

# Modernisation of the DAC statistical system

## Private sector instruments (PSI)



### Why capture in ODA the public effort of using PSI?

To incentivise their use and encourage providers' support to the private sector in developing countries.



### What is recorded in the system?

Both the effort by the public sector (in ODA), as well as the financial flows to developing countries (in TOSSD).



### How are developmental projects distinguished from purely commercially-motivated flows?

Through an assessment of the DFIs :

- mandate
- investment strategy
- project portfolio
- due diligence mechanisms
- share of finance to ODA-eligible countries
- additionality of finance



### Which safeguards & monitoring mechanisms?

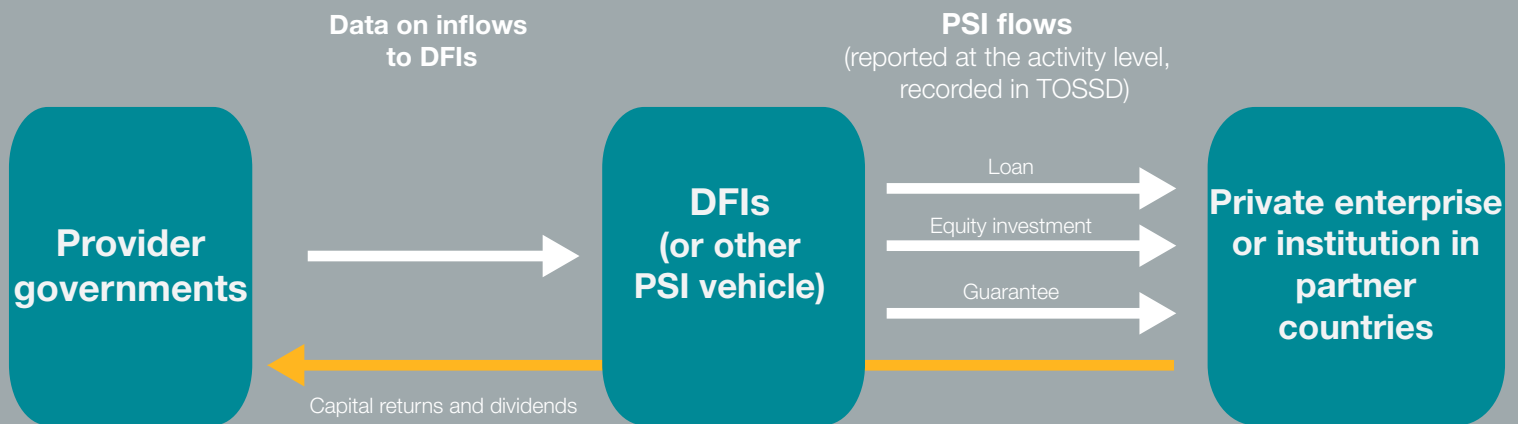
- Regular monitoring by the DAC through a biennial report on PSI covering both quantitative and qualitative aspects.
- Requirement to report at the activity-level, for transparency and to allow regular statistical checks.

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### Reporting requirements\*

For transparency, data will be collected on inflows to DFIs, on flows from DFIs to partner countries, and on capital returns and dividends.



\*Data disclosure in compliance with confidentiality obligations with private clients.

### ODA Measurement

The effort may be measured either at the point of transfer of funds to a DFI (institutional approach) or for each PSI transaction between the DFI and the private enterprise or institution in the partner country (instrument approach).

The measurement of donor effort will be based, whenever possible, on the grant equivalent method.

#### Institutional approach

ODA-eligible share of inflows to DFIs.

Capital returns and dividends as negative ODA.

#### Instrument approach

Grant equivalent of individual PSI flows to partner countries.

Capital returns and dividends paid back to governments (i.e. flows not reinvested by DFIs) as negative ODA.

### Follow-up\*

- Criteria for DFI assessment.
- Definition of additionality.
- ODA-eligibility thresholds.
- Lock-in period for switching between the institutional and instrument approach.
- Risk premium and discount rates to measure the provider effort.

\* Decisions to be taken by the October 2016 DAC Senior Level Meeting.