement of donor effort in equities, preferred equities and reflow-based reimbursable grants.

CRS reporting on additionality

76. Data on the additionality of individual PSI activities are provided through the following CRS fields:

a. "Additionality type", using a standardised classification available in Annex A,

b. "Additionality description", providing further details or complementary explanations on the additionality type,

c. "Development objective description", demonstrating the development additionality, including intended development impact.

77. Data on the additionality type and development objective are required for all individual PSI activities of PSI vehicles reported in the context of ODA. Multiple additionality types can be reported for each one activity. Reporting on additionality description is voluntary except in cases where the unspecified additionality sub-type has been used.

Type of flow for PSI and PSI flag

78. All types of PSI data (see paragraph 69) are reported under the category of flow "60=Private sector instruments" (new).[18] This is needed to allow for members' reporting on all types of PSI data in a compact and comparable way.

79. Members use the CRS field "PSI flag" to indicate which point of measurement of donor effort enters in ODA and which is reported for memorandum (i.e. which reporting approach is used). Moreover, it is used to indicate which accounting method is used for measuring donor effort in individual equity investments. The PSI flag is reported with the following values per reporting approach (see also Table 1).

Institutional approach

- 1=Capital increases or decapitalisations and dividends paid to the government that enter in ODA donor effort as grant equivalents. No cash flows are reported here.
- 4=Individual PSI activities with grant equivalents reported for memorandum and related cash flows.

[18] In the context of CRS reporting, categories "10=Official Development Assistance" and "21=Other Official Flows" are no longer used for reporting on PSI.

Instrument approach

- 2=Individual PSI activities with grant equivalents that enter in ODA donor effort and related cash flows, using the instrument approach.[19]
- 1=Decapitalisations and dividends paid to the government that enter in ODA donor effort as grant equivalents. Under the instrument approach, this flag is used only in cases where the concerned PSI vehicle benefitted from one or more capital increases reported previously in ODA.
- 5=Capital increases or decapitalisations and dividends paid to the government reported for memorandum. This flag is used in the context of PSI vehicles, the capital increase(s) of which have not been reported in ODA.

80. Under either approach, ex-ante measurement of donor effort in extending equities, preferred equities and reflow-based reimbursable grants is communicated using the PSI flag, adding a decimal x.1. Ex-post measurement is indicated with a decimal x.2.

Table 1. Revised CRS reporting instructions on PSI in ODA

	Commitment	Amount extended	Amount received*	Financial details	Grant equivalent	PSI flag, institutional approach	PSI flag, instrument approach	
A. Capital increases					YES	1	5	
B. Individual PSI activities	YES	YES	YES	YES	YES	4.1	2.2	
C. Decapitalisations					YES	1	1	5
D. Dividends					YES	1	1	5

Note: In the context of PSI, amount received includes received loan principal and proceeds from equity sales and equivalent capital reflows other instruments. Financial details include received loan principal, dividends, guarantee fees and equivalent capital reflows other instruments. ODA donor effort items are in **blue font**. Memorandum items are in **orange font**.

Beyond ODA

81. Individual PSI activities reported beyond ODA are reported in combination with a PSI flag "3=Individual PSI activities beyond ODA", type of flow "60= Private sector instruments". See also section 5.4.

[19] Activities of PSI vehicles reported under the instrument approach with donor effort at 0 are reported with PSI flag 2 too.

Annex D. Stocktake of the implementation of the 2016 HLM Principles for PSI

2016 HLM Principle	Batch 1	Batch 2	Batch 3
i. The effort of the official sector in providing PSI will be counted as ODA, while the financial flows themselves will be tracked in the broader measures on flows for sustainable development (TOSSD). Pending the exact definition of these broader measures – a key element of the modernised DAC statistical framework – PSI will be reported in the existing statistical category of other official flows (OOF) or, in the case of guarantees, the recently created category of amounts mobilised through official sector interventions.			✕
ii. The effort may be measured either at the point of transfer of funds to a vehicle providing PSI to developing countries or for each PSI transaction between the vehicle and the private enterprise or institution in the partner country. The two methods of calculation are referred to as institutional and instrument-specific approaches respectively. Members may choose to apply in their ODA reporting one approach or the other but need to explicitly indicate for each vehicle the approach chosen. Members may change the approach chosen, but this is subject to a prior notification and verification by the Secretariat that ODA will not be double-counted. In addition, a lock-in period during which the approach may not be changed will be defined. The purpose of the lock-in period is to preserve the credibility of ODA and comparability of members' reporting over time (see principle xiii). The two approaches are implemented with the joint understanding that they should generate, over time, comparable ODA figures for comparable donor efforts and not inflate ODA. HLM follow-up: elaborate a proposal for the lock-in period.	✕		✕
iii. Reporting on PSI as ODA will be subject to a specific procedure consisting of i) an assessment of the mandate and objectives of the vehicle providing PSI, in particular the extent to which it has the economic development and welfare of developing countries as the main and primary objective of its operations (developmental criterion of ODA) and provides finance which is additional (characteristic of operations for PSI to be in line with the concessional in character criterion of ODA); ii) provision of flow data in the CRS at the activity level; and iii) publication of data on PSI under agreed transparency provisions and rules on data disclosure. All members' reporting will be subject to the procedure detailed in principles ix and xiv.	✕	✕	✕
iv. The measurement of donor effort will be based, whenever possible, on the grant equivalent method. However, equity investment in a DFI or other vehicle is treated as a sunk cost, initially counted in ODA at face value (applying an ODA coefficient if need be – see principle x), with reflows, if any, counted as negative ODA.	✕	✕	✕
v. Under the instrument-specific approach, the measurement of donor effort will be based on the system of risk-adjusted grant equivalents. However, the system will be adjusted for the fact that i) PSI are non-concessional in nature and that application of the concessionality thresholds agreed in the sovereign loan context in December 2014 could incentivise unnecessary subsidisation of finance; and ii) financing the private sector is generally riskier than the official sector, in principle necessitating a risk premium in the discount rate additional to the already agreed sovereign risk premia, based on evidence and with due consideration to not inflate ODA. Moreover, in the case of PSI, the ODA characteristic is conveyed by – besides the primary development objective – the "additionality" of the finance provided. This suggests there should either be no threshold or a purely technical threshold (to filter out PSI with very small ODA shares). At the same time, there is a need to avoid blurring the lines between developmental and commercially-motivated operations (trade and investment) with the private sector, hence a need for safeguards (see principle xv). HLM follow-up: elaborate recommendations on what would be the appropriate technical threshold and the differentiated risk premia (which could vary by country income group) for the private sector.	✕	✕	✕
vi. Under the institutional approach, donor effort involved in extending PSI to developing countries is measured at the point of placement of funds in the DFI or other vehicle in the donor country. The ODA eligibility assessment of the vehicle (see principle x) determines the share of the funds that can be counted as ODA.	✕		
vii. Under both approaches, any dividends or profits on PSI paid back to the government will count as negative ODA. Profits reinvested by the vehicle are not counted as negative ODA, but are reportable in the CRS at aggregate level for transparency purposes (see principle xiv). This principle only applies in cases where the capitalisation of the vehicle has been originally reported as ODA.			✕
viii. The two approaches are implemented with the joint understanding that they should generate, over time, comparable ODA figures for comparable donor efforts and not inflate ODA. The DAC will fully review the system on the basis of first two years of implementation and consider whether any adjustments to this agreement are required.			✕
ix. The ODA-eligibility assessment will be carried out for all bilateral DFIs and, upon request, for other vehicles, using a common template. The Secretariat will undertake the necessary analysis and present a recommendation on ODA eligibility for consideration by the DAC or a body designated by the DAC. HLM follow-up: elaborate a proposal for the template.	✕		

2016 HLM Principle	Batch 1	Batch 2	Batch 3
x. The assessment will be based on an examination of the DFI's mandate, project portfolio, investment strategy and due diligence mechanisms. It will consider the extent to which the institution allocates its finance to ODA-eligible countries, promoting the economic development and welfare of developing countries as its main objective. If necessary, i.e. if the institution is active also in non ODA-eligible countries and/or activity areas, the share of ODA-eligible activities in the institution's total portfolio will be estimated, to establish a coefficient for ODA reporting. Information on the institution's investment strategy and due diligence mechanisms will serve to assess additionality of the finance. HLM follow-up: develop a proposal for the assessment criteria.	✕		
xi. In their ODA reporting on PSI all members will provide, in addition to the standard CRS data items, information on the developmental objectives and additionality at the activity level in the CRS. The compliance of data reported with the principles hereby agreed, regardless of whether a member reports under the institutional or instrument-specific approach, will be assessed by the DAC through peer reviews and the regular (biennial) report on PSI. This will secure transparency and allow for peer learning among members (see principles xiv and xv). HLM follow-up: work on a definition of additionality; elaborate a drop-down menu to report on additionality in the CRS.	✕	✕	✕
xii. The ODA calculation varies depending on the financial instrument used as follows:			
▪ Grant contributions are counted at their face value.			
▪ Reimbursable grants are hybrid debt instruments with different types of agreement and initial investment profiles. In cases where enough information is available to estimate the reflows and risk undertaken, measurement will be on a grant equivalent basis; in other cases an ex-post calculation will be applied. HLM follow-up: elaborate a method for reporting on reimbursable grants, taking into account their hybrid nature.		✕	
▪ Loans are counted on a grant equivalent basis. The discount rate for the grant element calculation will be differentiated by income group as in the 2014 DAC HLM agreement, in principle with an additional risk premium (see principle v) reflecting the fact that lending to private sector entities is generally more risky than lending to the official sector. HLM follow-up: elaborate i) a proposal for the risk premium (the additional risk premium could vary by income group) and ii) a recommendation on whether loans to the private sector should be exempted from a threshold or whether a technical threshold should be set (see principle v).	✕		
▪ Equity investment in a DFI or other vehicle is treated as a sunk cost, initially counted in ODA at face value (applying an ODA coefficient if need be – see principle x), with reflows, if any, counted as negative ODA.	✕		
▪ Equity investments by DFIs or other vehicles in private sector entities in developing countries are counted on a grant equivalent basis ex post, i.e. they are initially counted at face value and their reflows discounted ex post, upon exit. The reflows will be discounted using differentiated discount rates by income group, applying a cap on reflows corresponding to the original investment. In specific cases and where enough information is available to estimate the reflows and risk undertaken, measurement will be on a grant equivalent basis calculated ex ante, adjusted ex post. HLM follow-up: work with DFIs to determine the appropriate discount rates for this calculation.		✕	
▪ Guarantees are counted on a grant equivalent basis, applying differentiated discount rates and, when appropriate, an additional risk premium for the private sector (see principle v). As guarantees are non-funded instruments, the discount rates will only take into account operating costs and risk adjustment factors (not the funding cost). HLM follow-up: work with DFIs to establish the relevant discount rates and the risk premia for the private sector. Also formalise the grant equivalent methodology to be applied on public guarantees, and on guarantees other than credit guarantees.	✕		
xiii. To maintain the possibility of comparing ODA figures across members – key feature of DAC statistics – the donor effort involved in each individual PSI will also be reportable, for memorandum, by members applying the institutional approach. This will allow the estimation of the time span over which the two approaches result in equal ODA amounts, and thereby defining the length of the lock-in period to ensure the credibility of the system. In this context, the background of each vehicle (e.g. maturity, capitalisation) should be taken into account.			✕
xiv. ODA reporting on PSI is subject to specific transparency provisions and rules on data disclosure. It follows the key principles listed in the table below:			
Reporting requirements Data should be reported as much as possible on the same basis by all donor countries. This means that regardless of the approach followed to measure the donor effort (i.e. institutional vs. instrument-specific approach), all members report on their PSI in the same format. ▪ Reporting on PSI flows is requested in the CRS at the activity level including on financial terms regardless of the approach and whether the activity is ODA-eligible or not. ▪ Data on inflows to DFIs are collected from all members. These elements will only be for the Secretariat's analysis for countries choosing the instrument approach. ▪ Reporting on capital returns and dividends is requested at aggregate level.	✕	✕	✕

2016 HLM Principle	Batch 1	Batch 2	Batch 3
Data disclosure Apply the same data rules on the information disclosed at activity level regardless of the approach followed to measure the donor effort (i.e. institutional vs. instrument-specific approach). ▪ Present PSI flows at the activity level, but in compliance with confidentiality obligations with respect to clients (e.g. name of client, financial terms). ▪ When the instrument-based approach is chosen, data on capital flows to and from DFIs are not shown in regular DAC statistical presentations, but will be collected by the Secretariat for analytical purposes and will be part of the biennial Secretariat report on PSI, for all members. HLM follow-up: specify rules on reporting requirement and data disclosure jointly with DFIs.	✕	✕	✕
xv. To ensure the credibility of ODA reporting on PSI, it will be subject to safeguards and regular monitoring by the DAC. The Secretariat will undertake and present for consideration by the DAC or a body designated by the DAC a regular (biennial) report on PSI covering both quantitative and qualitative aspects. The report will analyse the additionality of DFI financing and seek evidence that PSI have not led to crowding out private investors. Questions such as DFIs' evaluation and reporting structures and corporate governance standards will also be addressed. Based on the first report, the DAC will consider whether minimum standards and disciplines for PSI will be developed. HLM follow-up: develop a proposal on safeguards and disciplines required for the purpose of monitoring PSI.			✕