

## **Type of Aid**

### *Proposal for expansion of current code-list on aid modalities*

#### Introduction

The current code-list for 'Type of Aid' came out of the Paris Declaration and Accra Agenda, making it a priority to identify and monitor the fully aligned and/or harmonised aid-modalities under A and B. In these modalities, 'Earmarking' is not an option. In effect, all kinds of earmarked contributions are to be counted as 'Projects', reported as Type C01.

This has left space for others to define competing code-lists based exclusively on the different degrees of 'earmarking'. One example we need to pay attention to is the Annex I of the Grand Bargain – the outcome of the Humanitarian Summit in Istanbul, May 2016.

Disregarding existing international standards, the Grand Bargain highlights a gap in our ability to tell how we cooperate in 'Development Cooperation'; we do not share a relevant vocabulary.

The immediate objectives of this proposal are to:

- Allow Grand Bargain monitoring to rely on international, DAC standards; include, in our code-list, the missing elements for various 'degrees of earmarked contributions', and
- Establish the unambiguous definition needed for 'aid-modality', as one of the most essential data-elements to define the required 'Transparency' – allowing us to prioritise the data that should be published.

#### Current treatment of 'Earmarked' funds

Earmarking is not a scientific concept; earmarking is rather defined negatively – as 'what it's not'. Distinguishing different ways of 'not being core funds' with various degrees of 'not being (entirely) flexible' has not been an issue in DAC statistics, so far.

B03 is not core-funds, but it shares one quality with the core-funding: The 'earmarking' is defined by the International Organisation; funds are entirely flexible within B03 reportable funds and programmes. If a donor add any bilateral earmarking, then it is not B03 (C01 by default).

Similar, for B04: These funds are 'jointly managed'; funds are entirely flexible within the basket/pool vehicle. Any degree of specific earmarking by one of the donors implies that the funds affected by the earmark is not B04 (C01 by default).

Since the aligned and harmonised modalities takes precedence, any sort of bilateral earmarking will guide the DAC-rapporteur to apply type C01 instead of any B types. In the clarification of C01 it is referred to as 'Aid channelled through NGOs or multilaterals is also recorded here ..'.

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#### Currently valid interpretation of 'Grand Bargain' terminology

Grand Bargains term A and B qualify as core contributions, under DAC type\_of\_aid codes B01 or B02 (depending on the Channel of Delivery).

C qualifies as Type of Aid B03, if the slightly confusing 'Remarks' are disregarded.

F seems to match B04

D, E, G, H, I, J, K, L is only reportable as C01.

#### What is needed?

One of the commitments of the Grand Bargain is to 'reduce the earmarking of donor contribution'. However, the Bargain falls short in the following ways: 1) ignoring that there is an international standard to build upon and 2) providing largely nonsense in the crucial annex on the very terminology needed in order to monitor specific commitments to 'reduce earmarking'.

The needed, statistical code-list must enable monitoring of two Grand Bargain commitments:

1. '... 30% of humanitarian contributions <should be> non-earmarked or softly earmarked by 2020.'
2. 'Reduce the degree of earmarking of funds ...'

#### What is missing?

Grand Bargain terms D and E: Modalities where donors add quite general geographical or thematic/strategic directions, while maintaining full flexibility in the other dimension.

Grand Bargain term G and H: Very specific geographical or thematic/strategic directions, while maintaining full flexibility in the other dimension.

For consideration: Is the relevant distinction between 'more or less earmarked' really between D+E and G+H, or might it be better to register whether earmarking is defined in one or more dimensions?

Grand Bargain term I equals C01 - perhaps with an implicit condition that the design must still respect and reflect the strategy/plan of the organisation.

Grand Bargain terms J and K reflects various types of nitty-gritty donor management-requirements, but appears not to be thought through – having definitions with 'and' clauses, without considering the relevant terms for 'or' events.

Grand Bargain term L hints at events where any kind of donor-contribution includes, as a condition, that the organisation must implement a specific project (or other kind of activities?) that are strictly outside the strategic plan of the organisation

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#### How can it be delivered?

The grouping of 'non-earmarked and softly earmarked' modalities in Grand Bargain equals DAC codes B01+B02+B03+B04 plus a new, generally agreed definition of the 'softest' kind of earmarks.

Monitoring reduction in '.. the degree of earmarking' makes it necessary to define a continuum of modalities, being more and more earmarked, meaning 'less and less flexible', implicitly understood as 'less and less effective' and 'more and more damaging for the overall outcome'.

#### Proposed changes to the list of Type of aid

**Revision of B03:** Currently, B03 includes only multilaterals and international organisations. It should include the same subset of channels of delivery where core-funding is reportable as B01 or B02; i.e. B03 should include all NGO's, PPP's & research institutions, also national entities.

**Addition of BOX:** Single earmarked contributions to funds and programmes that would otherwise have been reportable as B03 or B04, or even core funding. The earmarking or restriction can only target one dimension (thematically or geographically) – the organisation must maintain full flexibility in the other.

**Addition of BOY:** Double earmarked contributions where the donor limits the flexibility in both the thematic and the geographical dimension.

**Addition of B0Z:** Co-managed contributions, where the utilisation of funds is made dependent on approval by the donor/funding organisation.

This is not a translation of the Grand Bargain terminology, but an attempt to arrive a more generic relationship between earmarking and effectiveness. One assumption is that if an organisation receives earmarked contribution, it is of lesser importance whether e.g. a geographical limitation is specifying a country or a region – it is more important if there are limitations in thematic/strategic dimensions as well, or any special management procedures. It would be very useful to get response from multilaterals and international organisations, on the perceived burden of various 'types' of earmarking, to assess the degree of consensus.

Tying status does not define modalities – it is a separate data-element. Provision of in-kind assistance, does not constitute 'modalities' as such (even though TA and Scholarships are included on the code-list). It is not proposed to add a type of aid to capture Grand Bargain term J+K, since the information should be derived from type C01 in combination with data on tying status, and type D01.

Grand Bargain term L, referring to donor/funding organisations that force their partners to implement activities that falls outside the scope/strategy of the organisation, deserves attention as the most extreme kind of earmark, if it can be defined as a modality anyone could be expected to report against.

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#### Wider perspectives

This proposal concerns aid type B only, but it could be an issue whether we should aim for a degree of 'symmetry' between the main types. Would it e.g. be equally relevant to have 'earmarking'-options under type A, expanding it to cover other modalities than Budget Support? Would it be worthwhile to analyse the actual content of 'C01', assessing whether it could be dissolved into more types? Could we be more accurate in our definition of modalities, not mixing it with e.g. channel (merge B01 and B02)? Should we be more clear in the distinction between modalities and purposes (do without H01, as it is captured by purpose 99820)?

I would suggest that we save this for another occasion. It does not share the degree of urgency we are facing with the Grand bargain commitment 8.1; to '.. initiate this reporting by the end of 2017'.

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References: Current type\_of\_aid code-list, the Annex I of the Grand Bargain and the relevant Grand Bargain Commitment 8.