DAC Working Party on Development Finance Statistics

Multiple purpose codes

WP-STAT Informal Meeting

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Contacts:
Valérie Thielemans (valerie.thielemans@oecd.org)
Aimée Nichols (aimee.nichols@oecd.org)

JT03392488

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MULTIPLE PURPOSE CODES

1. Multiple purpose codes have been discussed in WP-STAT meetings in 2005, 2006 and 2008. Although members expressed interest in the proposition, no consensus was ever reached. Today, in the context of the review of the purpose codes in light of the SDGs and the overall modernisation of DAC statistics, it seems timely to consider whether the multiple codes would improve the usefulness of DAC statistics for analysing development finance in support of the 2030 Sustainable Development Agenda. The issue was raised at the November 2015 WP-STAT meeting and it was agreed that, as a first step, members would provide the Secretariat feedback on their experience with multiple purpose codes and that the Secretariat would subsequently develop a proposal for discussion during the 1st quarter of 2016.1

2. The key elements of the proposal discussed in 2006 [DCD/DAC/STAT(2006)9] are reproduced in the Box 1 below. In the Secretariat’s view, the description of the challenges of purpose coding remains valid; the principles for a multiple purpose code system that were suggested also seem largely applicable today although certain elements would need to be updated/revised.

Box 1. Key elements of the proposal on multiple purpose codes discussed in the WP-STAT in 2006

Reporting on the purpose of aid in DAC and CRS systems is based on the principle that each activity can be assigned only one purpose code. This has several advantages. The directives are clear. Statistical presentations are easy to prepare. There is no danger of double-counting as each activity has only one code and all codes add up to total ODA. But there are limitations too. Contributions that benefit several sectors are assigned to the sector that receives the largest proportion of the contribution. This implies that aggregate statistics may underestimate aid to some sectors and overestimate aid to others. While there is a general agreement that statistics based on single purpose codes are sufficiently accurate for establishing overall sectoral breakdowns and monitoring trends over time, accuracy is of concern when statistics are used for measuring members’ performance against sectoral targets (e.g. aid to basic social services). Underestimation can be an issue also when members’ support to a sector is examined in a detailed manner in preparation of various events.

In a multiple purpose code system an activity can, if necessary, be assigned more than one purpose code. For example, a basic health care programme with a family planning component could be assigned codes 12220 and 13030. If upgrading basic drinking water supply was another component of the same programme, it could also be assigned code 14030. In a single purpose code system, this activity can be identified solely as aid to basic health. Through multiple purpose codes it is possible to associate it also to family planning and water supply. Sectoral studies carried out over the last few years have suggested that various data analyses undertaken by the Secretariat would benefit from more detailed purpose coding of such multisectoral activities. Multiple purpose codes may reduce the amounts recorded as multi-sector aid and so make ODA statistics more relevant.

Misuse can arise from imprecise purpose coding or misunderstanding the objective of multiple purpose codes. Errors or inconsistencies could occur frequently, given that in most members’ systems purpose codes are assigned by many desk officers. This suggests that for a multiple purpose code system to bring useful improvements in data quality, members will need to:

- ensure they will survey the quality of multiple purpose code data by verifying the codes before reporting to

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1 Cf. Action points of the WP-STAT meeting 2-3 November 2015. A reminder for feedback was sent to members by email on 2nd February 2016; responses have so far been received from Denmark, EU, Finland, the Netherlands, Sweden and Switzerland. Finland, Sweden and Switzerland already have in place a system of multiple purpose codes and EU will be implementing a system.
The principles for a multiple purpose coding system for the DAC were described as follows:

- The current reporting directives state that the purpose code should be assigned by answering the question “what specific area of the recipient economy is the transfer intended to foster?”. The same principle should apply to secondary purpose codes, i.e. purpose codes should not be used to reflect the form or the policy objectives of aid. Thus, multiple purpose codes will apply only to sector-allocable aid, and only sector-allocable codes may be used.

- DAC aggregate statistics on the purpose of aid will continue to be based on the primary purpose code to maintain the historical time series, to permit easy production of sectoral breakdowns of ODA, and to ensure there is no double-counting. Standard statistical products (e.g. statistical annex of the Development Cooperation Report, the geographical book, standard suite of tables in the peer reviews) will all present primary purpose code data only.

- The secondary purpose codes would serve for analysis, by estimating aid extended to a specific sector through projects and programmes primarily targeted to other sectors. They would be considered as supplementary data (i.e. analyses would take into account the fact that not all members can report on secondary purpose codes). Initially, they would only be used in the context of specific studies with members’ approval; they would not be publicly available (i.e. not online).

- The CRS reporting format (CRS++) will be modified to allow reporting of a maximum of three purpose codes. No data will be collected on the amount committed per purpose code. For large activities (e.g. sector programmes) the recommendation to split the activity (providing the data on amounts allocated to various components are from the activity budget) remains valid.

The WP-STAT will be invited to discuss experience with multiple purpose codes after three years to assess whether these have enriched analyses as planned and could possibly be incorporated into special tables in the standard products.

3. There are more and more queries for data capturing components of projects other than the primary sector. At the same time, members’ data systems have evolved in recent years and could perhaps easily accommodate a multiple purpose coding system. To reinitiate the discussion, and with a view to developing a proposal for consideration at the July 2016 meeting of the WP-STAT if there is sufficient interest, members are invited to comment on:

- The possibility of increasing the number of purpose code fields in the CRS from one to three; and

- Two methodological options: predefined system of weighting (see below) or multiple purpose coding using percentages (which would necessitate additional fields to record the percentages).

Examples

4. Box 2 provides an example of using multiple purpose codes in analysis, extracted from the previous proposal. This is followed by an example of a predefined system of weighting. A method using weights will assign predefined percentages to the amount of the activity, depending on the number of purpose codes used and the order attributed to the purpose codes.

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2. The proposal on a predefined system of weights is based on feedback from Switzerland.
Box 2. Example of using multiple purpose codes in analysis (extract from DCD/DAC/STAT(2006)9)

Sectoral analyses based on a multiple purpose code system should generally differentiate between activities that have been assigned several purpose codes and those with only one purpose code. Using an example of HIV/AIDS control, this implies calculations in three steps as follows:

Step (i) Identify activities with code 13040 that have been assigned only one purpose code. These activities are entirely for HIV/AIDS control.

Step (ii) Identify activities with code 13040 as the 1st purpose code but that also have a 2nd and possibly a 3rd purpose code. A proportion, but not the full amount of these activities, is spent on HIV/AIDS control.

Step (iii) Identify activities with code 13040 as a 2nd or 3rd purpose code. A proportion, but not the full amount of these activities, is spent on HIV/AIDS control.

The sum of activities under (i) and (ii) corresponds to data retrieved using the current single purpose code method of the CRS. This method would continue to be used in standard statistics (e.g. aggregate data series such as current Table DAC5, overall sectoral breakdown of ODA).

In more detailed data analysis, activities under (i) would be shown as the lower limit, (i)+(ii)+(iii) as the upper limit, and (i)+(ii) as the best estimate.

Example of a method using weights:

5. Suppose 3 possible cases (an activity with a single purpose code, or 2 codes, or 3 codes) and the following weights:

   Case a: 1 purpose code:  100%
   Case b: 2 purpose codes:  70, 30%
   Case c: 3 purpose codes:  50, 30, 20%

6. If we apply a system of weights to the example in Box 2 (above):

   − Step (i) counts data assigned with only the 13040 purpose code (100% as in case a above).

   − Step (ii) counts data assigned 13040 as first purpose code, but that also have a second or a third purpose code. Only 70% (if 2 purpose codes as in case b above) or 50 % (if 3 purpose codes as in case c above) of the amount are included in that case.

   − Step (iii) counts data assigned 13040 as the 2nd or 3rd purpose code. Only 30% is counted if in second position (as in cases b and c above) and only 20% if in third position (as in case c above).

Testing the method - comparing results with and without a system of weights

7. Table 1 below presents a fictitious example of 6 projects which include a component of 13040 “STD control including HIV/AIDS”. The last column shows the weights from the example above to apply, depending on the number of purpose codes assigned and the place of purpose code 13040.
Table 1

<table>
<thead>
<tr>
<th>Activity project number</th>
<th>ppc1</th>
<th>ppc2</th>
<th>ppc3</th>
<th>USD commitments</th>
<th>Weights to apply</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>13040</strong></td>
<td></td>
<td></td>
<td>1000</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td><strong>13040</strong></td>
<td>12220</td>
<td></td>
<td>2000</td>
<td>0.7</td>
</tr>
<tr>
<td>3</td>
<td><strong>13040</strong></td>
<td>12240</td>
<td>11220</td>
<td>3000</td>
<td>0.5</td>
</tr>
<tr>
<td>4</td>
<td>12220</td>
<td></td>
<td><strong>13040</strong></td>
<td>2000</td>
<td>0.3</td>
</tr>
<tr>
<td>5</td>
<td>11220</td>
<td></td>
<td><strong>13040</strong></td>
<td>1000</td>
<td>0.3</td>
</tr>
<tr>
<td>6</td>
<td>11220</td>
<td>12220</td>
<td><strong>13040</strong></td>
<td>2000</td>
<td>0.2</td>
</tr>
</tbody>
</table>

8. Table 2 shows amounts from the fictitious example in the above table that would be counted against 13040 “STD control including HIV/AIDS” in projects which have been assigned one, two or three purpose codes, and how these would vary depending on the place of the purpose code 13040 and whether or not a system of weights is applied.

Table 2

<table>
<thead>
<tr>
<th>Step</th>
<th>Project number of relevant activities</th>
<th>Sum without weights</th>
<th>Sum with weights</th>
<th>Calculation of sum with weights</th>
</tr>
</thead>
<tbody>
<tr>
<td>i</td>
<td>1</td>
<td>1000</td>
<td>1000</td>
<td>=1000*1</td>
</tr>
<tr>
<td>ii</td>
<td>2,3</td>
<td>5000</td>
<td>2900</td>
<td>=2000<em>0.7+3000</em>0.5</td>
</tr>
<tr>
<td>iii</td>
<td>4,5,6</td>
<td>5000</td>
<td>1300</td>
<td>=2000<em>0.3+1000</em>0.3+2000*0.2</td>
</tr>
</tbody>
</table>

Best estimate calculations: * (i)+(ii)  
** (i)+(ii)+(iii)

9. The first column refers to the steps described in Box 2 above. The second column identifies the project number of the activities taken into account in each step. The third column shows the total amount of the sample of activities that would be counted as 13040 if no weights are applied. The fourth column shows how the weights are applied, depending on the number of purpose codes assigned to an activity and their order. The last column shows the amounts and weights taken into account to calculate the sum in the fourth column.