

Development Co-operation Directorate
Development Assistance Committee**DAC Working Party on Development Finance Statistics****PROPOSAL ON MULTIPLE PURPOSE CODES FOR THE CRS****4-5 July 2016**

At the WP-STAT meeting in March 2016, the Secretariat presented a note on multiple purpose codes [DCD/DAC/STAT(2016)4] to re-initiate a discussion on this methodology in the context of monitoring development finance in support of the SDGs. In general, members were in favour of introducing multiple purpose code reporting in the CRS, potentially using percentages. The Secretariat was tasked to prepare a proposal for members' consideration at the July 2016 meeting.

This note presents the proposal (see paragraphs 14-18) for members' APPROVAL under item 9 of the draft annotated agenda [DCD/DAC/STAT/A(2016)2].

Contacts:Valérie Thielemans: valerie.thielemans@oecd.orgAimée Nichols: aimee.nichols@oecd.org**JT03398080****Complete document available on OLIS in its original format***This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.*

PROPOSAL ON MULTIPLE PURPOSE CODES FOR THE CRS

1. At the WP-STAT meeting in March 2016, the Secretariat presented a note on multiple purpose codes [DCD/DAC/STAT(2016)4] to re-initiate a discussion on this methodology in the context of monitoring development finance in support of the SDGs. In general, members were in favour of introducing multiple purpose code reporting in the CRS, potentially using percentages.¹ The Secretariat was tasked to prepare a proposal for members' consideration at the July 2016 meeting.

2. First, this note presents reasons to consider introducing a multiple purpose code system. Then it summarises feedback gathered from members who have a multiple purpose code system already in place and examines consequences on reporting and presenting data. Lastly, members will be invited to consider the proposal detailed in paragraphs 14-18 and approve its implementation during a trial period of three years in the CRS.

I. Why implement a multiple purpose code system?

3. At present, only one sector (purpose code) can be assigned to each contribution reported to the CRS. Statistical presentations are easy to prepare on this basis and there is no risk of double-counting. When a contribution benefits several sectors, the sector that receives the largest proportion of the contribution should be reported². In these cases, assigning only one purpose code per activity may result in overestimating support to some sectors and underestimating that to others. To address this issue, some members follow a practice of splitting large projects into several components.

4. In a multiple purpose code system an activity can, if necessary, be assigned more than one purpose code. This enables both identification of sub-sectors in broader sectoral projects/programmes and identification of different sectors in multi-sector projects. Members that have implemented a multiple purpose code system³ generally also collect data on the amounts (or percentages) allocated to different purpose codes (see paragraphs 8-9 below). The objective is to avoid double-counting and misinterpretations and improve both the accuracy of sectoral analyses and the quality (descriptiveness) of data on multi-sector activities.⁴

5. The implementation of the 2030 Agenda for Sustainable Development, with interconnections and cross-cutting elements across the goals and targets, is likely to increase development co-operation targeting multiple purposes. For example, a project which aims to increase soil productivity and reduce the risks of natural disasters (including flooding and landslides) could be assigned codes *14040 "River basins"*

1. See Action points circulated by email STAT(2016)27, paragraph 19.

2. See Reporting Directives in DCD/DAC(2016)3/FINAL, paragraph 177.

3. Five members, one multilateral organisation and one non-DAC provider.

4. For example, some sectors/activity areas that are not well represented in the CRS database, such as *41050 "Flood prevention/control"*, may benefit from multiple coding. Components of projects targeting only one sector would also be better reflected, e.g. an education project coded under 11110 could be assigned sub-codes of the education sector.

development”, 41050 “*Flood prevention/control*” and/or 31130 “*Agricultural land resources*”. Therefore, in the context of the 2030 Agenda, it is timely to reconsider implementing a multiple purpose code system in the CRS.⁵

6. However, a multiple purpose code system will not be sufficient for monitoring development finance in support of the SDGs. Adjustments are required also to better align the purpose codes (and policy markers) with the SDGs.⁶ Even if the CRS classifications cover the large majority of the SDG topics (only a few areas are not mentioned), some cannot be separately identified. For example, “sustainable tourism” can be mapped to purpose code 33210 “*Tourism policy and administrative management*”, but this does not allow tracking support for SDG Targets 8.9, 12.b or 14.7 because the “sustainability” dimension is not present in the 33210 definition. Similarly, “sustainable production” activities cannot be separately identified.

7. Multiple purpose coding should not be seen as a substitute for existing policy markers (e.g. 41010 should not be added to sustainable projects which should instead be assigned the environment marker). They may, on the other hand, help reduce the need for new markers in the future (e.g. nutrition-sensitive activities could be captured in this way).

II. Members’ experience with multiple purpose codes

8. Since November 2015, members have been requested to share their views on multiple purpose codes both in WP-STAT meetings and in writing. In addition, the Secretariat organised phone calls with some of the providers that already have a multiple purpose code system in place to obtain feedback, in particular on the operational aspects. Members are generally in favour of a multiple purpose code system, and some are currently developing one. Only a few members have expressed reservations, either about the technical implications of implementing a multiple purpose code system in their internal systems or the complexity of their use.

9. Main insights from members that already have a multiple purpose code system in place include:

- All five members are using percentages that must add up to 100%. One member is using a predefined weighted system, while the others use percentages attributed by desk officers.
- One member can assign an unlimited number of purpose codes, one can assign up to 12, another one is limited to 8, and two are limited to 3.
- Two members report their projects to the CRS split in several lines, one line per purpose code. Three members report their projects in one line with the purpose code presenting the highest percentage.

10. In general, members who already have a multiple purpose code system in place find that it is helpful for presenting and analysing sectoral data of their development co-operation and that data quality is good. Almost all have signalled the need to train desk officers to correctly apply the methodology and the need to explain how data based on multiple purpose codes differ from those based on only the main purpose code.

5. A summary of WP-STAT discussions on multiple purpose codes in the past is available in DCD/DAC/STAT(2008)2.

6. A proposal on adjustments to policy markers and purpose codes is presented in DCD/DAC/STAT(2016)13.

Finland pilot

11. Since 2011, Finland is using a multiple purpose code system with a maximum of three purpose codes with percentages that must add up to 100%. Finland reports to the CRS on the main purpose code. Finland kindly provided the Secretariat with 2014 data with multiple purpose codes as they are stored in their system. These were used to compare the sectoral breakdown using multiple codes with the breakdown using only the code having the highest percentage.

12. On 1022 projects with commitments extracted from the CRS database for Finland for 2014⁷, 999 projects could be matched with the file provided by Finland, of which some (749) assigned only one purpose code and others (250) 2 or 3 purpose codes. Only projects that could be matched have been used in the study. The main results were as follows:

- Some sectors that were not assigned to any activities in a single purpose code system (1PPC) are assigned in the multiple purpose code system (MPC), such as:

23010	Energy policy and administrative management
31130	Agricultural land resources
32110	Industrial policy and administrative management
32220	Mineral prospection and exploration
41020	Biosphere protection

- Some codes are used more in MPC, such as:

12281	Health personnel development
13040	STD control including HIV/AIDS
14010	Water sector policy and administrative management
14032	Basic sanitation
15110	Public sector policy and administrative management
31166	Agricultural extension
31191	Agricultural services
41050	Flood prevention/control
41082	Environmental research

- Others are assigned less in MPC, such as:

12191	Medical services
12220	Basic health care
15152	Legislatures and political parties
22010	Communications policy and administrative management
31181	Agricultural education/training
41030	Bio-diversity
72050	Relief co-ordination; protection and support services
73010	Reconstruction relief and rehabilitation

- In some cases, multiple purpose coding has been used to specify the destination of aid inside a broad sector. For example, a project assigned in the CRS with the purpose code *14010 "Water sector policy and administrative management"* is coded in Finland like this:

7. Core contributions to multilateral institutions (B02) have been excluded as they are automatically assigned purpose code 99810 in the CRS.

50%	14010	Water sector policy and administrative management
30%	14030	Basic drinking water supply and basic sanitation
20%	14015	Water resources conservation (including data collection)

- In other cases, multiple purpose coding has been used to assign different sectors. For example, a project assigned in the CRS with the purpose code *11110* “*Education policy and administrative management*” is coded in Finland like this:

50%	11110	Education policy and administrative management
25%	22010	Communications policy and administrative management
25%	16010	Social/ welfare services

13. The impact of using multiple purpose codes on the overall sectoral breakdown of Finland’s pilot is shown in Figure 1 and Table 1 below. They show that the volume of ODA to “*health*” and “*population*” decreases whereas that to “*education*”, “*government and civil society*”, “*economic infrastructure*” and “*other social infrastructure and services*” increases. The volume of ODA in the category “*unspecified*” also decreases; this may be a sign of being able to capture more precise coding. Although at the level of broad sectors and in volume terms the differences in the sector breakdown seem small (in the case of Finland’s pilot), they can be more significant in relative terms.

Figure 1. Finland pilot DAC5 sectoral breakdown comparing the 2 methods commitments, 2014, USD millions

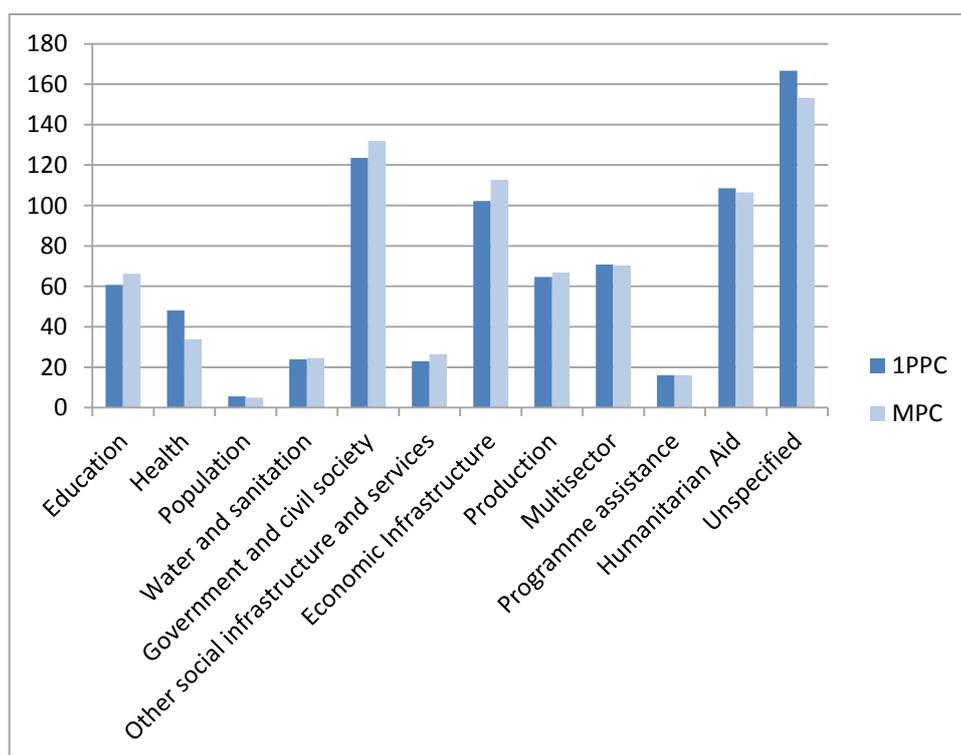


Table 1. Finland pilot DAC5 sectoral breakdown comparing the 2 methods commitments, 2014, USD millions

DAC5 sectors	1PPC	MPC	% change
Education	61	66	9.1
Health	48	34	-29.4
Population	6	5	-10.6
Water and sanitation	24	24	2.2
Government and civil society	124	132	6.8
Other social infrastructure and services	23	26	15.0
Economic Infrastructure	102	113	10.2
Production	65	67	3.4
Multisector	71	70	-0.7
Programme assistance	16	16	0.1
Humanitarian Aid	108	107	-1.8
Unspecified	167	153	-8.0
Total	814	814	

III. Proposal on multiple purpose codes for the CRS

14. Based on discussions with members and the above analysis, the following proposal to introduce a system of multiple purpose code reporting in the CRS emerges:

- Create additional fields for purpose codes and their corresponding percentages (applicable to both commitments and disbursements). A maximum of three purpose codes could be sufficient to describe a project.
- Given that not all activities have multiple targets, some activities would only be reported with a single purpose code.
- Members who are not able to report on multiple purpose codes can still report only one code.
- Adjust DAC statistical presentations and analyses of sectoral data so that they are based on the multiple purpose codes and their related percentages. The CRS dataset in OECD.Stat and the underlying microdata could present amounts allocated to all reported purpose codes (as done currently). The bulk download file should, however, allow the users to see the data at the project level in a single line with total amounts, showing the purpose codes and their percentages in extra columns.

15. Implementing the above proposal would entail adjustments to the Secretariat's databases and also have an impact on the quality control procedures, as the checking would be rendered more complex. Processing and checking the incoming data would take longer. On the other hand, the number of

transactions would be reduced in comparison to the current situation where some members using multiple purpose codes at home split the activities when reporting to the CRS.⁸

16. The alternative to a multiple purpose code system is splitting projects. This may work well if project numbers allow the tracking of the components of the project. Otherwise, the splitting will result in an apparent fragmentation of aid. In order to bring together the different components of the project in an automated manner, members' reporting needs to be aligned (e.g. ideally maintain the same project number for all project components, or systematically add a suffix to the project number or to the CRS id).

17. Taking into account the above considerations, the Secretariat proposes introducing a multiple purpose code system for CRS reporting during a three year trial period. Guidelines on how to apply multiple purpose coding will need to be drafted, and data should be reviewed at the end of the trial period to ensure reporting practices are homogenous.

18. At the WP-STAT meeting on 4-5 July 2016, members are invited to consider the proposal in paragraph 14 and state whether they agree to:

- **Introduce a multiple purpose code system, involving the introduction of new fields in the CRS format to store up to 3 purpose codes and their corresponding percentages.**
- **Implement this multiple purpose code system in 2018 on 2017 flows, with a trial period of three years.**

19. If so, the Reporting Directives will be updated accordingly for members' approval by the end of 2016.

8. There are cases where numerous lines contain the same information in all fields except for purpose codes, recipient codes and amounts. An extreme example is a project reported in 2014 which was split both by purpose codes and recipient codes, resulting in 185 lines.