



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

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**REPORTING DIRECTIVES FOR THE CREDITOR REPORTING SYSTEM – ADDENDUM 5
EQUITY INVESTMENT AND ODA LOANS WITH VARIABLE INTEREST RATES**

This addendum to the CRS Directives contains reporting instructions for equity investments and ODA loans with variable interest rates. These were approved at the WP-STAT meeting on 14-15 June 2005.

The text on equity investments should be added between paragraphs 129 and 130, and the text on ODA loans with variable interest rate between paragraphs 52 and 53.

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REPORTING DIRECTIVES FOR THE CREDITOR REPORTING SYSTEM – ADDENDUM 5

EQUITY INVESTMENT AND ODA LOANS WITH VARIABLE INTEREST RATES

I. Reporting instructions for equity investments

Text to be added between paragraphs 129 and 130.

1. In case of acquisition of an equity investment, report the amount of the acquisition under item 9 *amount committed* in Form 1 and under items 9 *commitments* and 10 *disbursements* in Form 2.
2. The sale of an equity investment represents a repatriation of capital by the donor country, and the sale amount is a flow to the donor country. It must be recorded in aid statistics as a negative disbursement. The sale may yield a capital gain (sale price higher than the purchase price) or a capital loss. Actual receipts on equity sales are reportable as negative amounts. Therefore, the total sale amount should be reported, including gains or losses.
3. If the information on the profit realised on each equity investment is not confidential, report the total amount of the sale, including gains or losses, preceded by a minus sign under item 10 *disbursements* in Form 2. *See example, case 1.*
4. If the information on the profit realised on each equity investment is confidential, capital gains or losses may be reported at an aggregate level encompassing all equity investments. Firstly, for each sale of equity investment, report a fictitious sale price equal to the purchase price preceded by a minus sign under item 10 *disbursements* in Form 2. Secondly, under item 10 *disbursements* in Form 2 report an overall amount representing the sum of the capital losses realised on all sales of equity investments after deducting the sum of the capital gains. A positive amount means that the donor country has made capital losses; a negative amount means it has made capital gains. *See reporting example, case 2.*

Example: Purchase of an equity of 300 in 1997 (recipient x) sold for 305 in 2002; and purchase of an equity of 100 in 1998 (recipient y) sold for 80 in 2002.

Case 1: Reporting of sales at the level of each equity investment	1997	1998	2002
Commitments (item 9)	300	100	
Disbursements (item 10) [extended or (-) received]	300	100	-305 [recipient x] -80 [recipient y]

Net ODA resulting from these transactions = 300+100-305-80 = 15.

Case 2: Aggregated reporting of capital gains and losses	1997	1998	2002
Commitments (item 9)	300	100	
Disbursements (item 10) [extended or (-) received]	300	100	-300 [recipient x] -100 [recipient y] Σ (capital losses) - Σ (capital gains) = 20 - 5= 15 [recipient 998]

Net ODA resulting from these transactions = 300+100-300-100+15 = 15.

II. Reporting instructions for ODA loans with variable interest rates

Text to be added between paragraphs 52 and 53.

5. Loans with variable interest rates may only be classified as ODA if concessionality is guaranteed by a specific mechanism. The mechanism needs to ensure that the variable rate is concessional and that it will be capped so that the grant element over the life of the loan is at least 25%. If the mechanism offers the borrower an opportunity during the term of the loan of obtaining a fixed interest rate, it must be *concessional in character*, i.e. more favourable than the prevailing market rate, and convey an overall grant element of at least 25%.

6. The mechanism for loans with variable interest rates takes account of the following definitions:

- variable rate = interbank rate, e.g. EURIBOR +/- margin.
- reference fixed rate = fixed rate that the borrower would obtain (a) in accordance with the loan commitment and (b) given market conditions applying at time of commitment for the term of the loan.
- fixed rate applied if the borrower chooses to convert the variable rate into a fixed rate.

7. The borrower's decision whether to convert the variable rate into a fixed rate will depend on the trend of the variable rate, and is not known at the time the commitment is reported. Therefore, the actual grant element cannot be calculated. To allow the Secretariat to estimate the grant element, report estimated rates.

8. Report the variable rate in item 13 *interest rate* and the reference fixed rate in item 14 *second interest rate*. The Secretariat will then calculate the estimated grant element on the basis of the reference fixed rate.

9. The loan will be classified as ODA only if:

- (i) the resulting grant element is at least 25%;
- (ii) the fixed rate and the variable rate are capped so that the actual grant element is at least 25%; and
- (iii) the variable rate, the reference fixed rate and the fixed rate are concessional in character.