

## Multiple Sector Codes for Project Activity – Analysis 2017

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### Key message

- Multiple sector codes for describing each project activity will be introduced in the aid statistics for 2017, following a decision taken by the OECD Development Assistance Committee (DAC), the body that determines the classifications and definition of official development assistance (ODA).
- The multiple sector data allows up to ten sectors to be used to describe project activity and will lead to more accurate spending information by sector than the previous single sector code methodology (Para 5).
- Based on DFID's bilateral ODA spend data for 2017, multiple sector spending in humanitarian assistance, the production sectors (i.e. agriculture, industry, mining, trade) and health has increased compared with the single sector code methodology, while spend in economic infrastructure and services (i.e. transport, communications, banking and financial services) education and government and civil society has decreased (Para 11).
- The multiple sector data for 2017 will be published with the publication: Statistics on International Development: Final UK aid spend 2017 – and it represents a change in the sectoral statistics compared with 2016 data and earlier years which is based on a single sector code methodology.

## Background

1. DFID places great value on transparency and accountability. This is reflected in the commitment to spend 0.7% of the UK's Gross National Income as ODA (Official Development Assistance), which became a legal requirement in 2015, the UK's commitment to the International Aid Transparency Initiative and to publish project information on-line in Dev-tracker.
2. The '0.7%' commitment is tracked in Statistics on International Development (SID) – DFID's National Statistics publication of UK aid spending statistics. SID reports aid spend data according to an international statistical classification defined by the OECD DAC (Development Assistance Committee), found [here](#). This includes the amount spent, where it is spent, and the purpose for which it is spent known as the sector. Sector codes are used to describe the economic, social development or humanitarian area the spend intends to support. From 2017 ODA statistics, the OECD DAC have implemented a change to the classification to allow a project activity to use multiple sector codes instead of a single sector code to describe the activity's purpose<sup>1</sup>.
3. The aim of this report is to analyse the impact of this new methodology on 2017 ODA data. This is intended to provide users of the data with an initial assessment of how the sector data is affected by the change overall.

## Methodology and Approach

### Description of the previous methodology

4. A sector code uses a five-digit classification where the first three numbers corresponds to the broad sector area. The OECD DAC uses 163 different five-digit sector codes, which correspond to 36 Broad sector codes that can be used to describe an activity's purpose. Prior to the change, the methodology allowed only the highest spending sector to be used for the activity's purpose and this was given a weight of 100%. This methodology did not represent those activities which supported more than one purpose or sector, and over-represented the largest spending sector. For example, an activity that contributed 55% of its spend to 'Health' and 45% to 'Water and Sanitation and Hygiene' (WASH) would have all its spend reported under Health in the statistics. For this report, we describe this methodology as the Single Sector Code (SSC) methodology.

### Description of the multiple sector code methodology

5. The multiple sector code (MSC) methodology allows up to ten different sector codes to be used to describe an activity's purpose, and so in the example above, the activity that supported Health and WASH would have the spend of both sectors attributed in proportion of their contribution. The MSC data is arranged according to the percentage contribution of the sectors towards the activity – for example, the first sector is the dominant 'primary' sector with the largest contribution, the second sector has the second largest contribution whilst the tenth sector has the smallest contribution towards the activity.

### Approach

6. The MSCs are available for DFID's ODA data in 2017 since DFID's system is set up to record MSCs. The other government departments' ODA data currently do not have MSCs. DFID's dataset contains both MSCs and SSCs to enable a comparison between the two methodologies. The sector classification is used for bilateral ODA. Core multilateral ODA has the single sector code 998 (un-earmarked funding to a multilateral) by default in the statistics and is excluded from the analysis.
7. This report presents the change according to the broad sector areas presented in the Statistics on International Development publication, and this is shown graphically in charts.

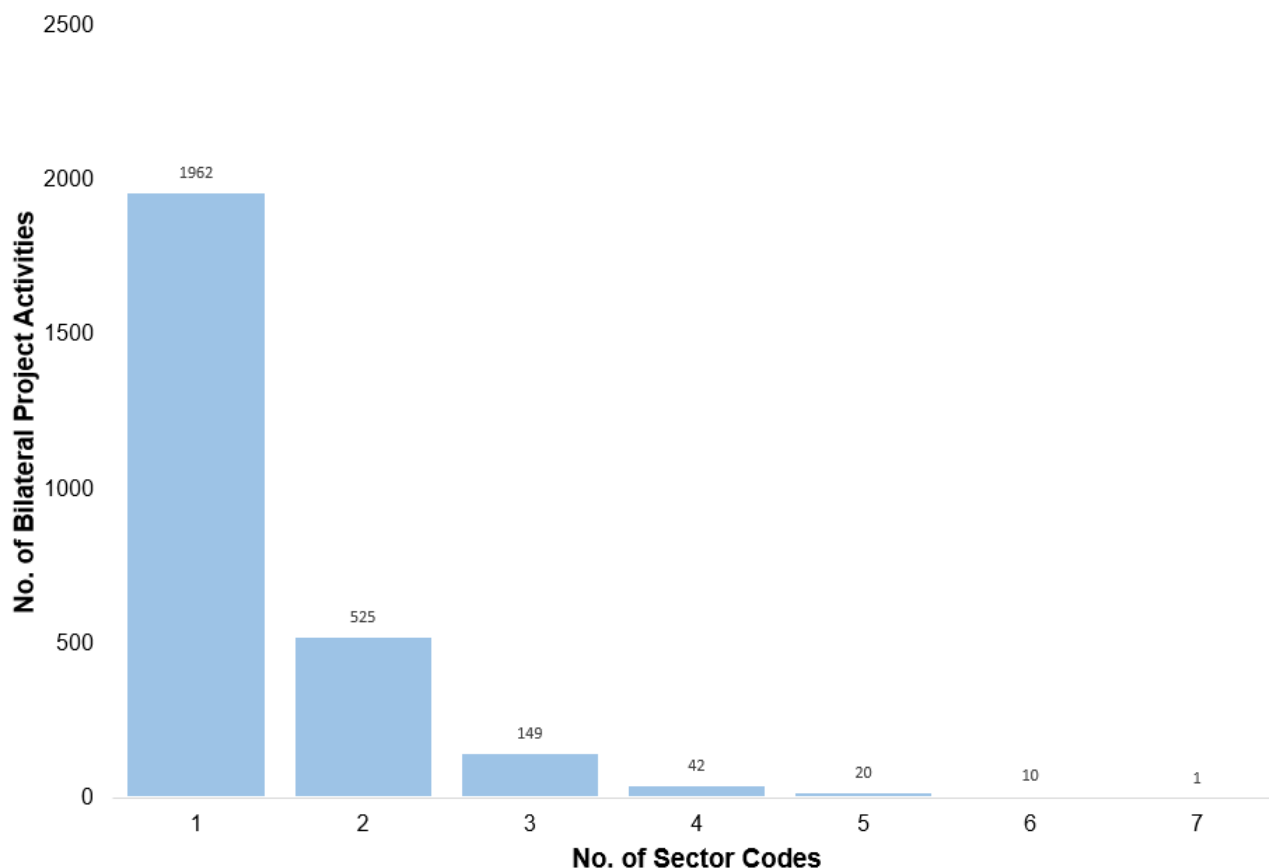
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<sup>1</sup> Paper DCD-DAC-STAT (2017)5 – REV1 -

<https://login.oecd.org/?appld=18020&referer=https%3A%2F%2Fone.oecd.org%2F%23%2F>

## Findings and Results

8. In 2017, DFID's ODA data contains 2709 bilateral project activities (where all spend against 'Administrative Costs of Donors' is considered as a single project activity), including centrally managed projects<sup>2</sup>, which total £6,313 million of net ODA spend. Of these 2709 activities, 747 (28%) use more than one Sector Code, which represents 33% of DFID bilateral ODA spend (£2,099 million)
9. Figure 1 shows the distribution of activities by MSCs. Most activities are described with a single sector code (72%). However, 19% (525) use 2 sector codes to describe the activity's purpose, 5% (149) use 3 sector codes; 2% (42) use 4 sector codes, and 1% (31) use five or more sector codes for the activity.

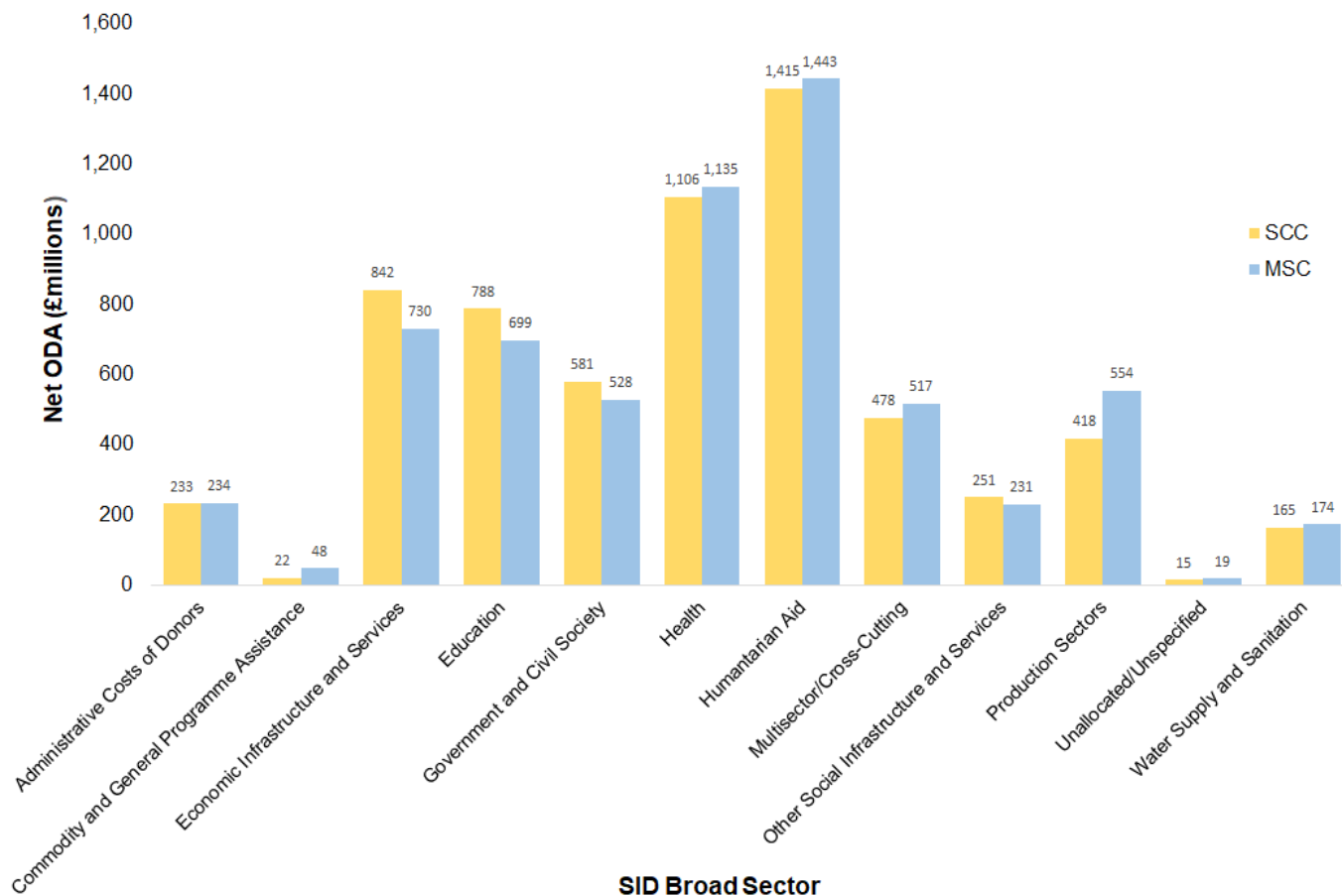


**Figure 1: Activities with MSC**

### Overall Impact

10. Figure 2 illustrates the overall difference between the SSC and MSC methodologies for DFID's bilateral spending. The largest absolute change occurs in the 'Production Sectors' where the MSC spend is £554 million compared with £418 million for the SSC classification. The 'Production sectors' include activities that support economic development in developing countries, such as agriculture, industry, mining and trade policies and regulations. The largest percentage increase in spend is in 'Commodity and General Programme Assistance' where the MSC spend is £48 million compared with £22 million for the SSC classification (an increase of 121%). This sector includes activities such as food aid and security assistance. MSC spend also increases for spend on 'Health', 'Humanitarian Aid', 'Multisector/Cross-Cutting', 'Water Supply and Sanitation' sectors compared with SSC spend. By contrast, the 'Economic Infrastructure and Services', 'Education', 'Government and Civil Society' and 'Other Social Infrastructure and Services' sectors see a fall in MSC spend compared with SSC spend.

<sup>2</sup> These are centrally managed programmes, which may benefit a single or several countries or regions, or have a global benefit.



**Figure 2: Change in Net ODA between SSC and MSC**

Analysis by geography

- Figure 3 shows how MSC spend compares with SSC spend when presented by geographical areas. There have been some changes by geography, most notably in South and Central Asia where 'Education' is the largest spending sector under the MSCs (for the SSCs this would be 'Government and Civil Society'), and in Europe where 'Humanitarian Aid' is the largest spending sector (for the SSCs this would be 'Education').

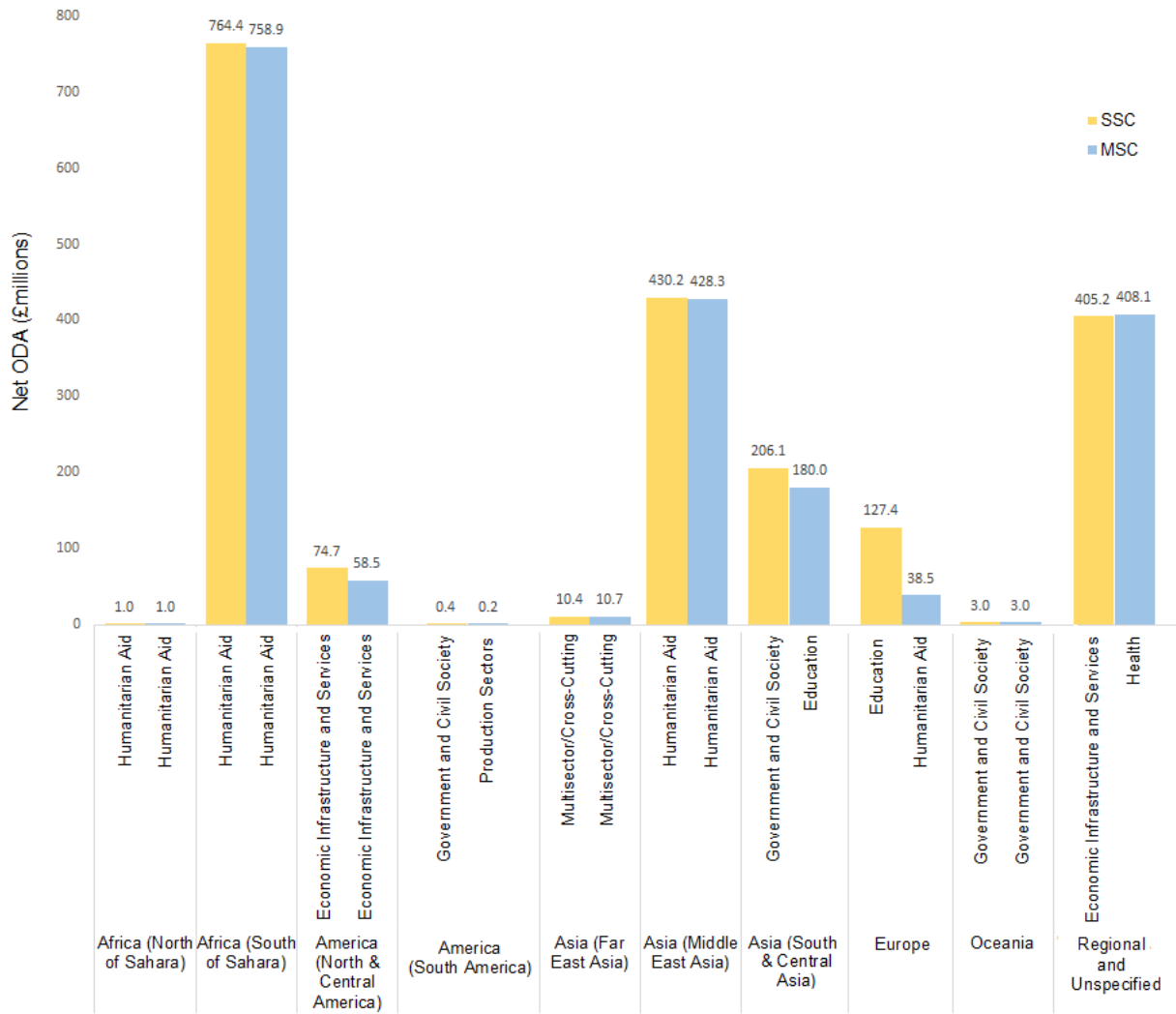


Figure 3: Highest Spending Sector by region according to SSC and MSC

### **Plans for the multiple sector code data**

In line with this OECD methodological change to the sector statistics, DFID will introduce the multiple sector code data in the next edition of Statistics on International Development. The change will be first shown in DFID's bilateral ODA spend data for 2017 and will represent a break from the single sector code presentation. Therefore, data for 2009 to 2016 using the previous SSC methodology will be archived. Users wishing to do time series analysis will be able to access the historical data, however should be aware that sector totals will not be comparable with the 2017 data.

A guide to understanding the data can be found [here](#). If you want to find out more about ODA spending please visit our [website](#).

If there are any tables or data not available from this publication that you need for your own analysis, or if you have any thoughts about how to improve the publication, please contact the statistics team at: [statistics@dfid.gov.uk](mailto:statistics@dfid.gov.uk)

## Appendix – Broad sector composition in Statistics on International Development

<b>Broad sector</b>	<b>Activity description</b>
Humanitarian Aid	Emergency Response, Reconstruction Relief and Rehabilitation, Disaster Prevention and Preparedness
Government and Civil Society	Government and civil society, Conflict, Peace and Security
Multisector / Cross-Cutting	General environment protection and other multisector
Health	General and basic health, Population policies/ programmes and reproductive health
Economic Infrastructure and Services	Transport & Storage, Communications, Energy, Energy Policy, Energy generation (renewable and non-renewable sources), Hybrid generation plants, Nuclear generation plants, Energy distribution, Banking and Financial services, Business & other services
Education	Education, Basic Education, Secondary Education, Post-secondary education
Production Sectors	Agriculture, Forestry, Fishing, Industry, Mining, Construction, Trade Policy & Regulation, Tourism
Administrative Costs of Donors	Administration costs
Other Social Infrastructure and Services	Includes activities such as social welfare service, social protection and statistical capacity building
Refugees in Donor Countries	Costs of supporting refugees in donor countries for first 12 months.
Water supply and Sanitation	Water supply and Sanitation
Unallocated / Unspecified	Activity not allocated to a specific sector, and promotion of development awareness
Commodity and General Programme Assistance	Food aid and security assistance, other commodity support (e.g. capital goods).
Action Relating to Debt	Debt relief support