At the February 2020 WP-STAT meeting, the Secretariat presented a paper with suggestions to refine the type-of-aid classification [DCD/DAC/STAT(2020)10]. Members subsequently agreed, via the written procedure, to change the name of the classification to “co-operation modality” and make the field mandatory for all ODA and OOF activities. As regards the proposal to better identify various levels of earmarking of contributions to the multilateral system, members provided comments, both during the meeting and in writing. These were taken into account in a revised version of the proposal DCD/DAC/STAT(2020)24, which was presented for discussion at the WP-STAT virtual meeting on 22-25 June 2020. At that meeting members requested only a minor adjustment to the numbering of the codes, which has been implemented in the present note. In addition, the wording of category B03 has been clarified.

The proposal on refinements to the co-operation modality classification (see Table 1 and paragraph 8) is circulated for members’ APPROVAL under the written procedure on a non-objection basis. If no objections are received by 30 August 2020, the proposal will be considered approved, with the changes taking effect on 1 January 2021.

Julia Benn (Julia.BENN@oecd.org; Marisa Berbegal (Marisa.BERBEGALIBANEZ@oecd.org)

JT03464124
Revised proposal on refinements to the type-of-aid/co-operation modality classification

1. Introduction

1. This paper presents a revised proposal on the type-of-aid (ToA) (now renamed “co-operation modality”) classification to better reflect the level of earmarking of members’ contributions to multilateral organisations.

2. At the February 2020 WP-STAT meeting, the Secretariat presented a paper with suggestions to refine the type-of-aid classification [DCD/DAC/STAT(2020)10]. Members subsequently agreed, via the written procedure, to change the name of the classification to “co-operation modality” and to make the field mandatory for all ODA and OOF activities. As regards the proposal to better identify various levels of earmarking of contributions to the multilateral system, members provided comments, both during the meeting and in writing.¹ These were taken into account in a revised version of the proposal [DCD/DAC/STAT(2020)24], which was presented for discussion at the WP-STAT virtual meeting on 22-25 June 2020. At that meeting members requested only a minor adjustment to the numbering of the codes², which has been implemented in the present note. In addition, the wording of category B03 has been clarified.

3. The proposal (see Table 1 and paragraph 8) is circulated for members’ approval under the written procedure on a non-objection basis. If no objections are received by 30 August 2020, the proposal will be considered approved, with the changes taking effect on 1 January 2021.

2. Revised proposal on co-operation modalities

4. This section presents the proposed amendments to the modality classification, which aim to also assist members in using their CRS reporting to inform other reporting processes, e.g. reporting to the United Nations Development System (UNDS) funding compact, or the Grand Bargain. Recent conversations with multilateral development banks have confirmed that the proposed modalities would also correspond to the types of trust funds established by these institutions.

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¹ The summary of members’ comments and feedback by the Secretariat, previously section 2 of the paper, is given in Annex B.

² Members commented that subcategories of B03 could be numbered B031, B032 and B033, instead of B05, B06 and B07, which was counter-intuitive.
5. The proposal is presented in Table 1 below (changes in comparison with the existing classification are shaded). It is proposed to: i) create three sub-categories for co-operation modality B03; ii) edit the title and clarification notes of modality B04; and iii) edit the clarification notes of modality C01.

Table 1. Adjustments to the co-operation modality classification: revised proposal

<table>
<thead>
<tr>
<th>Type of aid</th>
<th>Description</th>
</tr>
</thead>
</table>
| C01
  interventions | Project-type category: A project is a set of inputs, activities and outputs, agreed with the partner country, to reach specific objectives/outcomes within a defined time frame, with a defined budget and a defined geographical area. Projects can vary significantly in terms of objectives, complexity, amounts involved and duration. There are smaller projects that might involve modest financial resources and last only a few months, whereas large projects might involve more significant amounts, entail successive phases and last for many years. A large project with a number of different components is sometimes referred to as a programme, but should nevertheless be recorded here. Feasibility studies, appraisals and evaluations are included (whether designed as part of projects/programmes or dedicated funding arrangements). Academic studies, research and development, trainings, scholarships, and other technical assistance activities not directly linked to development projects/programmes should instead be recorded under D02. Aid channelled through NGOs or multilaterals is also recorded here. This includes payments for NGOs and multilaterals to implement donors’ projects and programmes, and funding of specified NGOs projects. By contrast, core funding of NGOs and multilaterals as well as contributions to specific-purpose funds are recorded under B. In the cases of equity investments, humanitarian aid or aid channelled through NGOs, projects are recorded here even if there was no direct agreement between the donor and the partner country. Contributions to single-donor trust funds and contributions to trust funds earmarked for a specific funding window and/or country are recorded under B03. |
| B03 Contributions to specific-purpose programmes and funds managed by implementing partners | In addition to their core-funded operations, international organisations, NGOs, PPPs and networks both in provider and in third countries, set up programmes and funds with a specific sectoral, thematic or geographical focus. Donors’ bilateral contributions to such programmes and funds are recorded here. Contributions to multilateral organisations’ programmes and funds should be classified in the sub-categories below whenever possible. Use categories B031 and B032 for trust funds managed by the UN (all designed as multi-donor) unless contributions are earmarked for a specific geographical location or funding window. |
| (NEW, SUB-CATEGORY OF B03) B031 Contributions to multi-donor/multi-entity funding mechanisms | Funding mechanisms that pool contributions from several donors and that are implemented by several multilateral entities e.g. UN inter-agency pooled funds, including CERF and country-based pooled funds; Financial Intermediary Funds (GEF, CIFs) for which the World Bank is the Trustee. |
| (NEW, SUB-CATEGORY OF B03) B032 Contributions to multi-donor/single-entity funding mechanisms | Contributions to multi-donor funding mechanisms managed by a single multilateral organisation e.g. UN single-agency thematic funds; World Bank or other MDB trust funds. Classify the contribution as B032 even if in the initial stages only one donor contributes to the fund. |
| (NEW, SUB-CATEGORY OF B03) B033 Contributions to single-donor funding mechanisms and contributions earmarked for a specific funding window or geographical location | Contributions to funding mechanisms where the donor has a significant influence on the allocation of funds. This includes contributions to single-donor trust funds and earmarked contributions to specific countries/geographical locations or funding windows within multi-donor trust funds. When the donor designs the activity but channels it through an international organisation, the activity should be classified as C01. |
| (EDITED) B04 Basket funds/pooled funding (excluding funds managed by international organisations) | The donor contributes funds to an autonomous account, managed jointly with other donors and/or the recipient. The account will have specific purposes, modes of disbursement and accountability mechanisms, and a limited time frame. Basket funds are characterised by common project documents, common funding contracts and common reporting/audit procedures with all donors. Donors’ contributions to funds managed autonomously by international organisations are recorded under B03, B031, B032 and B033 categories. |

6. The proposed categories have been developed in consultation with the UN Multi-Partner Trust Fund Office and the Secretariat of the United Nations System Chief Executives Board for
Coordination (CEB); and can be mapped against the UN Grant financing instruments in the UN Data Standard (see Annex A).

7. The revised modalities could also be used in the context of the Grand Bargain. For example, humanitarian country-based pooled funds could be identified with B031 code, purpose codes related to humanitarian assistance and recipient codes excluding global and regional codes. Single-agency thematic funds could be identified combining B032 code with recipient code 998 (for global funds) and regional codes (for regional funds). Country earmarked funds could be identified by combining modality B032 with recipient code.

8. Members are invited to approve the adjustments to the co-operation modalities as shown in Table 1, with the changes taking effect on 1 January 2021. Members can thus apply the new subcategories B031, B032 and B033 in their reporting in 2021 on 2020 activities. The use of these subcategories is voluntary – members unable to report on them can continue using the more general category B03.

9. Upon approval, the Secretariat will update the Reporting Directives and code lists accordingly. To facilitate quality control of the reporting, the CRS check-list will be updated to include a validation so that B04 is not used for programmes and funds managed by international organisations. Guidance on the application of the co-operation modalities to Other Official Flows will be developed in a subsequent paper, to be drafted in the second half of 2020.

10. The Secretariat will also pursue the proposal to create channel codes for the biggest trust funds (members had welcomed this proposal at the February 2020 WP-STAT meeting), with a view to implementing these codes at the same time as the new modality for tracking general contributions to these funds.
Annex A. Mapping with UN Data Standard IV - UN Grant Financing Instruments

<table>
<thead>
<tr>
<th>NAME</th>
<th>UN Grant financing instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td>DESCRIPTION</td>
<td>The standard defines the funding streams and the various grant instruments in which funds are received by UN entities</td>
</tr>
<tr>
<td>TYPE</td>
<td>Alpha</td>
</tr>
</tbody>
</table>

**Input**
Selection:
- **REVENUE**
  - Assessed contributions – B02
  - Voluntary core (un-earmarked) contributions – B02
    - Voluntary untied contributions
    - In-kind untied contributions
  - Voluntary non-core (earmarked) contributions
    - UN inter-agency pooled funds – B031
    - Single-agency thematic funds – B032
    - Revenue from global vertical funds – C01
    - Local resources N.A.
    - Project/Programme specific contributions – B032 + country code (for country earmarked) or C01 (for tightly earmarked)
    - In-kind earmarked contributions B032 + country code (for country earmarked) or C01, D01 or D02 (for tightly earmarked)
  - Revenue from other activities N.A.

**Definitions**
- **Assessed contributions**
  - Mapped to OECD-DAC CRS code: B02
  - Fixed amount contributions calculated based on agreed formula that UN Member States undertake to pay when signing a treaty.
- **Voluntary core (un-earmarked) contributions**
  - Mapped to OECD-DAC CRS code: B02
  - Voluntary untied contributions
  - In-kind untied contributions - Revenue transactions recorded for donations or goods and / or services, in accordance with the accounting policies of the organization.
- **Voluntary non-core (earmarked) contributions**
  - UN Inter-agency pooled funds
    - Mapped to new OECD-DAC CRS code: B031
    - Co-mingled contributions to multi-entity funding mechanism, not earmarked for specific UN entity; funds are held by UN fund administrator and fund allocations are made by UN-led governance mechanism. (Full definition in user guidance)
  - Single-agency thematic funds
    - Mapped to new OECD-DAC CRS code: B032
    - Co-mingled contributions to single-entity funding mechanism designed to support high-level outcomes within strategic plan; single UN entity is fund administrator and takes the decisions on fund allocations.
  - Revenue from global vertical funds
    - Mapped to new OECD-DAC CRS code: C01
    - Contributions from “vertically” focused funds with specific themes; funds are not directly administered by a UN entity and do not have a UN lead role in fund allocations.
  - Local resources
    - Not reported to OECD-DAC as ODA
    - Contributions from programme countries financed from government resources for use in support of their own development framework.
<table>
<thead>
<tr>
<th>Project/ programme specific contributions</th>
<th>Grants earmarked by the contributor to a specific programme or project, provided they do not fall within the above-mentioned voluntary non-core categories.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mapped to new OECD-DAC CRS code: B032 + country code (for country earmarked) or C01 (for tightly earmarked)</td>
<td>Mapped to new OECD-DAC CRS code: B032 + country code (for country earmarked) or C01, D01 or D02 (for tightly earmarked)</td>
</tr>
<tr>
<td>In-kind earmarked contributions</td>
<td>Revenue transactions recorded for donations or goods and / or services, in accordance with the accounting policies of the organization that are earmarked by the contributor to a specific programme or project</td>
</tr>
<tr>
<td>Mapped to new OECD-DAC CRS code: B032 + country code (for country earmarked) or C01, D01 or D02 (for tightly earmarked)</td>
<td>Revenue linked to UN entity’s other activities that is not considered a “contribution” under the organization’s accounting policies. This can include investment revenue and exchange rate gains.</td>
</tr>
<tr>
<td>Revenue from other activities</td>
<td>Not reported to OECD-DAC as ODA</td>
</tr>
</tbody>
</table>

**Syntax**

Alpha-numeric coding for each grant instrument

**Recommended Field Name**

Revenue type

**Values**

Revenue as reported in audited financial statements (Statement of Financial Performance)

Reported using the functional currency of the entity.

Consolidated figures will be converted to USD using the UNORE on the last day of the reporting period (calendar year and/or month)

**Period**

Required: Annual

Optional: Quarterly

Optional: Monthly

**Exceptions, Constraints and Exclusions**

Not applicable

**Implementation guidance**

Appendix 1

**Phase**

Approved

**Approval Date**

HLCM and UNSDG approval – Fall 2018

**Validation Date**

Standard will be reviewed as required

**Data Steward**

CEB Secretariat
Annex B. Summary of main comments received from members on the proposal presented at the WP-STAT in February 2020

1. A total of 12 members commented on the proposal presented at the February 2020 WP-STAT meeting [DCD/DAC/STAT(2020)10]. This Annex summarises the main comments received and the feedback on them from the Secretariat.

2. Some members’ comments suggest that they see a possibility of using category B04 “basket funds/pooled funds” for contributions to pooled funds managed by multilateral institutions. However, the description of this modality explicitly states that such funds should be classified elsewhere (B03). Based on a member’s proposal, the Secretariat suggests modifying the title of this category to make this clearer.

3. Some members commented that the proposed category B07 “contributions to single-donor funding mechanisms” and the existing category C01 “project-type interventions” were very similar and that category B07 was therefore unnecessary. However, the description of C01 defines a project as “a set of inputs, activities and outputs, agreed with the partner country, to reach specific objectives/outcomes within a defined time frame, with a defined budget and a defined geographical area (…)”. This description does not correspond to a contribution to a trust fund, which neither is agreed with a partner country, nor has pre-defined activities. The Secretariat therefore proposes to specifically exclude contributions to single-donor trust funds from the coverage of C01 and enlarge the coverage of B07 to contributions to trust funds for a specific country and/or funding window. As such, B07 would reflect contributions to trust funds where the provider has an important influence over the decisions on fund allocations, but does not design the activities themselves. This would also address the comments raised by one member on how to distinguish between a general contribution to a trust fund and a contribution earmarked for a specific country or funding window.

4. Several countries suggested introducing categories B05, B06 and B07 as sub-categories of B03 to avoid a break in the series. The Secretariat has revised the proposal to make this change.

5. Some countries suggested that the clarification notes of the proposed new categories could be expanded and that their titles could be made self-explanatory. These suggestions are taken into account in the revised proposal.

6. Others suggested that the type of trust fund – single-donor or multi-donor, for example – could be identified with channel codes. This cannot be done with current channel codes, as categories for multilateral organisations (including trust funds) depend on the type of institution they are part of, e.g. United Nations system, World Bank Group. Identifying the type of trust fund through channel codes would require a deep revision of current channel codes categories. Moreover, the modality is always reported as this is a compulsory field in the CRS, whereas this may not be the case for the channel codes. It is therefore advisable to capture information on the type of trust fund in the modality.

7. One member requested that the Secretariat provide some guidance on the application of the co-operation modalities to Other Official Flows. This will be done in a subsequent paper, to be drafted in the second half of 2020.

8. Finally, one member suggested that multilateral institutions could “pre-classify” funds and pooled funds according to the new modalities at the time when the funds are created. This idea
seems feasible and the Secretariat will work in collaboration with the main multilateral organisations to see how such a mechanism could be implemented.

9. In addition to the comments on the modalities in category B, members’ comments covered the modality H01 “development awareness”. Some members commented that, while they understood why this modality should be maintained (identification of the activity as “in-donor” expenditure in main DAC aggregate tables), a solution should be found to avoid duplication between the modality and the purpose code. The Secretariat therefore suggests that the modality H01 can be assigned also to activities with purpose codes beyond 99820 “Promotion of development awareness (non-sector allocable)”.

3 For example, if the development awareness activity concerns the health policy of the donor country in developing countries, a purpose code linked to health could be used instead.