

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 - Part 1

Proposals for approval

WP-STAT Formal Meeting, 4-5 July 2016

*At its meetings in 2015 and 2016, the Working Party on Development Finance Statistics (WP-STAT) discussed possible adjustments to the CRS purpose codes. This document presents 3 new proposals already discussed at the WP-STAT informal meeting in March 2016, to add or adjust purpose codes for remittances, nutrition and investment. Members are invited to approve the proposals presented in Tables 1 to 4*

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## ADJUSTING PURPOSE CODES IN LIGHT OF THE SUSTAINABLE DEVELOPMENT GOALS (SDGS) – PROPOSALS FOR APPROVAL

1. At its meetings in 2015 and 2016, the Working Party on Development Finance Statistics (WP-STAT) discussed possible adjustments to the CRS purpose codes and policy markers to better align them with the 2030 Agenda for Sustainable Development. The preliminary mapping of the CRS classification to the SDGs presented at the WP-STAT meeting in March 2015 [DCD/DAC/STAT(2015)9] and the matrix distributed at the informal WP-STAT meeting in March 2016 showed that there is generally a good mapping between SDGs and purpose codes, thereby confirming the relevance of the overall structure of DAC classifications [for example: education (Goal 4), health (Goal 3), water & sanitation (Goal 6), government & civil society (Goal 16), energy (Goal 7), gender equality (Goal 5), climate & other environmental concerns (Goals 13, 14 and 15)]. However, as some gaps do exist, 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 document presents for members' **consideration and approval** three proposals, already discussed at the WP-STAT informal meeting in March 2016, to add or adjust purpose codes for **remittances, nutrition** and **investment**.<sup>1</sup> They have been modified taking into account comments received under written procedures. In reviewing the proposals, the Secretariat has looked into the extent to which modifications would involve structural changes<sup>2</sup> and these are indicated where necessary. Codes will be assigned once proposals have been approved by members.

3. **Members are invited to approve the proposals presented in Tables 1 to 4 for implementation in 2018 reporting on 2017 activities.**

4. New proposals received since March on non-communicable diseases, humanitarian aid and food safety will be circulated in separate papers, along with first proposals on options for tracking activities [ODA and/or total official support for sustainable development (TOSSD)] targeting specific SDGs.

### I. PROPOSAL FOR A NEW CRS PURPOSE CODE ON REMITTANCES

#### *Background*

5. Today, remittances represent the largest source of external finance for many developing countries. Personal remittances amounted to USD 358.3<sup>3</sup> billion in 2014, ahead of official development assistance (ODA) and foreign direct investment (FDI). While private capital mainly flows to emerging

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<sup>1</sup> Since March 2016, the WP-STAT has approved under the written procedure the proposal to upgrade the dummy code 15114 for "Tax policy and administration support" to a formal code renamed "Domestic Revenue Mobilisation" [DCD/DAC/STAT(2016)8], and adjustments to the Trade Facilitation code 33120 to better reflect the 2013 WTO Agreement on Trade Facilitation and allow OECD Members to fulfil WTO provisions on transparency through CRS reporting on trade facilitation [DCD/DAC/STAT(2016)5].

<sup>2</sup> See rules on the frequency of updates to purpose codes: <http://www.oecd.org/dac/stats/42745930.pdf>.

<sup>3</sup> World Bank, *World Development Indicators*, accessed on 8 April 2016: Personal remittances, received (current USD), to countries and territories on the DAC List of ODA recipients.

countries, remittances are particularly important in poor countries where they can represent up to half of Gross Domestic Product (GDP). They are also an important contributor to resilience in the face of economic or humanitarian crises.

6. Recognising the untapped development potential of remittances, a number of countries have taken steps over the past fifteen years to offset the negative effects on growth and fiscal revenue incurred when workers migrate. They have tried subsidising or matching remittances with grants to enhance their impact. The donor community has been requested to pay more attention to remittances and accelerate international efforts to lower their sending costs.<sup>4</sup>

7. In 2009 and 2011, G8 and G20 respectively pledged to reduce the global average costs of transferring remittances from 10% to 5% by 2014; the G20 leaders reiterated their commitment in September 2014. The Addis Ababa Action Agenda of the UN Third International Conference on Financing for Development also calls for the international community to work towards reducing the average transaction cost of migrant remittances. The SDGs (10.c) set a target to: “By 2030, reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent.”

### *Proposal*

8. A proposal for introducing a new purpose code on “remittance facilitation, promotion and optimisation” was presented for discussion at the WP-STAT March 2016 informal meeting.<sup>5</sup> It further suggested to better track donors’ efforts in financing research and to improve remittances’ data and methodology by using the existing purpose codes *16062-Statistical capacity building* and *43082-Research/scientific institutions* respectively. The proposal has been revised to take into account comments received from members during the meeting and later in writing<sup>6</sup> and is now **presented in Table 1 for members’ approval.**

**Table 1. Proposal: new code on remittance facilitation, promotion and optimisation**

DAC code	CRS code	Impact on historical series	Description	Clarifications / Additional notes on coverage
240	240xx new	none	Remittance facilitation, promotion and optimisation	Includes programmes aiming at reducing the costs of transferring remittances, incl. sending, transmission and receiving costs, and programmes encouraging remittances and/or increasing their developmental impact. Support to statistical capacity building aiming at improving data on remittances is recorded under code 16062. Research on the development potential of remittances is recorded under code 43082.

<sup>4</sup> OECD. (2014), *Development Co-operation Report 2014: Mobilising Resources for Sustainable Development*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/dcr-2014-en>.

<sup>5</sup> See [DCD/DAC/STAT\(2016\)11](#). See also DCD/DAC/STAT(2013)19 on the treatment of remittances in the post-2015 DAC statistical framework.

<sup>6</sup> Comments were received from Germany, the Netherlands and the World Bank.

## II. PROPOSAL TO AMEND CRS PURPOSE CODES FOR REPORTING ON NUTRITION

### *Background*

9. In recent years, DAC members have made many commitments on nutrition, and according to the Global Nutrition Report<sup>7</sup>, donor disbursements on nutrition-specific interventions almost doubled between 2012 and 2013, from USD 0.56 billion to USD 0.94 billion. Despite the increasing volumes of aid for nutrition, international assistance remains insufficient to meet the ambition of the SDGs on ending malnutrition and world hunger.<sup>8</sup>

10. Because reliable and accurate data are needed to better track nutrition investments and measure donor efforts, Action Contre la Faim (ACF) has put forth a proposal to amend the CRS classification which, currently, does not provide an accurate picture of nutrition-specific and nutrition-sensitive interventions. Since the proposal circulated at the informal WP-STAT in March<sup>9</sup>, the Secretariat has received a revised proposal, including different options for tracking nutrition-sensitive interventions (new purpose code, new marker or calculation with predefined imputed percentages). The entire proposal with different options is circulated in a room document.<sup>10</sup> The Secretariat presents below the proposed options that, in its view, are most appropriate to be considered for implementation (see detailed proposal in Tables 2 and 3).

### *Proposal*

#### *Nutrition-specific interventions – modify CRS purpose code 12240-Basic nutrition*

11. The current *12240-Basic nutrition* purpose code includes nutrition-sensitive interventions not directly related to nutrition, according to the Lancet<sup>11</sup> definition of nutrition-specific activities. Nutrition-specific investments are therefore overestimated and nutrition-sensitive interventions underestimated. To align the CRS classification to the Lancet definition of nutrition-specific activities and WHO guidance on essential nutrition actions, it is proposed to:

- Move “school feeding” and “household food security” from the CRS purpose code *12240-Basic nutrition* to *52010-Food aid and food security programmes*.

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<sup>7</sup> Global Nutrition Report (GNR) (2015) <http://globalnutritionreport.org>.

<sup>8</sup> According to the GNR (2015), only 0.4% of ODA is spent on nutrition programs which The Lancet identified in 2013 as only around 1.4% of what is required.

<sup>9</sup> See DCD/DAC/STAT/RD(2016)1/RD2. Comments in writing on the proposal were received by Germany and Spain.

<sup>10</sup> See DCD/DAC/STAT/RD(2016)2/RD2.

<sup>11</sup> The Lancet is an independent, international weekly general medical journal. <http://www.thelancet.com/>.

Table 2. Proposal: modify code 12240-Basic nutrition

## Current classification

DAC code	CRS code	Impact on historical series	Description	Clarifications / Additional notes on coverage
122	12240		Basic nutrition	Direct feeding programmes (maternal feeding, breastfeeding and weaning foods, child feeding, school feeding); determination of micro-nutrient deficiencies; provision of vitamin A, iodine, iron etc.; monitoring of nutritional status; nutrition and food hygiene education; household food security.

## Proposal: remove school feeding and household food security from code 12240

122	12240 modify coverage	Break in DAC5 sectors	Basic nutrition	Direct feeding programmes (maternal feeding, breastfeeding (early initiation/exclusive and continued breastfeeding) and complementary feeding child feeding ; determination of micro-nutrient deficiencies (multiple micronutrients powder); provision of vitamin A, iodine, zinc, iron/folic acid supplementation etc.; monitoring of nutritional status and provision of SAM and MAM treatment; nutrition and food hygiene education. Use code 52010 for school feeding and household food security.
520	52010 modify coverage	Break in DAC5 sectors	Food aid/Food security programmes	Supply of edible human food under national or international programmes including transport costs; cash payments made for food supplies; project food aid and food aid for market sales when benefiting sector not specified; excluding emergency food aid. Including school feeding and household food security.

Nutrition-sensitive interventions – introduce a new purpose code to be used in a multiple purpose code reporting system

12. Indirect nutrition interventions address the underlying determinants of undernutrition (such as food availability, the quality of water, and water and sanitation) and incorporate specific nutrition goals and actions. The bulk of current financial commitments to nutrition are “nutrition-sensitive”, but because nutrition-sensitive activities can be found under several codes, there is currently no way of tracking these interventions in the CRS. However, if a system allowing multiple purpose codes is introduced<sup>12</sup>, a new purpose code for reporting nutrition-sensitive interventions could be created to identify these activities which straddle a wide range of sectors. Thus emerges a proposal to:

- Create a new purpose code for *nutrition-sensitive development*<sup>13</sup> in the DAC5 sector 430-Other multisector for reporting in a multiple purpose code system (subject to approval of multiple purpose code reporting). The detailed proposal is presented in the Table 3 and Box 1 below.

<sup>12</sup> See proposal on multiple purpose codes DCD/DAC/STAT(2016)12.

<sup>13</sup> The definition of nutrition-sensitive interventions in the proposal is based on the SUN methodology, as well as other sources such as the Executive Summary of The Lancet Maternal and Child Nutrition Series, Ruel et al (2013) and ACF (2014).

**Table 3. Proposal: new code for nutrition-sensitive interventions to be used in a multiple purpose code reporting system**

DAC code	CRS code	Impact on historical series	Description	Clarifications / Additional notes on coverage
430	430xx new		Nutrition-sensitive development	Interventions that address the underlying determinants of fetal and child nutrition and development ( <u>food security</u> including availability of food, economic access, and use of food; <u>adequate feeding and caregiving</u> resources at the individual, household and community levels; and access to and use of <u>health services and a safe and hygienic environment</u> ). These interventions must incorporate specific nutrition goals, targets and outcomes.

**Box 1. Additional notes on coverage for nutrition-sensitive development****Note:**

**Goals:** To be nutrition-sensitive, the project has to have a significant nutrition objective OR nutrition indicator (the objective must go beyond just mentioning nutrition and aim to take action(s) to improve nutrition). This requires identifying nutrition goals to maximise opportunities (Which activities can impact on nutrition? How are the planned activities going to lead to a change in the nutritional status? Designing appropriate indicators and objectives to monitor and evaluate the impact is essential.)

**Targets:** To be nutrition-sensitive, the actions must intend to improve nutrition for women or adolescent girls or children. Groups have to be targeted on the basis of nutrition vulnerability, i.e. groups with the highest under-nutrition rates, groups that are the most vulnerable to under-nutrition (children under-five and pregnant women), populations facing stress related to food security or other shocks.

**Outcomes:** To be nutrition-sensitive, the project must contribute to nutrition-sensitive outcomes, which need to be explicit in the project design through activities, indicators and specifically the expected results themselves. The project (or part of the project) can help to achieve results:

**A. At individual level (children or adolescent girls or women):**

- Increase purchasing power of women (examples: safety nets, cash transfers)
- Improve access to nutritious food of women, adolescent girls and/or children (examples: agriculture/livestock diversification, biofortification, food safety, increased access to markets)
- Improve the diet in quality and/or quantity for women, adolescent girls or children (examples: promotion of quality/diversity, nutritious diets, quantity/ energy intake in food insecure households, stability, micronutrient intake, vouchers, access to markets)
- Improve access of women or adolescent girls or children to primary healthcare (examples: maternal health care, child healthcare, reproductive healthcare, supplementation, therapeutic feeding, support to breastfeeding)
- Improve access to childcare (i.e. childcare not supplied through the health services)
- Improve women or adolescent girls or children access to water, sanitation and hygiene (examples: access to latrines, access to safe water, improvement of hygiene) • Improve access to education/school for adolescent girls
- Improve knowledge/awareness on Nutrition for relevant audiences (examples: inclusions of nutritional education in the curriculum for primary and secondary education, TV and radio spots addressing vulnerable households and decision makers, nutrition awareness campaigns ...)
- Improve empowerment of women (examples: access to credit, women based smallholder agriculture, support to women's groups)

**B. National level:**

- Improved governance of nutrition (examples: increased coordination of actors and policies for nutrition, establishment of budgets specifically contributing to nutrition, improvement of institutional arrangements for nutrition, improved nutrition information systems, integration of nutrition in policies and systems)
- Increase nutrition sensitive legislation (examples: food fortification legislation, right to food, legislation for the implementation of the Code of Marketing of Breast-Milk Substitutes, food safety)

**C. Research**

- Increased research with nutrition objectives

### III. PROPOSAL TO REVISE PURPOSE CODES RELATED TO INVESTMENT

#### *Background*

13. 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.

14. 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<sup>14</sup>) under purpose code *15110-Public Sector Policy and Administrative Management* cannot be separately identified from broader interventions for general public sector policy and administration (e.g. civil service reform; support for aid co-ordination).
- Purpose code *15130-Legal and Judicial Development* encompasses both support relevant for the investment climate (civil/commercial affairs) and more general legal development areas (e.g. general capacity building for court staff) that are not directly relevant for the investment climate.
- 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*.

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<sup>14</sup> Macro-economic policy and procurement are separately identifiable through the Voluntary Budget Identifier codes 15142 and 15125. However, these codes are voluntary and therefore might only capture a portion of official development flows to these areas in practice.

*Proposal*

15. 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.

- 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
- 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.
- 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.
- Remove specific areas related to investment covered in purpose code 15110-Public sector policy and administrative management to create new purpose codes for:
  - *Public procurement*
  - *Macro-economic policy*
- Split purpose code 15130-Legal and Judicial Development into two purpose codes as follows:
  - *Legal and Judicial Development (excluding commercial affairs)* – modify coverage of existing code 15130 to exclude civil and commercial affairs
  - *Legal and Judicial Development (Commercial affairs)*

16. The detailed proposal is presented in Table 4 below.

**Table 4. Proposals on codes related to investment****Current code 15110**

DAC code	CRS code	Impact on historical series	Description	Clarifications / Additional notes on coverage
151	15110		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.)

**Proposal: disaggregate code 15110**

151	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. For macro-economic policy use code 151xx. For public procurement use code 151xx.)
	151xx new		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.
	151xx new		Macro-economic policy	Support to macroeconomic stability, debt sustainability and structural reforms. It includes technical assistance for strategic formulation of policies, laws and regulation; capacity building to enhance public sector development and improving public sector management; policy-based funding. For fiscal policy and domestic revenue mobilisation use codes 15111 and 15114.

**Current code 15130**

DAC code	CRS code	Impact on historical series	Description	Clarifications / Additional notes on coverage
151	15130		Legal and Judicial Development	Support to institutions, systems and procedures of the justice sector, both formal and informal; support to ministries of justice, the interior and home affairs; judges and courts; legal drafting services; bar and lawyers associations; professional legal education; maintenance of law and order and public safety; border management; law enforcement agencies, police, prisons and their supervision; ombudsmen; alternative dispute resolution, arbitration and mediation; legal aid and counsel; traditional, indigenous and paralegal practices that fall outside the formal legal system. Measures that support the improvement of legal frameworks, constitutions, laws and regulations; legislative and constitutional drafting and review; legal reform; integration of formal and informal systems of law. Public legal education; dissemination of information on entitlements and remedies for injustice; awareness campaigns. (Use codes 152xx for activities that are primarily aimed at supporting security system reform or undertaken in connection with post-conflict and peace building activities.)

**Proposal: split code 15130**

151	15130 modify name & coverage	Break in CRS code but no impact on DAC5	Legal and Judicial Development (excl. commercial affairs)	Support to enhance efficiency, accountability, and transparency of the judiciary. Includes capacity-building programmes for court staff, monitoring and enforcement of the rule of law, and fundamental guarantees. Use code 151xx for commercial affairs.
	151xx new		Legal and Judicial Development (Commercial Affairs)	Support to legislative and regulatory reform for commercial activities, investment, contractual rights and procedural guarantees. It includes design, implementation and enforcement of property rights; reform of commercial codes; investment legislation; and alternative dispute settlement mechanisms.

**Current code 25010**

DAC code	CRS code	Impact on historical series	Description	Clarifications / Additional notes on coverage
250	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	25010 modify name & coverage	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**

DAC code	CRS code	Impact on historical series	Description	Clarifications / Additional notes on coverage
250	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**

DAC code	CRS code	Impact on historical series	Description	Clarifications / Additional notes on coverage
321	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	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.
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