# OECD DAC Creditor Reporting System:
# Guidance for the use of Water Supply and Sanitation Purpose Codes

## Objectives of Guidance Note

The OECD Development Assistance Committee (DAC) collects aid flows at activity level through the Creditor Reporting System (CRS) and expanded CRS (CRS++), and in the form of aggregates through the annual DAC Questionnaire. The data collection is based on a standard methodology and agreed definitions. Data can be used to analyse trends and compare the efforts of donors.

DAC and CRS data are the unique sources for official, standard and comparable statistics on Official Development Assistance (ODA).

Purpose codes for water and sanitation have been revised taking effect in 2011 reporting on 2010 flows (agreed by the DAC Working Party on Statistics – WP-STAT – in May 2009). The purpose of this Note is to offer guidance to reporters using the revised codes; as such, the Note is "work in progress" and it is envisaged that the Guidance will be updated in the light of donors' experience in applying the revised Codes. In offering guidance on the new purpose codes, this document also contributes to the higher objective of improving the overall quality of data in the water sector.

A consultative group comprising donors and civil society members was established to identify likely issues that would require further clarification in order for the revised codes to be applied consistently. This forms the basis for the Guidance Note.

The target audience for this note is primarily those reporters using the revised CRS purpose codes who are non-specialists in the water and sanitation sector.

## Revised Purpose Codes and DAC definition of water supply and sanitation

The water supply and sanitation sector is divided into the sub-sectors shown in Table 1. This classification now disaggregates between aid flows for water supply and aid flows for sanitation. The definition of aid for water supply and sanitation excludes dams and reservoirs primarily for irrigation and hydropower and activities related to river transport which are recorded elsewhere in the classification (aid to agriculture, energy and transport respectively). Statistics shown in this note are all based on the DAC "narrow" definition of water supply and sanitation. DAC statistics classify humanitarian aid as a separate category (the main purpose being to save lives in an emergency context), and do not record the ultimate sector of destination of humanitarian interventions (water, health, education, etc.).

**Table 1. Aid to the water supply and sanitation sector: definition and sub-sectors**

| 14010 | Water sector policy and administrative management | Water sector policy and governance, including legislation, regulation, planning and management as well as transboundary management of water; institutional capacity development; activities supporting the Integrated Water Resource Management approach (IWRM: see box below). |
|---|---|---|
| 14015 | Water resources conservation (including data collection) | Collection and usage of quantitative and qualitative data on water resources; creation and sharing of water knowledge; conservation and rehabilitation of inland surface waters (rivers, lakes etc.), ground water and coastal waters; prevention of water contamination. |
| 14020 | Water supply and sanitation - large systems | Programmes where components according to 14021 and 14022 cannot be identified. When components are known, they should individually be reported under their respective purpose codes: water supply [14021], sanitation [14022], and hygiene [12261]. |
| 14021 | Water supply - large systems | Potable water treatment plants; intake works; storage; water supply pumping stations; large scale transmission / conveyance and distribution systems. |
| 14022 | Sanitation - large systems | Large scale sewerage including trunk sewers and sewage pumping stations; domestic and industrial wastewater treatment plants. |
| 14030 | Basic drinking water supply and basic sanitation | Programmes where components according to 14031 and 14032 cannot be identified. When components are known, they should individually be reported under their respective purpose codes: water supply [14031], sanitation [14032], and hygiene [12261]. |
| 14031 | Basic drinking water supply | Rural water supply schemes using handpumps, spring catchments, gravity-fed systems, rainwater collection and fog harvesting, storage tanks, small distribution systems typically with shared connections/points of use. Urban schemes using handpumps and local neighbourhood networks including those with shared connections. |
| 14032 | Basic sanitation | Latrines, on-site disposal and alternative sanitation systems, including the promotion of household and community investments in the construction of these facilities. (Use code 12261 for activities promoting improved personal hygiene practices.) |
| 14040 | River basins' development | Infrastructure focused integrated river basin projects and related institutional activities; river flow control; dams and reservoirs [excluding dams primarily for irrigation (31140) and hydropower (23065) and activities related to river transport (21040)]. |
| 14050 | Waste management / disposal | Municipal and industrial solid waste management, including hazardous and toxic waste; collection, disposal and treatment; landfill areas; composting and reuse. |
| 14081 | Education and training in water supply and sanitation | Education and training for sector professionals and service providers. |

The following notes accompany the above definitions:

1. To assist in distinguishing between "basic" and "large systems" for "water supply" and "sanitation", consider the number of people to be served and the per capita cost of provision of services.
Large systems provide water and sanitation to a community through a network to which individual households are connected. Basic systems are generally shared between several households.
Water supply and sanitation in urban areas usually necessitates a network installation. To classify such projects consider the per capita cost of services. The per capita cost of water supply and sanitation through large systems is several times higher than that of basic services.

2. Integrated Water Resources Management (IWRM) is defined as "a process which promotes the coordinated development and management of water, land and related resources in order to maximise the resultant economic and social welfare in an equitable manner without compromising the sustainability of vital eco-systems".
Recognising that sectoral approaches to water management tend to impose unsustainably high economic, social and ecological costs, IWRM emphasises decision making across sectors and scales.

## Issues for clarification

The Consultative Group identified the issues shown in Table 2 as being likely to require further clarification for the revised codes to be applied consistently. This forms the basis for the guidance offered by this Note.

### Table 2. Issues for clarification and guidance

| | Guidance point | Related Purpose Codes | Comments |
|---|---|---|---|
| **1.** | Disaggregation of water and sanitation in integrated water sector projects | 14020 vs 14021/22 14030 vs 14031/32 | The difficulty of disaggregating the reporting of integrated programmes, in particular where a conscious effort has been made to integrate aid components across the area covered by the 140 Codes. This covers the situation where the distinction could be made between "large and basic" but not between "water supply and sanitation". |
| **2.** | Disaggregation of water and sanitation components from projects in other sectors | Water (140) vs other sector codes e.g. Health (130), Agriculture (311) | More broadly, disaggregating water and sanitation from within projects and programmes in other-than the water sector. |
| **3.** | Definition of "large and basic" water and sanitation projects | 14020 vs 14030 14021 vs 14031 14022 vs 14032 | The current Notes to the 140 Purpose Codes are unclear with respect to a) the technology and b) the scale of application, for example: <br> - where a basic technology such as on-site sanitation is applied on a large scale <br> - where large system approaches are adopted in smaller scale situations, such as centralised water supply for small towns |
| **4.** | Use of the Policy Development Code | 14010 vs 14020/21/22 14010 vs 14030/31/32 | To address the possibilities of over-using the code as a "catch-all" for sector projects; allocations to this code may be perceived as "untargeted". <br> Where policy support is provided as a prerequisite for improved project implementation. |
| **5.** | Capacity development that directly supports implementation | 14081 vs 14020/21/22 14081 vs 14030/31/32 | Where context-specific capacity development is provided as a pre-cursor to implementation, the outcome of which is improved service delivery. |

| | | | |
|---|---|---|---|
| **6.** | Water Resources Management, River Basins' Development | 14015 and 14040 | To provide examples of use of the revised reporting definitions. |
| **7.** | Programme based Aid | 14010/aid modality/PBA flag | Many donors are increasing the proportion of programme-based aid through budget support in accordance with the Paris Declaration\*. Whilst this is a major methodological challenge for the DAC that runs beyond the water sector, there is concern that the destination of general budget support to the water sector is unreportable through the disaggregated codes, leading to an interpretation that "aid for water is dropping". |

\* Paris Declaration on Aid Effectiveness, Ownership, Harmonisation, Alignment, Results and Mutual Accountability (2005).

## Guidance on use of Purpose Codes for Water

### Introduction

The guidance points make use of examples, shown in Annex 1, drawn from donor reporting by Austria, the Netherlands and UK and have been developed through adopting a step-wise approach to identify the most appropriate reporting code[1]. In some cases the reporting code can easily be determined at Step 1, and in other cases the user will need to carry out more detailed analysis using various aspects of steps 2 and 3.

Step 1: Review the objectives, key outputs and short/summary project description.

Step 2: Identify the budget allocations to the major sub-components of the project.

Step 3: Review the project descriptions for each sub-component with respect to the detailed guidance points outlined below. Many projects contain a mix of interventions that could be reported against various 140 codes; the aim is therefore to identify the *predominant theme*.

The ease with which donors can disaggregate reporting using the new CRS Codes is clearly a function of each individual donor's internal management information and reporting systems. Some donors are able to disaggregate projects into a number of different components and assign each component an appropriate 140 Purpose Code. Other donors' systems only permit the assignment of a single Purpose Code to each project.

Disaggregated reporting becomes increasingly difficult with programme-based aid; this is particularly relevant in view of donors' commitment to increase the use of this modality. This is clearly a generic issue for all aid, rather than being specific to the 140 purpose codes. Guidance Point 7 offers some advice on this issue.

### Overarching guidance point

*The intention of the donor **at the point of outflow** (as expressed in the funding agreement) is the guiding criterion for assigning classifications and for disaggregation of the water supply and sanitation components. This is because the DAC/CRS statistical system is conceived as a means to measure donors' financial outflows to developing countries and multilateral organisations. It is also possible to record donors' intentions (specific geographical or sector focus) and practices (aid modality or tying of aid). In order to be able to give a clear and compatible basis for analysis of donors' policy intentions and practices it is therefore very important to adhere to this point of measurement and not try to simultaneously measure the end use of funds.*

### Guidance Point 1: Disaggregating water from sanitation

For project-type activities, few problems are envisaged; Example 1.1 illustrates use of the revised purpose codes.

Within an integrated water and sanitation project, disaggregated reporting of water and sanitation (14021/22 and 14031/32) should only be done when the individual donor's reporting system is able to identify this disaggregation. Otherwise, the ODA should be reported as either 14020 or 14030; see example 3.2.

### Guidance Point 2: Disaggregating water and sanitation within non-water sector projects

Example 2.1 illustrates the disaggregation of water and sanitation activities that are sub-components in a project that is predominantly in the health sector. This issue is not specific to the introduction of the revised purpose codes and the ability to disaggregate is dependent upon the donor's internal reporting system.

---

[1] This is the process that most reporters already adopt to assigning purpose codes

Example 6.1 illustrates a situation where projects have attributes that could relate to both the water (140) and agricultural (311) sectors.

A further issue concerns whether to propose thresholds below which it is not worth reporting small water sector components. This could be done either by specifying a minimum amount ($) or a minimum percentage of the total project value. Either approach is somewhat arbitrary; it is therefore left to the discretion of individual donors.

### *Guidance Point 3: Definition of "large and basic" water & sanitation projects*
Two problems have been identified concerning the interpretation of the "accompanying notes" for the 140 Purpose Codes.

1. The tendency to classify according to geographic status using the overly simplistic proxy assumption that "urban equals large and rural equals basic". This is misleading and can result in inappropriate Purpose Code assignment.
2. The role of the type of the technology and the scale at which it is applied.

It is recommended that the distinction between "large" and "basic" is based on the type of technology adopted (in accordance with the definitions for the various sub-sectors in Table 1) with the following clarification concerning the associated management systems that are necessary in order for the technologies to function:

- "Large" involves technologies that require centralised management, operation and maintenance
- "Basic" involves" technologies that can be managed, operated and maintained at a household, neighbourhood or community level.

The scale at which a project operates, or the coverage it aims to achieve, does not in itself determine whether the project is reported as "large" or "basic".

Example 3.1 illustrates the case of a "basic" urban sanitation programme being implemented using household and community based facilities. Example 3.2 describes a situation of a "basic" rural sanitation programme being implemented on a very large scale, using household-based technologies. Examples 3.3 and 3.4 from 'small towns' projects illustrate how the nature of the management system for the technologies involved can be a clear determinant of whether the project is reported as "large" or "basic".

### *Guidance Point 4: Capacity Development that supports implementation and service delivery*
Uncertainty can arise concerning whether to assign projects to the reporting codes for capacity development (14081) or implementation (14020/14030 and their sub-components). This is particularly the case where project descriptions for training and capacity development projects place strong emphasis on implementation and improved service delivery results and outcomes.

Example 4.1 provides a clear-cut case of capacity building; example 4.2 contrasts this with a capacity building project that places strong emphasis on service delivery outcomes. It demonstrates the importance of following the overarching guidance point that the intention of the donor *at the point of outflow (as expressed in the funding agreement)* determines the reporting code.

### *Guidance Point 5: Policy development that supports implementation*
A similar issue arises concerning the use of the policy development code (14010), for example where policy and institutional development work is undertaken as a precursor to improving service delivery (14020/14030 and their sub-components) or water resources management (14015).

Example 5.1 illustrates local planning and management in relation to water resources management.

### *Guidance Point 6: Water resources management and river basin development*
Example 6.1 illustrates the distinctions that can be made in order to accurately report using the codes for water resources management (14015) and river basin development (14050). The examples also illustrate the problem of assigning a single code to a project that has distinct sub-components, but the donor's own reporting system does not permit sub-division of the project for reporting purposes.

### *Guidance Point 7: Reporting programme-based aid for water and sanitation*

As aid modalities become more programme-based in character, the main criterion that determines the assignment of sector codes (and the level of disaggregation within those codes) is the practice of individual donors on earmarking[2] of ODA.

- *General budget support* is unearmarked;
- *Sector budget support* (A02) and core contributions and pooled programmes and funds (Type B) can be earmarked to a greater or lesser extent depending upon the specific sub-type (e.g. B01 to B04) and the policy and practice of individual donors.

It is important to note that the aid modality is also expressed through the various 'flags' that are used in CRS statistical reporting. For example: the programme-based approaches flag (PBA); the investment project flag (INV); the free standing technical cooperation flag (FTC); and investment-related technical cooperation flag (IRTC). Examples 7.1 and 7.2 show the use of flags as well as the reporting codes.

Whilst it is not possible to set out hard and fast guidelines, the following recommendations are based on existing practice.

- The type and sub-type of aid (modality) is indicated through the use of the existing definitions[3]
- Earmarked support is assigned to the appropriate sub-sector code according to the donors' intentions.
- Un-earmarked support is assigned to the 14010 sub-sector code for policy and administrative management.

Examples are shown to illustrate two commonly occurring situations regarding PBA, namely:

- The transition from project support to sector budget support (PBA) that involves both earmarked and un-earmarked components (example 7.1)
- Support to multilateral organizations that involves both earmarked and un-earmarked components (example 7.2)

Individual donors' policy and practice also varies in that the earmarking can be notional or "broad", as opposed to very close earmarking with binding agreement in the funding contract.

---

[2] Earmarking is understood to refer both to a legally binding conditionality on the use of funds and also to the explicit intention by the donor that the funds be used for a specified purpose; that is, donor intention

[3] OECD Development Co-operation Directorate (September 2009): Reporting directives for the creditor reporting system, Addendum on types of aid DCD/DAC/(2007)39/FINAL/ADD2

# Annex 1. Examples

---

### Example 1.1 The Water Indonesia and Sanitation Indonesia projects

**The "Water Indonesia" project**

**Step 1**
The project objectives state:
*"..to assist other companies within the PPP with required investments in order to renovate [and expand] city infrastructure.... to deliver improved water supply".*

- This clearly indicates that the project is addressing "large" water supply systems involving centralised management
- Under the revised Purpose Codes it would be assigned code 14021; it was originally (pre-2010) assigned code 14020.

**The "Sanitation Indonesia" project**

**Step 1**
The project objectives state:

*"...to address institutional, technical and infrastructure, and capacity issues."*

- The project description lists technical/infrastructure related outputs that refer to *"...improved access to household sanitation...better urban planning...addressing municipal operation and maintenance issues.."*
- The project will work with municipalities on urban sanitation systems involving centralised management; that is "large" sanitation systems
- Under the revised Purpose Codes it would be assigned code 14022 ; it was originally (pre-2010) assigned code 14020.

**Key point**
These cases are relatively straightforward as the appropriate classification into "water" or "sanitation" can readily be determined from the project objectives and outputs. Note that it is the issue of "large" or "basic" that tends to be more problematic and often needs further exploration (see Guidance Point 2).

---

### Example 2.1 Support to UNICEF Child Survival and Development Programme, Central African Republic

The project goal is to impact on child survival, growth and development; it is primarily a basic health sector project (122) where the donor is supporting UNICEF.

**Step 1**
The project objectives are:

*"...(a) scale-up high impact health/nutrition interventions among under-five children, pregnant/lactating women; (b) improve young child survival, growth and development practices; (c) **improve the access of rural population to safe water and to basic sanitation**; (d) policy improvement; (e) assist populations affected by different crisis in health, nutrition, water supply, hygiene and sanitation, according to CCC and cluster approach"*

- The project contains a water and sanitation (140) component that is rural and clearly aimed at "basic" systems

**Step 2: Budget allocations**
- The donor's reporting system allows the various project components to be identified, with 24% of the budget assigned to the "safe water and sanitation" component.
- The budget does not indicate any disaggregation between water & sanitation;
- Code 14030 would be assigned to this component of the project.

**Key Point**
In this case, the donor's reporting system enables a specific sub-project for water and sanitation to be reported separately under the 140 codes. Where donors' systems do not permit separate reporting of sub-project components in this way, Code 122 would be assigned to the entire project.

---

**Example 3.1 Environmental Health, Bangladesh**

This project involves improvements to water supply, sanitation and hygiene in both rural and urban areas.

**Step 1**
The project objectives are:

*"Sustainable improvements in hygiene behaviour and reduction in exposure to water and environmental sanitation risks for whole, poor rural and urban communities in challenging geographical, socio-economic and technical contexts in Bangladesh".*

- The project is integrated, with a mix of urban, rural, water and sanitation and the appropriate revised purpose code cannot be reliably inferred without further exploration.

**Step 2: Budget Allocations**
- The budget is disaggregated into three sub-programmes for urban, rural and advocacy.
- The budget does not further disaggregate between water, sanitation or hygiene promotion and the project description gives no indication as to what the disaggregation might be. The sub-projects will therefore be assigned to either 14020 (large) or 14030 (basic), as it is not possible to disaggregate into 14021/22 or 14031/32

**Step 3A: Technical appraisal: urban component**
The technical appraisal section of the project description states:

*"…connections for community water points or water kiosks will be provided by local authorities  from their existing supply mains. In peri-urban and district town areas where separate supplies are required, deep-set lift hand pumps with above ground storage will be used to supply water stands managed by NGO partners or communities themselves"*

- This contains a mix of simple extensions to the water supply system, but with the provision for small locally managed supplies; that is, basic water supply.

*"…In urban areas, where access to land is restricted, cluster latrines or sanitation blocks are constructed. The programme promotes the construction of latrines in households (subsidy-free), public places, public institutions and schools."*

- There is no provision for centralised systems and the proposed improvements comprise basic sanitation

**Step 3B: Technical appraisal: rural component**
The technical appraisal section of the project description states

*"…Water supply options..include: shallow and deep tube wells; gravity flow piped water systems; tap stands; infiltration galleries and rainwater harvesting schemes"*
*"…Latrines in rural areas are normally of simple pit type"*

- The rural component is clearly for basic water and basic sanitation systems.

Therefore, code 14030 is assigned to the entire project.

**Key Point**
A project that operates on a very large scale can be "basic". It is the nature of the technology and its associated systems that distinguishes between "large"(14020) and "basic" (14030), not the scale of application. The urban/rural division should not be used as a proxy for large and basic systems; not all urban water projects relate to large systems.

**Example 3.2 Rural water, sanitation and hygiene in Bangladesh**

This project provides support to a large NGO.

**Step 1**
The project objectives include:

*"...Providing sustainable and integrated WASH services in rural areas of Bangladesh...with individual or shared latrines for 80% of the population..... ensuring scaling-up and sustainability of WASH services"*

- The project is integrated, with a mix of rural water, sanitation and hygiene. the appropriate classification cannot be reliably inferred from the project objectives or outputs.

**Step 2: Budget Allocations**
The budget disaggregates between water (35%) and sanitation & hygiene (65%). However, the donor's internal reporting system does not permit separate coding of sub-components of a single project even though they are identifiable. The project will therefore be assigned to either 14020 (large) or 14030 (basic), as it is not possible to disaggregate the reporting into 14021/22 or 14031/32.

**Step 3: Technical Appraisal**
The programme involves scaling up services and has a large target population. The outputs include:

*"..Individual or shared latrines for 80% of the population...access to safe water for drinking and cooking purposes in the most needy villages.."*

- Whilst the project is operating at a large scale in terms of population coverage, it is achieving its objectives through making use of basic systems
- Code 14030 is therefore assigned to this project

**Key Point**
A project that operates on a very large scale can be "basic". It is the nature of the technology and its associated systems that distinguishes between "large" (14020) and "basic" (14030), not the scale of application.

---

**Example 3.3 Sanitation in small towns**

The project provides support to sanitation in four towns in Mozambique and involves a PPP.

**Step 1**
The project objectives include:

*"..Contributing to the MDG7 (sanitation and hygiene) by realising improved water and sanitation services."*

The project outputs include:

*"..strengthening the organisation of the Sanitation Department...of the four cities; access to improved sanitation facilities enlarged by 25%....as a direct realization of sanitation facilities at public places including schools and markets. Indirectly the improved access is caused by information and technical support at household-level.... "*

- The project is related to sanitation and will be reported as either 14022 or 14032.
- The project contains a mix of elements that are necessary to implement a good sanitation programme including organisational capacity building, sanitation promotion, hygiene behaviour change; the budgets and donor's reporting system do not distinguish between these elements and the choice of purpose code is not necessarily clear cut.
- This does not involve "large" systems, so the use of 14022 can be discounted.
- It is therefore a case of identifying the predominant theme. This relates to the implementation of sanitation–related activities and the majority of interventions are covered under the definitions of "Basic Sanitation".
- Code 14032 is assigned to the project.

**Key points**
1. Basic sanitation projects do not necessarily involve donor funds being used for direct construction of household latrines; the primary focus is often on promotional activities that lead to creation of demand, and on developing local capacity.
2. The physical and demographic characteristics of small towns should not be used as a proxy for deciding whether systems are "large" or "basic".

**Example 3.4 Water Supply in small towns**

The project aims to increase water availability, water quality and improve service quality

**Step 1**
The project objectives include:

*"...to increase water production, increase transmission capacity, provide sufficient water storage"*

The project outputs include:

*"..construction of the associated physical infrastructure of intake works, pumps, pipelines and storage reservoirs."*

The project is concerned with centralised large scale water supply infrastructure.
Code 14021 is assigned to the project.

**Key Point**
Taken together with Example 3.3 this illustrates that the small town context can involve both large and basic projects; see the distinctions made in Guidance Point 3.

---

**Example 4.1 Barefoot Hydrologists**

The barefoot hydrologists program aims to develop capacity of local communities and village organizations to sustain local groundwater supplies.

**Step 1**
The stated project outputs include: the numbers of local people trained as "barefoot hydrologists"; tools to support their work; and dissemination and awareness raising.

One of the project 'outcomes' is the *"sustainable location of 2000 successful new wells"*
Code 14081 is assigned to the project as it is readily identifiable as capacity building.

**Key Point**
Project activities may offer very clear direction on how to best report the project.

---

**Examples 4.2 Capacity development**

This project provides support to an International NGO.

**Step 1**
The project objective is *"...to increase the capacity of operations, local partner projects and local government departments to support improved access to potable water, sanitation"* (in seven operational emergency programmes in seven countries).

- The project summary places a lot of emphasis on improved WASH service delivery: "increased quality of WASH services...increased quality of local government service delivery... as a consequence of the project".
- This emphasis on service delivery outcomes could give rise to the potential for assigning either reporting code 14081 or 14030.

**Step 2 & 3 – Technical appraisal**

- The technical appraisal takes a broad view of capacity development; however, it refers explicitly to activities for  *...working with (local government).. and local civil society .. to build their capacity to support WASH interventions....and....government department staff to be trained and mentored.*
- This confirms that the intention of the donor is capacity development and code 14081 is assigned to the project.

**Key Point**
Where doubt exists, refer to the key generic guidance point that *the intention of the donor at the point of outflow (as expressed in the funding agreement) determines the reporting code*. In this case, service delivery aspects only arise as a consequence of the capacity building work in the project.

<div style="border: 2px solid #9b1b30; padding: 20px;">

**<span style="color:#9b1b30">Example 5.1 Developing markets for watershed protection</span>**

The goal of this project concerns improving rural livelihoods in developing countries.

**Step 1**
The project objectives are *"..to increase understanding of the role of market mechanisms in promoting the provision of watershed services to improve livelihoods."*

- The intended outcomes include policy initiatives and programmes that reflect hydrological findings on the effects of land-use on watershed services.
- The potential reporting codes are 14010 (policy) and 14015 (water resources management).
- This is a research project, the outputs of which are case study experiences in the provision of watershed services which do not result in the production of additional data on water resources.
- This is sufficient to identify the project as "water sector policy"; code 14010 is assigned to this project.

**Key point**
The intention of the donor at the point of outflow of funds defines the code to which the project is assigned.

</div>

<div style="border: 2px solid #9b1b30; padding: 20px;">

**<span style="color:#9b1b30">Example 6.1 Irrigation infrastructure and wells in Afghanistan</span>**

The project is supporting the construction of small-scale rural infrastructure.

**Step 1**
The project objective is "*... to increase the irrigated agricultural area and to prevent erosion of agricultural areas through reducing the severity of river flooding...*"

There are two main groups of outputs relating to:

- construction of hydraulic works for local river improvement, to reduce floods and enable improved local irrigation;
- construction of village wells.

The outputs contribute to dual outcomes: firstly increasing the irrigated agricultural area; and secondly providing an improved water supply.

These could reasonably be assigned different sector purpose codes for Water (140) and Agriculture (311).

The donor's internal reporting system does not permit separate coding of sub-components of a single project even though they are readily identifiable; a single code has to be assigned.

**Steps 2 & 3 – Budget and technical appraisal**
1. River improvement works predominate the project activities and budget. The hydraulic works are small scale, namely river bank improvement and culverts.
2. The river improvement works, together with the water supply component, give predominance to the Water sector (140) rather than Agriculture (311)
3. Either purpose code 14015 or 14040 could be assigned; the definitions for code 14040 "River basins' development" implies large scale works. The description of the small-scale river works in this project fits more closely with the definitions accorded to 14015; that is, the "rehabilitation of the river" is with respect to improving local water resources rather than with infrastructure to develop the river basin as a whole.

**Key Points**
1. Where projects set out to achieve multiple objectives, the predominant activities and budget lines along with the donor's intention at the point of outflow of the ODA are used to identify the most appropriate reporting code
2. The distinction between "rehabilitation of inland surface waters" (14015) and "infrastructure focused...activities" (14040) can be a difficult one to make.

</div>

The transition from "project to programme" support may not be clear-cut especially when this happens gradually through several planned stages; difficulties may arise with reporting between different aid modalities and sector codes. Table 3 tracks the historical use of reporting codes to reflect this transition in a donor's support to Uganda. It illustrates how a clear-cut project-type activity transforms into a budget support contribution.

A Sector Wide Approach (SWAp) framework was agreed in 2002 and a joint fund created to rationalise donors' contributions to the sector programme. The details in Table 3 also illustrate the donor's transition from earmarked funding (for which a sub-sector 140 code can be assigned), to un-earmarked support which is assigned to the 'sector policy and administrative management' reporting code (14010).

**Table 3. Sector funding transition**

| Period | Type of aid (modality) | Flags | Sector Code | Objective | Comments |
|---|---|---|---|---|---|
| **2002** | Project (C01) | FTC | 14010 | Extension of existing institution & capacity building (Technical Support Unit Kabale) | Institutional development and capacity building become predominant components.  Sector code is changed from that used for pre-extension activities (14020) |
| **2004** | Pooled funding (C01) | PBA | 14030 | Contribution to Joint Water Supply & Sanitation Programme Support (JWSSPS), earmarked for operation and maintenance support structures for rural WSS systems | Contribution to sector programme through joint fund, but earmarked for specific components/ activities |
| **2008** | Pooled funding (B04) | PBA | 14010 | Contribution to JWSSPS | Unearmarked contribution to sector programme through joint fund |
| **2009** | Pooled funding (C01) | PBA | 14031 | Contribution to JWSSPS for WSDF Northern Uganda - | Contribution to sector programme through joint fund, but earmarked for specific components/ activities |
| **2010** | Sector budget support (A02) | PBA | 14010 | Contribution to JWSSPS and sector budget support for Water & Sanitation | Contribution to WSS sector programme, various components, mix of modalities (largest being Sector Budget Support) |