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| 1. Name of indicator | **Leverage of EU blending operations** |
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| 2. Technical Definition | The indicator is actually a set of 3 indicators included at Level 3 of the EU Results Framework (Organisational performance). The three aim to report the share of resources leveraged by EU blending facility grant as a proportion of the same grants.  Three definitions have been defined and agreed between DEVCO and International Financial Institutions in order to measure the degree of leverage:  1) **Investment leverage ratio** = value of investment (total project cost) divided by total amount of EU blending facility grant(s) relating to this investment.  2) **Total eligible Financial Institution leverage ratio** = amount of eligible Financial Institution financing divided by total amount of EU blending facility grant(s) relating to this investment. Eligible Financial Institution financing can come in the form of non-concessional, concessional or grant funding.  3) **Private loans/equity leverage ratio** = amount of private sector (non-grant) financing mobilised as a financial input into the investment project divided by amount of EU blending facility grant(s) |
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| 3. Rationale | Investment needs in EU partner countries are substantial. Government and donor funds are far from sufficient to cover these needs. Countries need to tap into capital markets and attract private investment if they want to achieve investment rates that can drive economic growth as a basis for poverty reduction. The Agenda for Change puts the support of inclusive growth and job creation as a key priority of EU external cooperation. In this context the Agenda recognises blending as an important vehicle for leveraging additional resources and increasing the impact of EU aid. |
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| 4. Data calculation | Three different standard leverage indicators are to be calculated following the methodology highlighted below (all expressed in millions EUR):  1) **Investment leverage ratio** = value of investment (total project cost) divided by total amount of EU blending facility grant(s) relating to this investment.  2) **Total eligible Financial Institution leverage ratio** = amount of eligible Financial Institution financing divided by total amount of EU blending facility grant(s) relating to this investment. Eligible Financial Institution financing can come in the form of non-concessional, concessional or grant funding.  3) **Private loans/equity leverage ratio** = amount of private sector (non-grant) financing mobilised as a financial input into the investment project divided by amount of EU blending facility grant(s)  The applicant financial institution should provide an ex ante assessment of leverage across these three ratios in the relevant place in the project fiche. These can be updated ex post or as the final value of funds mobilised becomes apparent during the life of the project.  For the purpose of coherent and transparent reporting, only funds that are mobilised as a direct financial input into the investment project phase to which the grant is attached should count towards the ratio – investments expected in future phases of the project should not be counted unless they are committed at the same time as investments in the present phase.  Finance that is provided as a parallel stream of finance but not directly as an input into the project should normally be excluded. Similarly, additional finance that is mobilised as an indirect result of the project (e.g. reflecting a demonstration effect), even if the time lag is short, should not count towards the leverage ratio. However, additional finance that is mobilised as a direct result of the project (e.g. additional funding MSMEs could mobilise as a result of TA provided) could be accounted for as part of indicative investment/project size, as indicated below regarding ‘pre-investment phase TA’.  In the **case of technical assistance (TA),** the difference between pre-investment phase TA and investment phase TA should be taken into account in leverage calculations.  Pre-investment phase TA comprises projects to enable project identification or preparation as indicated in Section 14, where the precise project size and investment amounts are not yet known.  In these cases, leverage can be calculated using indicative investment/project size (based on estimated amounts of project that could flow from the results of this pre-investment phase). It will be reported only for the purpose of indicating the level of total investments such pre-investment phase TA could contribute to. Investment phase TA clearly accompanies an investment commitment. Leverage for these TA projects can be calculated using the same proposed ratios described above and reported systematically alongside leverage for investment projects.  NOTE: With regards to the denominator in the proposed ratios, the amount of EU grants from the blending facility should include also the pre-investment phase TA if it has led to concrete investment(s) supported by the Facility  C3 will be in charge of implementing the methodology on a yearly basis and report figures to DEVCO 06 for inclusion in the EU Results Framework (Level 3). |
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| 5. Level of disaggregation | The three leverage indicators will be disaggregated by project, region, and where possible country. |
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| 6. Is it used by another organization or in the framework of international initiatives, conventions, etc? If so, which? | Discussions are on-going at DAC level in the context of the ODA modernization on measurement of among others, private sector leveraged finance. DEVCO is contributing and following up the discussions. |
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| 7. Other issues |  |