

Unclassified

English - Or. English

13 October 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

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 note is presented for APPROVAL under the written procedure on a non-objection basis. If no objection is received by close of business Friday 20 October 2023, the proposal will be considered approved.

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JT03529018

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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 Communiqué¹, however, opened the door for a profound reconsideration of the measurement of donor effort in DAC statistics, with the 2016 HLM Communiqué² 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 2022⁴ and members' subsequent deliberations to date, especially in June-October 2023. The proposals are also informed by lessons learned from the implementation of provisional reporting methods and members' discussions in the past.⁵

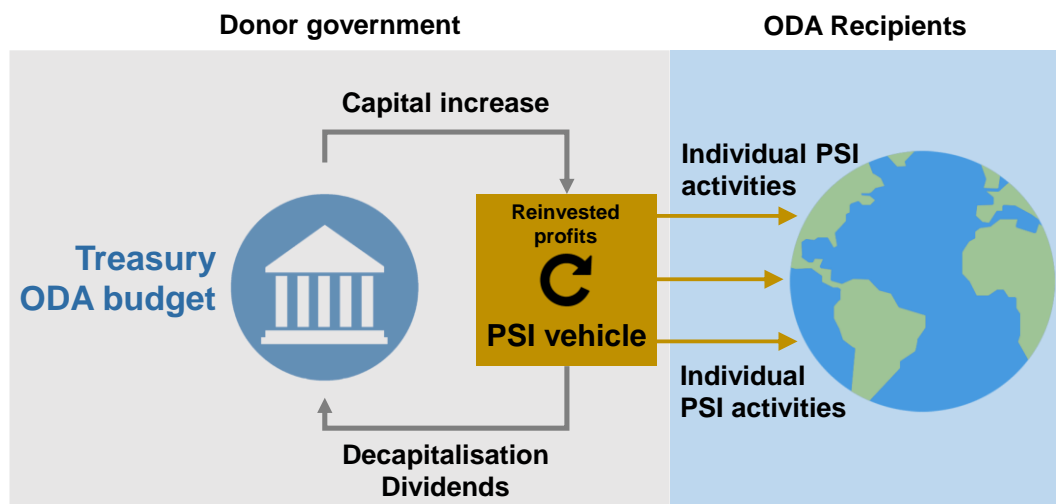
6. **This proposal is presented for approval under the written approval procedure on a non-objection basis. If no objection is received by close of business 20 October 2023, the proposal will be considered approved.**

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/REV4, 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 (negative) donor effort and enter in ODA grant equivalent calculation, provided the concerned PSI vehicles benefitted from at least one capital increase counted in ODA (see principles ii, vii).

14. For individual PSI vehicles, members may use only one reporting approach at time (principle ii). Members may switch from one reporting approach to the other (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)⁷;
 - 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.

16. An overview of CRS reporting requirements is included in Annex D. Example of reporting on intra-governmental transfers can be found in Annex B, and on individual PSI activities 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 reportable as annual aggregates (see Annex D).
- 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/REV4, 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 online data table with all types of PSI data in a downloadable format will be developed.

1.5. Implementation

19. The reporting arrangement based on two points of measurement, using two reporting approaches and 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/REV4 and DCD/DAC/STAT(2023)13/REV2.

⁷ As stated in paragraph 13, decapitalisations and dividends paid to the government are counted as negative ODA grant equivalents for PSI vehicles which benefitted from at least one capital increase counted in ODA.

20. During the transition period, the provisional reporting methods, including the related data disclosure rules, will continue to govern members' reporting on PSI [see DCD/DAC/STAT(2023)9/ADD3]. The revised reporting arrangement has no retroactive effect.

2. Switching reporting approaches and the lock-in mechanism

21. 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 and especially paragraph 56).

2.1. From the instrument to the institutional approach

22. 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.

23. Concerning PSI vehicles that extend equity, preferred equity and reflow-based reimbursable grants, the switch from the instrument to the institutional approach will be implemented with the transparency provisions described under the mechanism for changing the reporting method for equities [see section 5.4 of DCD/DAC/STAT(2023)3/REV3].⁸ This is necessary to avoid potential repetitive cancellations of outstanding equity portfolios from ODA accounting. For the same reason, should members wish to switch *back* to the instrument approach afterwards (see the lock-in period mechanism below), their donor effort in the abovementioned instruments will be measured using the ex-ante method.

2.2. From the institutional to the instrument approach

2.2.1. Lock-in period mechanism

24. 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.⁹

⁸ These transparency provisions, copied for ease of reference here, include:

- a. Members first notify the Secretariat prior to the submission of their annual Advance Questionnaire for the year of the switch.
- b. From the year of the switch onwards, reflows on equities committed prior to that year will no longer be counted as negative ODA, given the profound change in the accounting method, including point of measurement of donor effort. In this context, members will communicate to the Secretariat, as part of their Advance Questionnaire, an aggregate figure concerning equities that will no longer be counted in ODA due to the methodological change. In the interest of transparency, this information will be included in the ODA press release on the year of the switch.

⁹ See DCD/DAC/STAT(2016)15/REV1 for more details and past considerations on the lock-in mechanism.

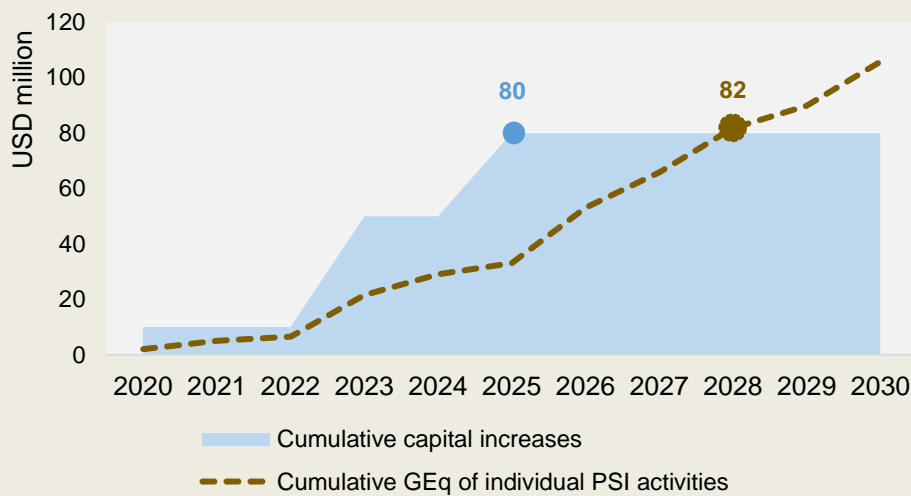
25. The lock-in period is defined as the time span over which the two approaches have resulted in comparable donor effort. The lock-in period ends when the cumulative donor effort in (grant equivalents of) individual PSI activities since the first ODA capital increase has exceeded the cumulative donor effort in capital increases. This comparison of donor effort is made in constant prices.¹⁰

26. 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).

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.¹¹

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.

¹⁰ Concerning equity, preferred equity and reflow-based reimbursable grants, the lock-in period calculation can only be made using the ex-ante method.

¹¹ This example is in current prices for the reason of a simple presentation.

2.2.2. Activation of the lock-in mechanism

27. 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.

28. 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.¹² See section 2.2.3 below for treatment of PSI before the implementation of the revised methods.

29. The switch may only be effectuated upon Secretariat's verification and validation of members' calculation of the lock-in period outlined in section 2.2.1 above.

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

30. 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.

31. 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/REV4 and DCD/DAC/STAT(2023)13/REV2]. Should such activity-level financial details be unavailable, the Secretariat will suggest possible ways for overcoming the data gaps.

3. Additionality

32. 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, value or both) in combination with additionality description and a description of the development objective.

33. 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 recommendations¹³]. Reporting on additionality

¹² 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 DCD/DAC(2023)22, DCD/DAC/STAT(2023)3/REV3, DCD/DAC/STAT(2023)4/REV4 and DCD/DAC/STAT(2023)13/REV2].

¹³ See the "Consultation on the 3rd batch of Private Sector Instruments negotiations - additionality framework. Summary of CSOs contributions. 22nd September" shared on 29 September 2023, "Summary of CSO contributions during the consultation on the 3rd batch of Private Sector Instruments negotiations, 27th June" shared on 24 August 2023, "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

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.

34. 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.

35. While work on additionality in the context of the ODA-eligibility assessment has been completed 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 and Box 2) and a classification of additionality types for CRS reporting purposes (see section 3.2 and Annex A). It also formulates a specific safeguard on PSI activities that are reported as only conveying value and development additionality (but not financial additionality).

3.1. Streamlined DAC definition of additionality

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

37. For a PSI activity to be ODA-eligible, it must be additional financially or in value, together with its development additionality (see Box 2).

3.2. Strengthened reporting requirements on additionality in CRS and related safeguards

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

- 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.¹⁴
- b. "Additionality description", providing clarifications or complementary explanations on the additionality type.
- c. "Development objective", to clearly demonstrate the development additionality of individual PSI activities, particularly their intended development impact.

39. 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

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.

¹⁴ While the classification facilitates members' transparency and the Secretariat's subsequent scrutiny on additionality (see paragraph 40), it remains strictly descriptive. For example, there can be a PSI allocated to an LDC that is additional only for its financial terms unavailable on the market (but not necessarily because it is allocated to an LDC).

additionality types can be reported for each activity. Reporting on additionality description is required for PSI activities reported as conveying:

- a. Value and development additionality (but not financial additionality); or
- b. Additionality type “Other, please specify” (see Annex A).

40. Additionality, regardless of type, will be demonstrated either through the additionality description field (for cases with value additionality and development additionality, or additionality type “Other, please specify”) or activity description field (for cases with financial additionality), or separate supporting documents submitted to the Secretariat as part of members’ CRS reporting.

41. Moreover, to promote ODA integrity, information reported on additionality of all PSI activities will be subject to special scrutiny by the Secretariat. This includes, among other things, cross-validation with project titles, descriptions and other types of qualitative data of the CRS template, and an analysis of additionality descriptions (see paragraphs 38-40). In this context, members may be requested to strengthen the additionality description, activity description, and/or share additionality documents on specific PSI activities to clearly demonstrate their additionality (and thereby also their ODA-eligibility).¹⁵

42. If details on additionality of individual PSI activities as outlined in paragraphs 39 and 40 have not been provided, reporting on additionality will be deemed incomplete and their ODA-eligibility thus not demonstrated. See section 4.1 for an ODA-integrity safeguard related to additionality.

3.2.1. Implementation

43. 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/REV4 and DCD/DAC/STAT(2023)13/REV2.

44. For activities committed prior to the implementation year, members may use the definition of additionality and related reporting requirements agreed upon in the context of the provisional reporting methods.¹⁶

45. As further outlined in section 4.3, members will review the DAC definition of additionality and related reporting requirements in 2030. This also includes the classification of additionality types in Annex A.

¹⁵ In the context of members’ reporting on individual PSI activities, clear demonstration of additionality involves the provision of transparent and comprehensive details on the outcomes of members’ assessment of the additionality of individual PSI activities, using the streamlined definition of additionality in Box 2.

¹⁶ See enhancement v. of DCD/DAC/STAT(2023)9/ADD3.

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

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, alongside its investment, non-financial value to private sector partners that the capital markets would not offer and which will lead to better development outcomes. 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.

4. Monitoring, safeguards and disciplines

46. The 2016 HLM Communiqué foresaw ODA integrity safeguards and monitoring mechanisms (principle xv) as well as a review mechanism (principle viii). This section thus 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

47. 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).

4.1.1. Safeguard on additionality

48. 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, irrespective of the approach used (see also section 3.2).

49. 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

50. The statistical framework for measuring donor effort in PSI functions with the 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 [see DCD/DAC(2023)22, DCD/DAC/STAT(2023)3/REV3, DCD/DAC/STAT(2023)4/REV4 and DCD/DAC/STAT(2023)13/REV2].

51. 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

52. 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 a 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. The remedial adjustment is per definition a downward adjustment.

53. 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, or a comprehensive explanation of extenuating circumstances,¹⁷ 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). A remedial adjustment is also applied to PSI activities for which additionality has not been demonstrated as described in section 3.2.

54. 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.

55. If applicable, remedial adjustments will be considered and thoroughly explained in the biennial reports (see section 4.2).

¹⁷ In their explanation of extenuating circumstances, members will clearly explain the exceptional nature of the events that prevent them from providing the required information, accompanied with a timeline for filling the data gap. Should this timeline not be met, the remedial adjustment will be applied. In the interest of transparency, the explanation of extenuating circumstances will be included in the biennial report (see section 4.2).

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

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

- a. The remedial adjustment may only be applicable to vehicles that:
 - i. Have received, after the implementation of the revised methods for PSI, at least one capital increase included in ODA donor effort.
 - 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, the value of the remedial adjustment is 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 30).

4.1.4. Implementation

57. The safeguards on additionality and grant equivalents will be implemented in 2026 reporting on activities in 2025, i.e. after members' implementation of the revised methods [see DCD/DAC(2023)22, DCD/DAC/STAT(2023)3/REV3, DCD/DAC/STAT(2023)4/REV2 and DCD/DAC/STAT(2023)13/REV2]. This extended timeline is aimed at facilitating members' learning.

4.2. Biennial report

58. 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.

59. 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.¹⁸
- b. An analysis by the DAC Secretariat of the geographic, recipient income group, sectoral, thematic characteristics and additionality of all PSI reported in ODA to address concerns expressed about ODA integrity and effectiveness.¹⁹

60. Moreover, the report will include:

- a. Overview and comparison of donor effort (grant equivalents) and net disbursements of PSI activities reported in ODA by member, PSI vehicle and financial instrument. Special attention will be paid to the share of PSI donor effort in individual members' total ODA.
- b. Assessment of the quality and comprehensiveness of PSI data reported in ODA by individual members using either reporting approach, including both the intra-governmental transfers and individual PSI activities. For individual PSI activities, this also includes detailed data on reflows and information on additionality.
- c. Assessment of the comparability of members' reporting of PSI in ODA under the instrument and institutional approaches over time.
- d. For equities, the Secretariat's assessment of the comparability of the ex-ante and ex-post methods. The first assessment will feed into the 2030 review (see paragraphs 70-71). Subsequent assessments will be carried out once every four to six years with outcomes presented in biennial reports.
- e. An estimation of reinvested profits of individual PSI vehicles, taking into account capital increases, gross disbursements, capital reflows and other service payments.
- f. If applicable, a comprehensive explanation of remedial adjustments to ODA donor effort or explanations of extenuating circumstances in the context of the ODA-integrity safeguards on additionality and grant equivalents (see section 4.1).
- g. For vehicles reported under the instrument approach, the relation between capital increases, donor effort, and reinvestments will be assessed in constant prices, using the revised reporting methods for PSI [see DCD/DAC(2023)22, DCD/DAC/STAT(2023)3/REV3, DCD/DAC/STAT(2023)4/REV4 and DCD/DAC/STAT(2023)13/REV2 and section 1 of this document].

¹⁸ See DCD/DAC(2023)22. The contribution of the ECG Secretariat is subject to the finalisation of a working arrangement, including financing, between DAC and ECG Secretariats on future monitoring of PSI.

¹⁹ See DCD/DAC(2023)22, DCD/DAC/STAT(2023)3/REV3, DCD/DAC/STAT(2023)4/REV4 and DCD/DAC/STAT(2023)13/REV2.

61. The report will be issued as unclassified, discussed by the WP-STAT and presented to the DAC, and the ECG 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. In case the report unveils competition issues, the ECG Secretariat will be invited to take part in the deliberations too.

62. The WP-STAT will use the findings presented in the biennial report to review and, if agreed, revise relevant aspects of the directives on private sector instruments (see section 4.3).

63. The biennial reports may also suggest members' discussion on the need for minimum standards and disciplines for PSI (principle xv). If members so decide, this may also involve the ECG and its Secretariat.

64. 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/REV4 and DCD/DAC/STAT(2023)13/REV2].

4.3. Review mechanism

65. HLM Principle viii introduced the need for reviewing the PSI framework. In this vein, the WP-STAT will review the outcomes of the biennial reports and, if agreed, revise relevant aspects of the updated reporting methods for PSI. Comparability of the reporting approaches and grant equivalent methods will be of particular importance in the context of the review to preserve ODA integrity.

66. Moreover, members will duly review the methods for the treatment of equities in 2030 (see section 4.3.1.1 below). As regards surcharge components of the discount rates for equities, this assessment will be carried out once every four to six years [see DCD/DAC/STAT(2023)3/REV3]. This assessment will be informed, among other things, by an analysis of PSI cash flows.

67. In 2030, members will also review the DAC definition and reporting requirements on additionality (see section 4.3.1.2).

68. Potential adjustments to any part of the PSI framework resulting from the reviews outlined in paragraphs 65-67 will be subject to an approval by the WP-STAT and the DAC.

4.3.1. Review in 2030

69. Complementarily to provisions in paragraphs 65-68 above, in 2030, members will review the method for the treatment of equities [see section 7.4 of DCD/DAC/STAT(2023)3/REV3] as well as the DAC definition of additionality and related reporting requirements (see paragraph 45 of this document).

4.3.1.1. Review of the treatment of equities

70. Members will duly review the methods for the treatment of equities in 2030. Building upon the biennial reports (see section see section 4.2 and especially paragraph 60.d) and supported by the Secretariat's analysis of the collected data on equities, the review will consider in particular the accuracy and comparability of the ex-ante and ex-post methods. Outcomes of the review will be shared with members. Depending on the outcomes of the review, revisions to relevant parts of the methodology will be proposed for members' consideration. Should the review outcomes unveil limited comparability of

the ex-ante and ex-post methods and/or artificial inflation of ODA, revisions will be proposed to enhance consistency in the measurement of donor effort in equities.

71. The assessment of the comparability of the ex-ante and ex-post reporting methods will be based on robust evidence. This includes an assessment of the cap on discounted reflows under the ex-post method, where members reporting under this method would also be required to share to the Secretariat the reflows beyond the cap.

4.3.1.2. Review of the DAC definition of additionality and related reporting requirements

72. Members will duly review the DAC definition of additionality and related reporting requirements. This also includes the classification of additionality types in Annex A. Building upon the biennial reports (see section 4.2) and supported by the Secretariat's analysis of the collected data on PSI, the review will consider the capacity of the methods to demonstrate the ODA characteristics of PSI, particularly for activities reported as conveying value and development additionality (but not financial additionality). Depending on the outcomes of the review, revisions to relevant parts of the methodology will be proposed for members' consideration.

5. Other considerations

5.1. Reporting on supplementary CRS items

73. 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 C of this document.

5.2. Untying of PSI

74. 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.²⁰

²⁰ 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

75. 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.) 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

76. 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 [see DCD/DAC(2023)22]. In this context,

- a. In the interest of transparency, members strive to report outflows from such PSI vehicles. See paragraphs 8 and 9 of the DAC Reporting Directives [DCD/DAC/STAT(2023)9].
- b. Reporting on additionality, financial terms and conditions, channels and other descriptive pieces of information is strongly encouraged but optional. 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 reported in ODA.
- d. See paragraph 94 of Annex D for CRS reporting guidance on PSI beyond ODA.

Annex A. DAC classification of additionality of PSI

77. To facilitate members' CRS reporting on additionality in a way that is streamlined, comparable and easy to analyse, the classification in Table A A.1 is used. While the classification facilitates members' transparency and the Secretariat's subsequent scrutiny on additionality (see paragraph 41), it remains strictly descriptive. For example, there can be a PSI allocated to an LDC that is additional only for its financial terms unavailable on the market (but not necessarily because it is allocated to an LDC).

78. As specified in paragraph 39, reporting on the additionality type is required for all individual PSI activities of PSI vehicles reported in the context of ODA.

79. The classification of additionality types in Table A A.1 will be subject to members' review in 2030 (see section 4.3.1).

Table A A.1. Classification of additionality types

Additionality category	Additionality code	Additionality type	Description
<i>For any individual PSI activity reported in ODA, indicate whether it is considered additional as it:</i>			
Financial additionality	11	Targets underserved geographies	This includes LICs, LDCs, SIDS or other high-risk or capital-constrained markets.
	12	Targets underserved sectors or segments	This includes high-risk or capital-constrained sectors of economic activity (or parts thereof), or underserved population groups.
	13	Conveys investment terms unavailable on the market	This includes both volume and qualitative aspects (e.g. currency, maturity, interest and/or fees, amortisation schedule, flexible collateral, return expectations etc.) to promote a project bankability. Anchor investments or investments that enable financial close are included here too.
	14	Mobilise private finance	This includes interventions that aim to mobilise private finance which would not have otherwise been invested.
Value additionality	21	Mitigate non-financial risks	This includes various country, regulatory, project, macroeconomic, political and other risks. The official sector may use its reputation, convening power or good relationship with authorities and/or the private sector in developing countries to mitigate such risks.
	22	Promotes pro-development business models	This includes various capacity-building activities that specifically aim to improve the business models of private sector partners to improve their development impact <i>beyond</i> the adoption of environmental, social and governance (ESG) standards.
	23	Promotes knowledge transfer and generation	This includes various capacity-building activities in support of in-house research and development (R&D), access to networks and associations, growth etc.
	99	Other, please specify	

Annex B. Illustration of CRS reporting on intra-governmental transfers (required items)

	CRS item number	CRS item name	Capital increase	Decapitalisation	Dividends paid to the government	Data requirement	Level of data disclosure	
A. Identification data	1	Reporting year	2023	2023	2023	Required	Activity-level	
	1b	Commitment date	31-12-2023	31-12-2023	31-12-2023	Required	Activity-level	
	2	Reporting country / organisation	123	123	123	Required	Activity-level	
	3	Extending agency	1	1	1	Required	Activity-level	
	4	CRS Identification N°	2023000001	2023000003	2023000004	Required	Activity-level	
	5	Donor project N°	PSI1	PSI3	PSI4	Required	Activity-level	
B. Basic data	6	Nature of submission	1	1	1	Required	Activity-level	
	7	Recipient code	998	998	998	Required	Activity-level	
	8	Channel of delivery name	PSI vehicle 1	PSI vehicle 2	PSI vehicle 3	Required	Activity-level	
	9	Channel code	11004	11004	11004	Required	Activity-level	
	10	Bi/Multi	1	1	1	Required	Activity-level	
	11	Type of flow (...)	60	60	60	Required	Activity-level	
	12	Type of finance	110	110	110	Required	Activity-level	
	13	Co-operation modality	B05	B05	B05	Required	Activity-level	
	14	Short description / Project title	Capital increase (...)	Decapitalisation (...)	Dividends received (...)	Required	Activity-level	
	15	Sector/Purpose code (...)	99810	99810	99810	Required	Activity-level	
D. Volume data	19	Description	Capital increase (...)	Decapitalisation (...)	Dividends received (...)	Required	Activity-level	
	32	Currency	999	999	999	Required	Activity-level	
	33	Commitments	NULL	NULL	NULL	NULL	Activity-level	
	33b	Capital Expenditure %	NULL	NULL	NULL	NULL	Activity-level	
	34	Amounts extended	NULL	NULL	NULL	NULL	Activity-level	
	34b	ODA grant equivalent	50000	-7500	-5000	Required	Activity-level	
For PSI only	35	Amounts received	NULL	NULL	NULL	NULL	Activity-level	
	Under the institutional approach							
	54	PSI flag	1	1	1	Required	Activity-level	
Under the instrument approach								
54	PSI flag	5	5	5	Required	Activity-level		

Annex C. Illustration of CRS reporting on individual PSI activities

	CRS item	CRS item name	Loan disbursement	Loan repayment	Portfolio guarantee issuance	Equity investment, ex-ante method	Equity investment, ex-post method	Data requirement	Level of data disclosure
A. Identification data	1	Reporting year	2023	2023	2023	2023	2023	Required	Activity-level
	1b	Commitment date	15-06-2023	05-06-2013	15-06-2023	15-06-2023	15-06-2023	Required	Activity-level
	2	Reporting country / organisation	123	123	123	123	123	Required	Activity-level
	3	Extending agency	45	45	45	45	45	Required	Activity-level
	4	CRS Identification N°	2023000004	2013004567	2023000005	2023000006	2023000007	Required	Activity-level
	5	Donor project N°	LN123	LN456	GU789	EQ159	EQ357	Required	Activity-level
	6	Nature of submission	1	3	1	1	1	Required	Activity-level
B. Basic data	7	Recipient code	321	321	321	321	321	Required	Activity-level
	8	Channel of delivery name	Bank ABC	Bank ABC	Bank ABC	Fund XYZ	Fund XYZ	Required	Activity-level
	9	Channel code	62002	62002	62002	62003	62003	Required	Activity-level
	10	Bi/Multi	1	1	1	1	1	Required	Activity-level
	11	Type of flow (...)	60	60	60	60	60	Required	Activity-level
	12	Type of finance	421	421	1100	520	520	Required	Activity-level
	13	Co-operation modality	C01	C01	C01	C01	C01	Required	Activity-level
C. Supplementary data	14	Short description / Project title	SME credit line (...)	Agroecology microfinance (...)	SME guarantee (...)	Investment in fund XYZ to promote (...)	Investment in fund XYZ to promote (...)	Required	Activity-level
	15	Sector / Purpose code (...)	24030	31195	24030	24030	24030	Required	Activity-level
	16	Geographical target area	[text]	[text]	[text]	[text]	[text]	Voluntary	Activity-level
	16b	Regional aid to LDCs	NULL	NULL	NULL	NULL	NULL	Voluntary	Activity-level
	17	Expected starting date	01-07-2023	01-07-2013	01-07-2023	01-07-2023	01-07-2023	Required	Activity-level
	18	Expected completion date	31-12-2027	31-12-2023	31-12-2027	31-12-2027	31-12-2027	Required	Activity-level
	19	Description	Support to women-led SMEs (...)	Financial inclusion in rural (...)	Portfolio guarantee for (...)	This investment aims at (...)	This investment aims at (...)	Required	Activity-level
	19b	SDG focus	5.1;8.10	2.3;2.4;8.10	8.10	2.4;8.5;10.1	2.4;8.5;10.1	Voluntary	Activity-level
	19c	Keywords	NULL	NULL	NULL	NULL	NULL	Voluntary	Activity-level
	20	Gender equality	2	NULL	0	0	0	Required	Activity-level
	21	Aid to environment	0	NULL	0	0	0	Required	Activity-level
	22	Democratic and inclusive governance	0	NULL	0	0	0	Required	Activity-level
	23	RMNCH	0	NULL	0	0	0	Required	Activity-level
	23b	Disaster risk reduction	0	NULL	0	0	0	Required	Activity-level
23c	Nutrition	0	NULL	0	0	0	Voluntary	Activity-level	
23d	Inclusion and empowerment of persons with disabilities	0	NULL	0	0	0	Voluntary	Activity-level	
24	FTC	NULL	NULL	NULL	NULL	NULL	Required	Activity-level	
25	PBA	NULL	NULL	NULL	NULL	NULL	Required	Activity-level	
26	Investment	1	1	1	1	1	Required	Activity-level	
27	Type of blended finance	3	NULL	3	4	4	Required	Activity-level	
28	Biodiversity	0	NULL	0	0	0	Required	Activity-level	
29	Climate change - mitigation	0	NULL	0	1	1	Required	Activity-level	
30	Climate change - adaptation	0	NULL	1	0	0	Required	Activity-level	
31	Desertification	0	NULL	0	0	0	Required	Activity-level	

	CRS item	CRS item name	Loan disbursement	Loan repayment	Portfolio guarantee issuance	Equity investment, ex-ante method	Equity investment, ex-post method	Data requirement	Level of data disclosure
D. Volume data	32	Currency	999	999	999	999	999	Required	Activity-level
	33	Commitments	20000	NULL	NULL	20000	20000	Required	Activity-level
	33b	Capital Expenditure %	100	NULL	NULL	100	100	Voluntary	Activity-level
	34	Amounts extended	15000	NULL	NULL	15000	15000	Required	Activity-level
	34b	ODA grant equivalent	1451.04	NULL	816.5993	4411.275	15000	Required	Activity-level
	35	Amounts received	0	7896.42	0	0	0	Required	Aggregated by donor, agency, type of finance and recipient
	36	Amount untied	TBD	TBD	TBD	TBD	TBD	TBD	TBD
	37	Amount partially untied	TBD	TBD	TBD	TBD	TBD	TBD	TBD
	38	Amount tied	TBD	TBD	TBD	TBD	TBD	TBD	TBD
	39	Amount of IRTC	0	0	0	0	0	Required	Activity-level
	40	If project type, amount of experts-commitments	0	0	0	0	0	Required	Activity-level
	41	If project type, amount of experts-extended	0	0	0	0	0	Required	Activity-level
	42	Amount of export credit	0	0	0	0	0	Required	Activity-level
	43a	Leveraging mechanism (...)	9	NULL	6	4	4	Voluntary	See paragraph 228 of DCD/DAC/STAT(2023)9/FINAL
43b	Amounts mobilised (...)	10000	NULL	20000	5478.349	5478.349	Voluntary		
43c	Origin of the funds (...)	2	NULL	2	5	5	Voluntary		
E. For non-grants only		Guaranteed amount <i>[new]</i>	NULL	NULL	15000	NULL	NULL	Required	Activity-level
		Average use of portfolio guarantees % <i>[new]</i>	NULL	NULL	85	NULL	NULL	Required	Activity-level
	44	Type of repayment Type of fee payment	2	NULL	1	NULL	NULL	Required	Activity-level
	45	Number of repayments per annum Number of fee payments per annum	2	NULL	12	NULL	NULL	Required	Activity-level
	46	Interest rate Guarantee fee rate Expected return per annum	03000	NULL	01500	06000	06000	Required*	Not disclosed
	47	Second interest rate	NULL	NULL	NULL	NULL	NULL	Required	Not disclosed
	48	First repayment date Exposure reduction starting date	15-12-2023	NULL	31-12-2027	NULL	NULL	Required	Not disclosed
	49	Final repayment date Guarantee maturity date	31-01-2028	NULL	31-12-2027	18-06-2030	18-06-2030	Required	Activity-level
		Date of expected maturity						Required*	Not disclosed
	50	Interest received Guarantee fee received Dividends received per annum	225	455.1	122.5	247.14	247.14	Required	Aggregated by donor, agency, type of finance and recipient
	51	Principal disbursed and still outstanding Equity disbursed and still held	15000	2103.58	NULL	15000	15000	Required	Not disclosed
	52	Arrears of principal	NULL	NULL	NULL	NULL	NULL	Required	Not disclosed
	53	Arrears of interest Arrears of guarantee fee	NULL	NULL	NULL	NULL	NULL	Required	Not disclosed
F. For PSI	54	PSI flag	[2][3][4]	[2][3][4]	[2][3][4]	[2.1][3][4.1]	[2.2][3][4.2]	Required	Activity-level
	55	Additionality type	15;23	11;23	12	12;13;22	12;13;22	Required	Activity-level
	56	Additionality description	[text]	[text]	[text]	[text]	[text]	See note	Activity-level
	57	Development objective	[text]	[text]	[text]	[text]	[text]	Required	Activity-level

Note: Provision of data on expected return per annum and date of expected maturity are voluntary under the ex-post method for equities [see DCD/DAC/STAT(2023)3/REV3]. Reporting on additionality description is required for PSI reported as conveying value and development additionality (but not financial additionality), or additionality type "Other, please specify". As part of the Secretariat's scrutiny, members may be requested to strengthen the additionality description of specific PSI activities (see paragraphs 38-40) to demonstrate their additionality (and thereby also their ODA-eligibility).

Annex D. Updated CRS reporting requirements on PSI

80. 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 in a new, distinct category of flows for PSI.

Required types of PSI data

81. 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.

82. 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

83. 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 and Annex C 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

84. Intra-governmental transfers are reportable 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).

85. Moreover, capital increases are reported as positive grant equivalents while decapitalisations and dividends paid to the government are reported as negative grant equivalents (provided the concerned PSI vehicles benefitted from at least one capital increase counted in ODA.²¹

²¹ 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

86. 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).

87. 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

88. 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, particularly their intended development impact.

89. 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 required for PSI activities reported as conveying:

- a. Value and development additionality (but not financial additionality); or
- b. Additionality type "Other, please specify".

90. As part of the Secretariat's scrutiny, members may be requested to strengthen the additionality description, activity description, and/or share additionality documents on specific PSI activities (see paragraphs 38-40) to clearly demonstrate their additionality (and thereby also their ODA-eligibility).²²

Type of flow for PSI and PSI flag

91. All types of PSI data (see paragraph 81) are reported under the category of flows "60=Private sector instruments" (new).²³ This is needed to allow for members' reporting on all types of PSI data in a compact and comparable way, irrespective the reporting approach.

92. 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

²² In the context of members' reporting on individual PSI activities, the clear demonstration of additionality involves the provision of transparent and comprehensive details on the outcomes of members' assessment of the additionality of individual PSI activities, using the streamlined definition of additionality in Box 2.

²³ In the context of CRS reporting, categories "10=Official Development Assistance" and "21=Other Official Flows" are no longer used for reporting on PSI.

measuring donor effort in individual equity investments. The PSI flag is reported with the following values per reporting approach (see also Table A D.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 (commitment, extended, received) are reported here.
- 4=Individual PSI activities with grant equivalents reported for memorandum and related cash flows.

Instrument approach

- 2=Individual PSI activities with grant equivalents that enter in ODA donor effort and related cash flows, using the instrument approach.²⁴
- 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.

93. Furthermore, 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 A D.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

94. 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.

²⁴ Activities of PSI vehicles reported under the instrument approach with donor effort (grant equivalent) at 0 are reported with PSI flag 2 too.

Annex E. 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.	✘		

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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:			
<ul style="list-style-type: none"> ▪ Grant contributions are counted at their face value. 			
<ul style="list-style-type: none"> ▪ 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. 		✘	
<ul style="list-style-type: none"> ▪ 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). 	✘		
<ul style="list-style-type: none"> ▪ 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. 	✘		
<ul style="list-style-type: none"> ▪ 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. 		✘	
<ul style="list-style-type: none"> ▪ 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.			
<ul style="list-style-type: none"> ▪ 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. 	✘	✘	✘

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<p>Data disclosure</p> <p>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).</p> <ul style="list-style-type: none"> ▪ 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. 	×	×	×
<p>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.</p>			×