

Development Co-operation Directorate

Development Assistance Committee

Cancels & replaces the same document of 31 May 2021**DAC Working Party on Development Finance Statistics****Implementation of new development co-operation modalities for trust funds managed by multilateral institutions**

Informal meeting of the Working Party on Development Finance Statistics (WP-STAT)

Virtual meeting, 16-18 June 2021

At the March 2021 WP-STAT meeting, the Secretariat presented a note to inform members of progress in the implementation of the new co-operation modalities to better identify the various levels of earmarking of contributions to the multilateral system. The document contained exhaustive guidance on the classification of various trust funds, and a room document prepared by the UN CEB Secretariat advised which UN pooled funds should be classified as multilateral.

Members generally welcomed the guidance provided. However, several members expressed concerns over the proposal to consider contributions to trust funds, classified under the modalities B03x, as multilateral flows (bi/multi=2). The Secretariat organised an informal workshop in April to better understand these concerns. Based on the workshop, and on further consultation with the UN CEB Secretariat and the World Bank, the Secretariat proposes to introduce in the modality classification a sub-category of B02 "Core contributions to multilateral institutions", to better identify contributions to global funds classified as multilateral.

This note is presented FOR DISCUSSION under item 6 of the draft annotated agenda. If members agree with the proposal, the note will be circulated FOR APPROVAL under the written procedure after the meeting.

A cancel & replace is issued as Annex A has been modified to correct a typo. Proposed co-operation modalities for GPE and GAFSP have been modified from B021 to B031 in line with the footnote, which indicates that the World Bank has confirmed that these funds should remain bilateral.

Contacts: Julia Benn: Julia.BENN@oecd.org; Marisa Berbegal: Marisa.BERBEGALIBANEZ@oecd.org**JT03478199**

Implementation of new development co-operation modalities for trust funds managed by multilateral institutions

1. Introduction

1. At the March 2021 WP-STAT meeting, the Secretariat presented a note (DCD/DAC/STAT(2021)7) to inform members of progress in the implementation of the new co-operation modalities to better identify the various levels of earmarking of contributions to the multilateral system. The document contained exhaustive guidance on the classification of various trust funds, and a room document prepared by the UN CEB Secretariat (DCD/DAC/STAT/RD(2021)1) advised which UN pooled funds should be classified as multilateral. The Secretariat proposed that contributions to certain trust funds that comply with the definition of multilateral in the Reporting Directives be classified under the modalities B03X and multilateral flows (bi/multi=2).

2. Members generally welcomed the guidance provided in the note and agreed that contributions to these trust funds should be classified as multilateral. However, several members expressed concerns over the proposal. Until now, only core contributions to multilateral institutions (B02) have been considered as multilateral flows (bi/multi=2), and vice versa. Some members commented that allowing activities classified as B03x as multilateral flows could be confusing and difficult to communicate.

3. The Secretariat organised an informal workshop on 8 April 2021 to understand better members' concerns. At the workshop, it presented a revised proposal in which global funds that comply with the definition of multilateral in the Reporting Directives would be classified as B02 (instead of B03X). The Secretariat also asked participants whether two voluntary sub-categories of B02 should be introduced to distinguish core contributions to multilateral institutions and contributions to global funds classified as multilateral. All participants agreed with the revised proposal and generally supported the voluntary sub-categories of B02. The CEB and World Bank's representatives also supported the creation of B02 sub-categories to provide more granular information.

4. Based on the feedback received during the workshop, and on further consultations with the UN CEB Secretariat and the World Bank, the Secretariat proposes creating two sub-categories of B02 to separately identify contributions to global funds classified as multilateral.

5. Section 2 of this document presents the refined proposal for B02 and B03 co-operation modalities. It also includes a proposed classification of Financial Intermediary Funds (FIFs) and trust funds currently listed in the 41000 to 46000 channel codes categories. Section 3 concludes and provides the next steps.

6. This note is presented **FOR DISCUSSION** under item 6 of the draft annotated agenda. **Members are invited to agree on the proposals in section 2 (table 1 and Annex A).** The note will subsequently be circulated **FOR APPROVAL under the written procedure** after the meeting.

2. Proposal for B02 and B03 co-operation modalities

7. The refined proposal includes two voluntary sub-categories of B02 and modifies B03 sub-categories so that only contributions to trust funds classified as bilateral can be assigned modality B03 and its voluntary sub-modalities. The proposal is presented in Table 1 below.

Table. Proposed refinements to co-operation modalities in category B

Updated modalities are shaded, added text is underlined, ~~text to be deleted with strikethrough~~.¹

B01	Core support to NGOs, other private bodies, PPPs and research institutes	Funds are paid over to NGOs (local, national and international) for use at the latter's discretion, and contribute to programmes and activities which NGOs have developed themselves, and which they implement on their own authority and responsibility. Core contributions to PPPs, funds paid over to foundations (e.g. philanthropic foundations), and contributions to research institutes (public and private) are also recorded here. Annex 2 of the DAC Directives provides a list of INGOs, PPPs and networks core contributions to which may be reported under B01. This list is not exclusive.
B02	Core contributions to multilateral institutions and global funds	These funds are classified as multilateral ODA (all other categories fall under <u>are</u> bilateral ODA). The recipient multilateral institution pools contributions so that they lose their identity and become an integral part of its financial assets. <u>Also includes Financial Intermediary Funds (GEF, CIFs) for which the World Bank is the Trustee, as well as some UN inter-agency pooled funds, such as CERF and the UN Peacebuilding Fund. See Annex 2 of the DAC Reporting Directives for a comprehensive list of agencies, core contributions to which may be reported under B02 and its subcategories. (Section I. Multilateral institutions). Nota bene: contributions to multilateral development organisations beyond Annex 2 are not reportable in the DAC statistics. The non-ODA components of core support to multilateral organisations included in Annex 2 are not reportable either.</u>
B021	<u>Core contributions to multilateral institutions</u>	<u>Contributions in this category are pooled by the recipient multilateral institution and become an integral part of its financial assets.</u>
B022	<u>Core contributions to global funds</u>	<u>Contributions to global funds classified as multilateral including Financial Intermediary Funds for which the World Bank is the Trustee and which have gone through the Annex 2 process (GEF, CIFs) as well as some UN inter-agency pooled funds, e.g. CERF and the UN Peacebuilding Fund.</u>
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.
B031	Contributions to multi-donor/multi-entity funding mechanisms	Contributions to funding mechanisms that pool <u>resources</u> contributions from several providers donors and that are implemented by several multilateral entities e.g. UN inter-agency pooled funds, including CERF and country-based pooled funds; <u>contributions to UN country-based pooled funds and country-level development funds. Excludes contributions to global funds classified as multilateral (see B022). Includes financial Intermediary Funds (GEF, CIFs) for which the World Bank is the Trustee and which have not gone through the Annex 2 process.</u>
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.
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.

¹ References to ODA have been removed and a nota bene added in line with the proposal of co-operation modalities for OOF (cf. DCD/DAC/STAT(2021)2/REV1).

B04	Basket funding	funds/pooled	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.
-----	----------------	--------------	--

Note: Categories B01 and B04 remain unchanged.

8. At the March 2021 WP-STAT meeting, the Secretariat presented a table [cf. Annex D of DCD/DAC/STAT(2021)7] with a proposed reclassification of UN channels and FIFs. The table has been updated as per the refined co-operation modalities. A proposed classification of trust funds under the 42000 to 46000 channel code categories has also been included. The updated proposal is presented in Annex A.

9. **Note that the guidance provided by the Secretariat on the reporting of contributions to trust funds managed by UN entities, the Asian Development Bank (AsDB), and the Inter-American Development Bank (IADB) is still valid.** Only trust funds included in Annex A of this document are proposed for reclassification as indicated in the table. **The Secretariat invites members to refer to this guidance, available in DCD/DAC/STAT(2021)7 (Annexes A and B for reporting contributions to UN inter-agency pooled funds and single-entity thematic funds and Annex C for trust funds managed by the AsDB) and DCD/DAC/STAT(2020)47 (Annex E, for reporting contributions to trust funds managed by the IADB).** Guidance will also be published at <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/> and in the WP-STAT community space.

3. Conclusion and next steps

10. **Members are invited to agree on the proposals in section 2 (table 1 and Annex A).** Subject to members' agreement, the Secretariat will launch a written procedure to approve the changes that will take effect on 1 January 2022 for the reporting of 2021 expenditures.

11. **The Secretariat will progressively review all channel codes included under the multilateral category to see whether any changes are needed (e.g. from B02 to B022 for trust funds classified as multilateral), particularly in the category 47000.**

Annex A. Reclassification of multilateral channels – updated proposal

Table. Proposed reclassification of multilateral channels: UN, Multilateral Development Banks, EU, IMF, and FIFs

Channel parent category	Channel ID	Acronym (ENG)	Full Name (English)	Previous co-operation modality	New co-operation modality (sub-codes are voluntary)
40000	40000		Multilateral organisations		
41000	41000		United Nations agency, fund or commission (UN)		
41000	41100		UN entities (core contributions reportable in full)		
41100	41107	IAEA-TCF	International Atomic Energy Agency (Contributions to Technical Cooperation Fund Only)	B02	B022
41100	41145	IMO-TCF	International Maritime Organization - Technical Co-operation Fund	B02	B022
41000	41400		UN inter-agency pooled funds		
41400	41147	CERF	Central Emergency Response Fund	B02	B022
41400	41503	UN-CBPF	UN-led Country-based Pooled Funds	B03	B031
41400	41141	PBF	United Nations Peacebuilding Fund	B02	B022
41400	41401	UN-MPTFO	UN-Multi Partner Trust Fund Office		B031
41400	41501	UN-REDD	United Nations Reducing Emissions from Deforestation and Forest Degradation	B03	B031
41000	41500		UN single-agency thematic funds		
41500	41148	UNDPA-SZA	United Nations Department of Political Affairs, Trust Fund in Support of Political Affairs	B02	B032
41000	41600		Existing UN channels not included in Standard I - UN entity- of the UN Data Cube reporting framework		
41600	41318	GM	Global Mechanism	B02	B032
41600	47065	IOC	Intergovernmental Oceanographic Commission	B02	B032
41600	47078	Montreal Protocol	Multilateral Fund for the Implementation of the Montreal Protocol	B02	B022
41600	41142	UNDEF	United Nations Democracy Fund	B02	B032
41600	41126	UNMAS	United Nations Mine Action Service	B02	B022
41600	41133	UNSIAs	United Nations Special Initiative on Africa	B02	B032
41600	41132	UNSCN	United Nations System Standing Committee on Nutrition	B02	Not applicable (i)
41600	41137	UNVFTC	United Nations Voluntary Fund for Technical Co-operation in the Field of Human Rights	B02	B032

41600	41138	UNVFVT	United Nations Voluntary Fund for Victims of Torture	B02	B032
41600	41136	UNVFD	United Nations Voluntary Fund on Disability	B02	B032
42000	42000		European Union Institution (EU)		
42000	42003	EDF	European Commission - European Development Fund	B02	B021
43000	43000		International Monetary Fund (IMF)		
43000	43006	IMF-CCR	Catastrophe Containment and Relief Trust	B02	B022
43000	43005	IMF-PCDR	International Monetary Fund - Post-Catastrophe Debt Relief Trust	B02	B022
43000	43002	IMF-PRG-HIPC	International Monetary Fund - Poverty Reduction and Growth - Heavily Indebted Poor Countries Debt Relief Initiative Trust Fund [includes HIPC, Extended Credit Facility (ECF), and ECF-HIPC sub-accounts]	B02	B022
43000	43004	IMF-PRG-MDRI	International Monetary Fund - Poverty Reduction and Growth - Multilateral Debt Relief Initiative Trust	B02	B021 (ii)
43000	43001	IMF-PRGT	International Monetary Fund - Poverty Reduction and Growth Trust	B02	B022
43000	43003	IMF-EPCA-ENDA	International Monetary Fund - Subsidization of Emergency Post Conflict Assistance/Emergency Assistance for Natural Disasters for PRGT-eligible members	B02	B022
44000	44000		World Bank Group (WB)		
44000	44006	AMCs	Advance Market Commitments	B02	B022
44000	44003	IDA-HIPC	International Development Association - Heavily Indebted Poor Countries Debt Initiative Trust Fund	B02	B022
44000	44007	IDA-MDRI	International Development Association - Multilateral Debt Relief Initiative	B02	B021 (iii)
46000	46000		Regional development bank		
46000	46018	EBRD-ETC	European Bank for Reconstruction and Development - Early Transition Countries Fund	B02	B022
46000	46017	EBRD TFs - All Countries	European Bank for Reconstruction and Development – technical co-operation and special funds (all EBRD countries of operations)	B02	B022
46000	46016	EBRD TFs - ODA Countries Only	European Bank for Reconstruction and Development – technical co-operation and special funds (ODA-eligible countries only)	B02	B022
46000	46019	EBRD-WBJTF	European Bank for Reconstruction and Development - Western Balkans Joint Trust Fund	B022	B022
46000	46013	IDB FSO	Inter-American Development Bank, Fund for Special Operations	B02	B021 (iv)
47000	47000		Other multilateral institution		
47000	47111		Adaptation Fund	B02	B022
47000	47015	CGIAR	CGIAR Fund	B02	B022
47000	47134	CTF	Clean Technology Fund	B02	B022
47000	47503	GAFSP	Global Agriculture and Food Security Program	B03	B031 (v)
47000	47122	GAVI	Global Alliance for Vaccines and Immunization	B02	B022
47000	47129	GEF-LDCF	Global Environment Facility - Least Developed Countries Fund	B02	B022
47000	47130	GEF-SCCF	Global Environment Facility - Special Climate Change Fund	B02	B022

47000	47044	GEF	Global Environment Facility Trust Fund	B02	B022
47000	47501	GPE	Global Partnership for Education	B03	B031 (v)
47000	41317	GCF	Green Climate Fund	B02	B022
47000	47107	IFFIm	International Finance Facility for Immunisation	B02	B022
47000	47135	SCF	Strategic Climate Fund	B02	B022

Note: Only contributions to trust funds are included here. Contributions to multilateral institutions classified as B02 would continue to be classified as B02 or B021 (for members able to report using the voluntary sub-categories). The proposal on the bilateral/multilateral classification for the UN is based on the CEB Room document presented at the March 2021 meeting, no changes have been made.

(i) UNSCN has been merged under UN Nutrition as of 1 January 2021.

(ii) The classification of this trust fund is pending confirmation by the IMF.

(iii) As confirmed by the World Bank's group at the April 2021 workshop.

(iv) Part of the IADB's ordinary capital since 2016.

(v) The World Bank's group has confirmed that contributions to the GAFSP and GPE and should remain bilateral since they do not comply with the definition of multilateral. It has also confirmed that going forward World Bank FIFs that have not gone through the Annex 2 process should be reported as B031.