Development Co-operation Directorate
Development Assistance Committee

DAC Working Party on Development Finance Statistics

REVISED PROPOSAL ON REFINEMENTS TO THE TYPE OF AID/CO-OPERATION MODALITY CLASSIFICATION


This document is presented FOR DISCUSSION under item 9 of the draft annotated Agenda DCD/DAC/STAT/A(2020)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 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 have been taken into account in a revised version of the proposal, which is presented for members’ feedback. The objective is to finalise and circulate the proposal for members’ approval before the end of the year so that members can implement it in their systems as from January 2021.

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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.

3. The revised proposal builds on the comments received in writing from members after February 2020, as well as comments made during that meeting.

4. The paper is structured as follows: Section 2 summarises the main comments received from members and feedback on them from the Secretariat. Section 3 introduces the revised proposal on the co-operation modalities.

5. The paper is presented for discussion at the informal meeting of the WP-STAT scheduled on 22-25 June 2020. Comments are invited in particular on proposals in paragraph 14, 16 and table 1.

2. Summary of main comments received from members on the proposal presented at the WP-STAT in February 2020

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

7. 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 (see section 3).

8. 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.

9. 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.

10. 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 below.

11. 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.

12. 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.

13. 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.

14. 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)”. Members are invited to share their views on this suggestion.

3. Revised proposal on co-operation modalities

15. 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

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1 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.
The revised proposal is presented below (new text underlined; the concrete coding of the modalities need to be thought through to make sure there is no issue with publication or recording of data in the OECD systems).

### 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** Project interventions | "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 B02. 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 B03.

* 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 B07.

| **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. All trust funds managed by the UN are designed as multi donor; general contributions to these funds (unless earmarked for a specific geographical location or funding window) should be classified as such (categories B05 or B06).

**NEW_SUB-CATEGORY OF B03**

**B05** 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**

**B06** 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 B06 even if in the initial stages only one donor contributes to the fund.

**NEW_SUB-CATEGORY OF B03**

**B07** 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, B05, B06 and B07 categories.
18. The proposed categories have been developed in consultation with the UN Multi-Partner Trust Fund Office and can be mapped against the UN Grant financing instruments in the UN Data Standard (see Annex A).

19. 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 B05 code, purpose codes related to humanitarian assistance and recipient codes excluding global and regional codes. Single-agency thematic funds could be identified combining B06 code with recipient code 998 (for global funds) and regional codes (for regional funds). Country earmarked funds could be identified by combining type of aid B06 with recipient code.

20. Some validations could be introduced to facilitate quality control of the reporting. For example, the CRS check-list could include a validation so that B04 is not used for programmes and funds managed by international organisations.

21. Members are invited to state whether they agree with the revised proposal on new categories under co-operation modality B and whether the descriptions are sufficiently clear.
### 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>
<tr>
<td>Input</td>
<td>Selection:</td>
</tr>
<tr>
<td></td>
<td>REVENUE</td>
</tr>
<tr>
<td></td>
<td>• Assessed contributions – B02</td>
</tr>
<tr>
<td></td>
<td>• Voluntary core (un-earmarked) contributions – B02</td>
</tr>
<tr>
<td></td>
<td>o Voluntary untied contributions</td>
</tr>
<tr>
<td></td>
<td>o In-kind untied contributions</td>
</tr>
<tr>
<td></td>
<td>• Voluntary non-core (earmarked) contributions</td>
</tr>
<tr>
<td></td>
<td>o UN inter-agency pooled funds – B05</td>
</tr>
<tr>
<td></td>
<td>o Single-agency thematic funds – B06</td>
</tr>
<tr>
<td></td>
<td>o Revenue from global vertical funds – C01</td>
</tr>
<tr>
<td></td>
<td>o Local resources N.A.</td>
</tr>
<tr>
<td></td>
<td>• Project/Programme specific contributions – B06 + country code (for country earmarked) or C01 (for tightly earmarked)</td>
</tr>
<tr>
<td></td>
<td>o In-kind earmarked contributions B06 + country code (for country earmarked) or C01, D01 or D02 (for tightly earmarked)</td>
</tr>
<tr>
<td></td>
<td>• Revenue from other activities N.A.</td>
</tr>
</tbody>
</table>

### 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: B05
  - 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: B06
  - 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.
<table>
<thead>
<tr>
<th>Local resources Not reported to OECD-DAC as ODA</th>
<th>Contributions from programme countries financed from government resources for use in support of their own development framework.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project/ programme specific contributions Mapped to new OECD-DAC CRS code: B06 + country code (for country earmarked) or C01 (for tightly earmarked)</td>
<td>Grants earmarked by the contributor to a specific programme or project, provided they do not fall within the above-mentioned voluntary non-core categories.</td>
</tr>
<tr>
<td>Revenue from other activities</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. 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