

**Development Co-operation Directorate
Development Assistance Committee**

DAC Working Party on Development Finance Statistics

REVIEW OF THE TYPE OF AID CLASSIFICATION

**Informal meeting of the Working Party on Development Finance Statistics (WP-STAT)
January 30-31 2018, OECD Boulogne**

This document is presented FOR COMMENT under item 4 of the draft annotated agenda DCD/DAC/STAT/A(2018)1.

The Secretariat received requests to update the type of aid classification, and intends to undertake a quality review of the data and elaborate a proposal for updating the classification for discussion at the WP-STAT June 2018 formal meeting.

Members are invited to comment on the proposed review in section 3. Any written contributions should be sent to the Secretariat by 28th February 2018.

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1. Introduction

1. The Statistical Directives foresee 8 different types of aid (indicated by a letter from A to H), further disaggregated in 15 sub-types (indicated by a letter followed by a number) (see Section 4). This classification was developed by the WP-STAT as part of the work to converge the CRS and DAC statistical systems in 2008 [(DCD/DAC/STAT(2008)12)].
2. The type of aid information is a basic data item in the CRS database and is required for each transaction. The data item is generally well-reported.
3. In recent WP-STAT meetings two members (Denmark and the Netherlands) have signalled a need to update the type of aid classification for two related issues: revising the channel constrains for certain type-of-aid codes, and improving the capability of the type-of-aid classification to monitor the Grand Bargain commitments, as approved by the Humanitarian Summit of May 2016¹, particularly for what concerns earmarking.
4. In view of these requests, and given that the type-of-aid classification has not been reviewed since its introduction in 2008, the Secretariat intends to undertake a quality review of the data and elaborate a proposal for updating the classification for discussion at the WP-STAT June 2018 formal meeting.
5. Members are invited to comment on objectives and timeframe of the review (section 3) and to contact the Secretariat for any further comments or suggestions that they may have on the classification of the type of aid by 28th February 2018.

¹ See http://www.oecd.org/dac/conflict-fragility-resilience/docs/Grand_Bargain_final_22_May_FINAL-2.pdf

2. Review requests received by the Secretariat

6. The Secretariat was approached to modify the coverage of the code B03 – *Contributions to specific-purpose programmes and funds managed by international organisations (multilateral, INGO)*. The definition of the code prevents its use if the activity is assigned to other channels, such as national NGOs, which also manage specific-purpose programmes where the provider relinquishes the exclusive control over its funds to the organisation. The proposal is to make the B03 code channel-independent.

7. The Secretariat was also approached with a request to revise the types of aid to better track the Grand Bargain commitments on earmarking. The Grand Bargain is an agreement between donors and humanitarian organisations to improve the effectiveness and efficiency of humanitarian action and contains 10 commitments, including one on progressively reducing the degree of earmarking of donors' contributions. The aid organisations and donors also committed to *jointly determine way of reporting on unearmarked and softly earmarked funding and to initiate this reporting by the end of 2017*.

8. The Grand Bargain document lists four types of earmarking (unearmarked, softly earmarked, earmarked, and tightly earmarked) further subdivided in twelve sub-types. This list is not fully compatible with the DAC type-of-aid classification that is not, at the moment, able to fully classify the degree of earmarking of development co-operation activities.

9. To overcome this limitation it has been suggested to revise the list of codes in category B – *Core contributions and pooled programmes and funds*, adding specific codes for single earmarked, double earmarked and co-managed development co-operation activities, and as well to revise the code B03 to remove the channel limitations, as explained above.

3. Proposed review

10. To elaborate a proposal for updating the type-of-aid classification to take account of the requests received, the Secretariat proposes to the following process:
 - i. Review of the quality of the type-of-aid reporting, in particular to identify the existence of incongruences or misalignments of reporting practices;
 - ii. Review of the type-of-aid classification, in particular for what concerns the linkages between types of aid and channels and the adequacy of the classification to cover the information needs of the Grand Bargain process;
 - iii. Review and consolidation of any other requests for updates received by the Secretariat during the review process;
 - iv. Elaboration of a comprehensive update proposal for the type of aid classification.
11. Members are invited to collaborate in this review; any comments on the above or any suggestions on other issues to be covered should be sent to the Secretariat by 28th February 2018.
12. The Secretariat intends to present the review and the proposal at the WP-STAT formal meeting scheduled in June 2018.

4. Types of aid classification [extract from DCD/DAC(2016)3/ADD1/FINAL]

Type/ Sub-type	Description	Clarification	Guidance on tying status reporting given in the Directives and additional notes for clarification
A	Budget support	For contributions under this category, the donor relinquishes the exclusive control of its funds by sharing the responsibility with the recipient.	
A01	General budget support	Unearmarked contributions to the government budget including funding to support the implementation of macroeconomic reforms (structural adjustment programmes, poverty reduction strategies). Budget support is a method of financing a recipient country's budget through a transfer of resources from an external financing agency to the recipient government's national treasury. The funds thus transferred are managed in accordance with the recipient's budgetary procedures. Funds transferred to the national treasury for financing programmes or projects managed according to different budgetary procedures from those of the recipient country, with the intention of earmarking the resources for specific uses, are therefore excluded.	Budget support has been considered as untied by definition, because it consists of the provision of " <i>freely usable foreign exchange</i> " to the recipient. (Chapter 4, para. 194, 1st bullet.) This type of aid involves transferring funds to the recipient government's national treasury with no earmarking for specific uses, which suggests the funds are fully and freely available to finance procurement anywhere in the world.
A02	Sector budget support	Sector budget support, like general budget support, is a financial contribution to a recipient government's budget. However, in sector budget support, the dialogue between donors and partner governments focuses on sector-specific concerns, rather than on overall policy and budget priorities.	See above.
B	Core contributions and pooled programmes and funds	For contributions under this category, the donor relinquishes the exclusive control of its funds by sharing the responsibility with other stakeholders (other donors, NGOs, multilateral institutions, Public Private Partnerships). The category covers both core contributions (B01 and B02), and pooled contributions with a specific earmarking (B03 and B04).	

Type/ Sub-type	Description	Clarification	Guidance on tying status reporting given in the Directives and additional notes for clarification
B01	Core support to NGOs and civil society, PPPs and research institutes	Funds paid over to PPPs, networks, research institutes and non-profit private bodies – developing country-based, donor-country based and international NGOs and other civil society organisations, e.g. philanthropic foundations – for use at these organisations' discretion and contributing to programmes and activities which these organisations have developed themselves, and which they implement on their own authority and responsibility. The List of ODA-eligible international organisations (see Annex 2) provides a list of INGOs, PPPs and networks core contributions to which may be reported under B01. This list is not exclusive.	"Contributions to NGOs and official funds in support of, or intended for, direct equity investment and that are recorded as ODA" have been reported as untied by convention "providing that there are no formal or informal restrictions which would cause them to be considered as in effect tied." (para. 194, 4th bullet.)
B02	Core contributions to multilateral institutions	These funds are classified as multilateral ODA (all other categories fall under bilateral ODA). The recipient multilateral institution pools contributions so that they lose their identity and become an integral part of its financial assets. The List of ODA-eligible international organisations (see Annex 2) provides a comprehensive list of agencies core contributions to which may be reported under B02.	Directives request tying status reporting on bilateral ODA only. Multilateral aid is generally excluded from reports on the tying status but for some purposes may be regarded untied by definition, since the donor does not determine the ultimate use of funds.
B03	Contributions to specific-purpose programmes and funds managed by international organisations (multilateral, INGO)	In addition to their core-funded operations, international organisations set up and raise funds for specific programmes and funds with clearly identified sectoral, thematic or geographical focus. Donors' bilateral contributions to such programmes and funds are recorded here, e.g. "UNICEF girls' education", "Education For All Fast Track Initiative", various trust funds, including for reconstruction (e.g. Afghanistan Reconstruction Trust Fund).	No specific guidance at present. Could be tied, partially untied or untied.
B04	Basket funds/pooled funding	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.	No specific guidance at present. Could be tied, partially untied or untied.

Type/Sub-type	Description	Clarification	Guidance on tying status reporting given in the Directives and additional notes for clarification
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C	Project-type interventions	N.B. Within this category, members able to do so are requested to report the aggregate amount used for financing donor experts/consultants on Table DAC1. Where the activity consists solely of experts' costs, report under category D.	
C01	Project-type interventions	<p>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.</p> <p>Feasibility studies, appraisals and evaluations are included (whether designed as part of projects/programmes or dedicated funding arrangements).</p> <p>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 managed by international organisations are recorded under B.</p> <p>* 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.</p>	<p>"Official funds in support of, or intended for, direct equity investment and that are recorded as ODA" have been reported as untied by convention "providing that there are no formal or informal restrictions which would cause them to be considered as in effect tied." (para. 194, 4th bullet)</p> <p>Could be tied, partially untied or untied. Reporting on the tying status of project-type free-standing technical co-operation is not mandatory.</p>

Type/Sub-type	Description	Clarification	Guidance on tying status reporting given in the Directives and additional notes for clarification
D	Experts and other technical assistance	This category covers the provision, outside projects as described in category C, of know-how in the form of personnel, training and research.	
D01	Donor country personnel	<p>Experts, consultants, teachers, academics, researchers, interns, volunteers and contributions to public and private bodies for sending experts to developing countries. Supplementation payments by the donor country to its experts employed by developing countries or international aid agencies should also be included, as well as the cost to the reporting government of civil servants seconded to developing countries. However, the costs of “counterparts” receiving on-the-job training while working with donor experts are excluded.</p> <p>Volunteers are persons who work in a developing country under wholly or partly publicly financed or publicly controlled volunteer programmes, receiving a stipend in compensation for their services, i.e. subsistence allowances, daily support costs, and/or financial remuneration, either during the period of service, or on return home.</p>	Falls under the definition of TC. Reporting on the tying status of this type of aid is not mandatory. Given that makes use of the donor's own goods and services, tied by nature.
D02	Other technical assistance	<p>Provision, outside projects as described in category C01, of technical assistance in recipient countries (excluding technical assistance performed by donor experts reported under D01, and scholarships/training in donor country reported under E01).</p> <p>This includes training and research; language training; south-south studies; research studies; collaborative research between donor and recipient universities and organisations; local scholarships; development-oriented social and cultural programmes. This category also covers ad hoc contributions such as conferences, seminars and workshops, exchange visits, publications, etc.</p> <p>Scholarships for students and contributions for trainees to follow studies or training courses in developing countries are recorded here while scholarships/training in donor country is reported under E01 (except that training performed in donor country through visiting tours and short-term resident training courses, or attendance at ad hoc non-academic courses and seminars is recorded under D02). General subsidies to the developing country education sector are not recorded here, but as sector budget support (A02) or project-type interventions (C01).</p>	Falls under the definition of TC. Reporting on the tying status of this type of aid is not mandatory. Could be tied, partially untied or untied.

Type/Sub-type	Description	Clarification	Guidance on tying status reporting given in the Directives and additional notes for clarification
E	Scholarships and student costs in donor countries		Falls under the definition of TC. Reporting on the tying status of this type of aid is not mandatory. Given that makes use of the donor's own goods and services, tied by nature.
E01	Scholarships/training in donor country	Financial aid awards for individual students and contributions to trainees. The beneficiary students and trainees are nationals of developing countries. Financial aid awards include bilateral grants to students registered for systematic instruction in private or public institutions of higher education to follow full-time studies or training courses in the donor country. Estimated tuition costs of students attending schools financed by the donor but not receiving individual grants are not included here, but under item imputed student costs (E02). Training costs relate to contributions for trainees from developing countries receiving mainly non-academic, practical or vocational training in the donor country. Training performed in donor country through visiting tours and short-term resident training courses, or attendance at ad hoc non-academic courses and seminars is recorded under D02.	Falls under the definition of TC. Reporting on the tying status of this type of aid is not mandatory. Tied by nature because procurement (of services in this case) takes place in the donor country.
E02	Imputed student costs	Indirect ("imputed") costs of tuition in donor countries.	Has generally been considered as a form of TC, although some members disagree. Tied by nature and cannot be untied: represents share of subsidy of donor's own institutions that can be imputed to developing country students.

Type/Sub-type	Description	Clarification	Guidance on tying status reporting given in the Directives and additional notes for clarification
F	Debt relief		
F01	Debt relief	Groups all actions relating to debt (forgiveness, conversions, swaps, buy-backs, rescheduling, refinancing).	<p>“Debt reorganisation that, by enabling the recipient to forgo making service payments, makes the corresponding amount of foreign exchange freely available” has been reportable as untied. (para. 194, 3rd bullet)</p> <p>Debt swaps (see purpose code 60061 in Annex 12) do not make foreign exchange “freely available”, and could be tied, partially untied or untied.</p>
G	Administrative costs not included elsewhere		
G01	Administrative costs not included elsewhere	Administrative costs of development assistance programmes not already included under other ODA items as an integral part of the costs of delivering or implementing the aid provided. This category covers situation analyses and auditing activities. As regards the salaries component of administrative costs, it relates to in-house agency staff and contractors only; costs associated with donor experts/consultants are to be reported under category C or D01.	Members have agreed that the tying status is not reportable for administrative costs. (para. 193) Tied by nature (makes use of goods and services in the donor country) and cannot be untied.
H	Other in-donor expenditures	Groups a number of contributions that do not give rise to a cross-border flow.	
H01	Development awareness	Funding of activities designed to increase public support in the donor country for development co-operation efforts, and understanding of development needs and issues.	Tied by nature (makes use of goods and services in the donor country) and cannot be untied.
H02	Refugees in donor countries	Official sector expenditures for the sustenance of refugees in donor countries during the first twelve months of their stay.	Members have agreed that the tying status is not reportable for costs of refugees in donor countries. (para. 193) Tied by nature (makes use of goods and services in the donor country) and cannot be untied.