Statement on implementation of the DAC HLM Agreement on ODA Modernisation of PSI

European Development Finance Institutions

This statement has been prepared by EDFI as input to the upcoming discussions in the DAC. It does not represent the position of any participant country.

We support ODA modernisation of private sector instruments (PSI). The private sector must be mobilised to achieve the 2030 Agenda for Sustainable Development. DFIs have shown the ability to “crowd-in” private companies in high risk countries by demonstrating that commercial investments are sustainable in areas that risk-averse investors would normally stay away from. We believe that ODA counting of non-concessional PSIs will encourage private sector mobilisation in support of the global development goals.

DFIs are funded by public money and / or their majority shareholder is a government, which means there is already a high degree of transparency at the national level, allowing for verification of their mandate and governance framework. DFIs publish their investment strategies and their investment policies, which define where they can and cannot invest. They are periodically reviewed by national audit offices and development aid agencies or subject to central bank supervision.

In the course of discussions on the implementation of the DAC HLM Agreement on ODA Modernisation of PSI, ECAs have expressed concerns that countries would use the new rules to “hide” low concessionality export credits, reporting them as “aid loans” instead. Some ECAs have even pushed for DFIs to become subject to the rules under the “Arrangement on Officially Supported Export Credits” (“the Arrangement”).

ECAs and DFIs have different objectives. ECAs’ purpose is to promote national exports; DFIs’ purpose is to contribute to private sector development in ODA-eligible countries. Generally, the activities of an ODA-eligible DFI does not infringe on the Arrangement’s rules. It should be sufficient to base reporting of PSI as ODA on 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 objective of its operations.

We believe, in particular, that the proposed ex-ante notification requirement is superfluous and could harm private sector mobilisation by making some private parties refrain from collaborating with DFIs and turning them away from ODA-eligible countries. It would conflict with existing obligations of DFIs, regulated as commercial agents, and with confidentiality obligations owed to commercial counterparties.

If ex-post reporting reveals that financing reported as ODA has been de facto tied export finance, then there would be a need to re-examine the definitions and practices for reporting PSI as ODA. We believe that such monitoring will constitute a sufficient safeguard for member states and their relevant institutions which manage ODA funding to secure compliance with the rules. Any deviation from institutions’ government-approved mandates would be a serious breach of national rules.

As outlined here, we believe that it is possible to implement the ODA Modernisation of PSI without introducing new requirements that would be harmful to DFIs’ operations and impact.

The statement is submitted on behalf of the following EDFI member institutions:

BIO (Belgium)

BMI-SBI (Belgium)

CDC (United Kingdom)

COFIDES (Spain)

DEG (Germany)

FINNFUND (Finland)

FMO (The Netherlands)

IFU (Denmark)

NORFUND (Norway)

SWEDFUND (Sweden)

OeEB (Austria)

SIFEM (Switzerland)

SOFID (Portugal)

8 March, 2017