

Development Co-operation Directorate
 Development Assistance Committee

DAC Working Party on Development Finance Statistics

ADJUSTING PURPOSE CODES AND POLICY MARKERS IN LIGHT OF THE SDGS

Proposal on investment

Formal meeting of the Working Party on Development Finance Statistics (WP-STAT), 20-21 June 2017

This note is presented for APPROVAL under item 11.a of the draft annotated agenda [DCD/DAC/STAT/A(2017)2/REV1].

This note proposes to :

- *Remove specific areas related to investment covered in purpose code 15110-Public sector policy and administrative management and move them to separate codes by converting budget identifier voluntary codes to official purpose codes for 15125-Public procurement and 12142-Macro-economic policy*
- *Split purpose code 25010-Business Support Services and Institutions into Business Policy and Administration and Business Development Services*
- *Create a new purpose code “Responsible Business Conduct” under DAC5 sector 250-Business and Other Services.*
- *Edit the clarification notes of purpose code 32130-SME Development*

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ADJUSTING PURPOSE CODES IN LIGHT OF THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)

1. At its meetings over the past two years, the Working Party on Development Finance Statistics (WP-STAT) has discussed possible adjustments to the CRS purpose codes and policy markers to better align them with the 2030 Agenda for Sustainable Development. While they generally map well with the SDGs, some gaps do exist and the Secretariat has received requests from various stakeholders to adapt the classifications to make them more useful for the monitoring of development co-operation [official development assistance (ODA) and broader development finance] in support of the 2030 Agenda.

2. This note invites members to approve a proposal to introduce a number of changes to the CRS purpose codes in order to facilitate the measurement of **aid for investment** and, in turn, analyses on its contribution to the implementation of the SDGs. A revised draft proposal, taking into account members' comments on a first proposal¹ was presented for discussion at the WP-STAT informal meeting on 28 February-1 March 2017. Following a member's comment, the proposal to split the code *15130- Legal and Judicial Development* in *commercial* and *non-commercial affairs* has been suppressed. Otherwise, the proposal below is the same as in DCD/DAC/STAT(2017)6.

3. The proposal is presented in detail in Table 1 (codes will be assigned once proposals have been approved by members) for implementation in 2019 reporting on 2018 activities.

Background to the proposal

4. Investment is essential to achieve the SDGs as it contributes to: the eradication of poverty (Goal 1); job creation and economic growth (Goal 8); the provision of infrastructure services (Goals 6, 7 and 9); industrialisation (Goal 9) and sustainable production and consumption (Goal 12). Furthermore, investment is an integral component of the development finance architecture agreed in the third Financing for Development Conference in Addis Ababa and in the related Addis Ababa Action Agenda (AAAA), which emphasises the role of development partners in supporting an enabling environment for private investment in developing countries. This assistance includes (i) promoting appropriate policy frameworks for investment; (ii) expanding companies' (particularly SMEs) access to finance; and (iii) contributing to firms' skill and technological upgrading.

5. Given the importance of investment in the current development agenda, it is crucial to capture, in DAC statistics, support to developing countries to enhance the investment climate and to attract private investment. However, the current purpose category classification does not allow for easy measurement of such support. In fact:

- Certain activities related to improving the investment climate (e.g. macro-economic policy; procurement) under purpose code *15110-Public Sector Policy and Administrative Management* can be separately identified from broader interventions for general public sector policy and administration using budget identifier voluntary codes (e.g. civil service reform; support for aid

1. See DCD/DAC/STAT/RD(2016)2/RD4 presented to the WP-STAT at its July 2016 meeting.

co-ordination). However, because these codes are voluntary, members are not obliged to use them.

- The purpose code *25010-Business Support Services and Institutions* includes a variety of interventions, such as business environment reforms, provision of support services by public and private institutions and enterprise development, that would need to be captured separately to allow for granular analyses.
- The description of purpose code *32130-SME Development* needs to be improved to provide more guidance on how to report projects accurately. In fact, many projects reported under this purpose code are very similar to those reported under purpose code *25010-Business Support Services and Institutions*. Both include projects related to business environment reforms, provision of business support services by public and private institutions and enterprise development.
- Responsible Business Conduct has no distinct purpose code despite its growing importance in development co-operation. Currently, activities related to this area are scattered in several purpose codes such as *32130-SME Development*; *25010-Business Support Services and Institutions*; *24030-Formal sector financial intermediaries*; *15160-Human rights*; *99810-Sectors not specified*; *15150-Democratic participation and civil society*.

Proposal

6. Against this background, the Secretariat proposes a number of changes to the CRS purpose codes in order to facilitate the measurement of aid for investment and, in turn, analyses on its contribution to the implementation of the SDGs.

- Remove specific areas related to investment covered in purpose code *15110-Public sector policy and administrative management* and move them to separate codes by converting budget identifier voluntary codes to official purpose codes for:
 - *15125-Public procurement*
 - *12142-Macro-economic policy*
- Split purpose code *25010-Business Support Services and Institutions* into two codes as follows:
 - *Business Policy and Administration* - rename existing code 25010 and modify coverage to exclude business development services.
 - *Business Development Services* – create new code.
- Create a new purpose code “*Responsible Business Conduct*” under DAC5 sector *250-Business and Other Services*. Relevant activities are currently reported under a variety of DAC5 sectors (including code *250-Business and Other Services*), so this change will slightly affect DAC5 series.
- Edit the clarification notes of purpose code *32130-SME Development* to provide more guidance on activities to be reported and to explain the distinction with other (existing and proposed) related codes, i.e. business policy and administration; business development services; and agricultural development.

7. The detailed proposal is presented **for members’ approval** in Table 1 below.

Table 1. Proposals on codes related to investment**Current code 15110**

CRS code	Impact on historical series	Voluntary code	Description	Clarifications / Additional notes on coverage
151	GOVERNMENT AND CIVIL SOCIETY, GENERAL			
15110			Public sector policy and administrative management	Institution-building assistance to strengthen core public sector management systems and capacities. This includes macro-economic and other policy management, co-ordination, planning and reform; human resource management; organisational development; civil service reform; e-government; development planning, monitoring and evaluation; support to ministries involved in aid co-ordination; other ministries and government departments when sector cannot be specified. (Use specific sector codes for development of systems and capacities in sector ministries.)

Proposal: disaggregate code 15110 by converting budget identifier voluntary codes to official codes

151	GOVERNMENT AND CIVIL SOCIETY, GENERAL			
15110 modify coverage	Break in CRS code but no impact on DAC5		Public sector policy and administrative management	Institution-building assistance to strengthen core public sector management systems and capacities. This includes general public policy management, co-ordination, planning and reform; human resource management; organisational development; civil service reform; e-government; development planning, monitoring and evaluation; support to ministries involved in aid co-ordination; other ministries and government departments when sector cannot be specified. (Use specific sector codes for development of systems and capacities in sector ministries. <u>For macro-economic policy use code 15142. For public procurement use code 15125.</u>)
		15121	<i>Foreign affairs</i>	<i>Administration of external affairs and services.</i>
		15122	<i>Diplomatic missions</i>	<i>Operation of diplomatic and consular missions stationed abroad or at offices of international organisations.</i>
		15123	<i>Administration of developing countries' foreign aid</i>	<i>Support to administration of developing countries' foreign aid (including triangular and south-south cooperation).</i>
		15124	<i>General personnel services</i>	<i>Administration and operation of the civil service including policies, procedures and regulations.</i>
		15125	<i>Central procurement</i>	<i>Administration and operation of centralised supply and purchasing services.</i>
		15126	<i>Other general public services</i>	<i>Maintenance and storage of government records and archives, operation of government-owned or occupied buildings, central motor vehicle pools, government-operated printing offices, centralised computer and data processing services, etc.</i>
		15127	<i>National monitoring and evaluation</i>	<i>Operation or support of institutions providing national monitoring and evaluation.</i>
		15142	<i>Macroeconomic policy</i>	<i>Macroeconomic policy development and implementation.</i>
		15143	<i>Meteorological services</i>	<i>Operation or support of institutions dealing with weather forecasting.</i>

		15144	National standards development	Operation or support of institutions dealing with national standards development. (Use code 16062 for statistical capacity-building.)
		15154	Executive office	Administration, operation or support of executive office. Includes office of the chief executive at all levels of government (monarch, governor-general, president, prime minister, governor, mayor, etc.).
	15125 moved out of 15110, converted to official code		Public Procurement	Support to public procurement, including to create and evaluate legal frameworks; advice in establishing strategic orientation of public procurement policies and reforms; advice in designing public procurement systems and processes; support to public procurement institutions (including electronic procurement) as well as structures or initiatives to assess public procurement systems; and development of professional capacity of public procurement bodies and staff.
	15142 moved out of 15110, converted to official code		Macroeconomic policy	Support to macroeconomic stability, debt sustainability and structural reforms. Includes technical assistance for strategic formulation of policies, laws and regulation; capacity building to enhance public sector development; policy-based funding. For fiscal policy and domestic revenue mobilisation use codes 15111 and 15114.
15111			Public Finance Management (PFM)	Fiscal policy and planning; support to ministries of finance; strengthening financial and managerial accountability; public expenditure management; improving financial management systems; budget drafting; inter-governmental fiscal relations, public audit, public debt. (Use code_15114 for domestic revenue mobilisation and code 33120 for customs).

Current code 25010

CRS code	Impact on historical series	Voluntary code	Description	Clarifications / Additional notes on coverage
250	BUSINESS AND OTHER SERVICES			
25010			Business support services and institutions	Support to trade and business associations, chambers of commerce; legal and regulatory reform aimed at improving business and investment climate; private sector institution capacity building and advice; trade information; public-private sector networking including trade fairs; e-commerce. Where sector cannot be specified: general support to private sector enterprises (in particular, use code 32130 for enterprises in the industrial sector).

Proposal: split code 25010

250	BUSINESS AND OTHER SERVICES			
25010 modify name & covera ge	Break in CRS code but no impact on DAC5		Business Policy and Administration	Public sector policies and institution support to the business environment and investment climate, including business regulations, property rights, non-discrimination, investment promotion, competition policy, enterprises law, private-public partnerships.
250xx new			Business development services	Public and private provision of business development services, e.g. incubators, business strategies, commercial linkages programmes and matchmaking services. Includes support to private organisations representing businesses, e.g. business associations; chambers of commerce; producer associations; providers of know-how and other business development services. For financial services use CRS codes 24030 or 24040. For SME development and for support to companies in the industrial sector use codes 32130 through 32172. For support to companies in the agricultural sector use code 31120.

Proposal: new code for Responsible Business Conduct

CRS code	Impact on historical series	Voluntary code	Description	Clarifications / Additional notes on coverage
250	BUSINESS AND OTHER SERVICES			
250xx new	Break in DAC5 sectors as currently reported under different sectors		Responsible Business Conduct	Support to policy reform, implementation and enforcement of responsible business conduct (RBC) principles and standards as well as facilitation of responsible business practices by companies. Includes establishing and enforcing a legal and regulatory framework to protect stakeholder rights and the environment, rewarding best performers; exemplifying RBC in government economic activities, such as state-owned enterprises' operations or public procurement; support to the implementation of the OECD Guidelines for MNEs, including disclosure, human rights, employment and industrial relations, environment, combating bribery, consumer interests, science and technology, competition and taxation.

Current code 32130

CRS code	Impact on historical series	Voluntary code	Description	Clarifications / Additional notes on coverage
321	INDUSTRY			
32130			Small and medium-sized enterprises (SME) development	Direct support to the development of small and medium-sized enterprises in the industrial sector, including accounting, auditing and advisory services.

Proposal: edit notes for code 32130

321	INDUSTRY			
32130 edit notes	None		Small and medium-sized enterprises (SME) development	Direct support to improve the productive capacity and business management of micro, small and medium-sized enterprises in the industrial sector, including accounting, auditing, advisory services, technological transfer and skill upgrading. For business policy and institutional support use code 25010. For business development services through business intermediary organisations (e.g. business associations; chambers of commerce; producer associations; incubators; providers of know-how and other business development services) use CRS code 250xx. For farm and agricultural development use code 31120.