



Making Aid More Transparent Preliminary Review

July 2008

about aidinfo

aidinfo is a new initiative to improve the transparency and timeliness of data on aid for poverty reduction. The aidinfo programme is led by Development Initiatives Poverty Research, part of an independent UK-based organisation that has been working with the OECD's Development Assistance Committee (DAC) and a number of bilateral donors and NGOs on statistical and policy analysis for aid and poverty reduction for over 20 years. The programme is funded by the Bill and Melinda Gates Foundation and the Hewlett Foundation. The conclusions in this paper are preliminary and are subject to change in the light of further evidence and analysis.

Executive Summary

1. Improved transparency of aid information would increase the impact of aid, and country ownership of their development programmes. Our analysis suggests that transparency of aid would result in
 - More responsive services, more accountable government and country ownership
 - Improved performance of aid agencies
 - Reduced scope for corruption
 - Better linking of aid to results
 - Improved quality of investment decisions
 - Improved tools for macroeconomic management
 - Reduced overhead costs
 - More research and evaluation leading to improved lesson-learning
 - Increased public support for aid in donor countries when taxpayers know how their money is being spent
2. Transparency of aid information is a specific commitment in the Paris Declaration: it is also a necessary condition for making progress across all of the Paris principles of ownership, harmonisation, alignment, results and mutual accountability.
3. Greater aid transparency should include publication of more detail about how the aid is being spent, more information about future aid flows, improved timeliness (preferably real-time data), consistent and comparable data, traceability of aid, and more use of common output indicators.
4. The majority of donors – accounting for perhaps 80% of global aid – can make these changes over the medium term without substantial cost. For around a third of donors, responsible for about 20% of all aid, this would require some political will to allocate additional resources for investment in new systems, albeit with high returns to the organisation's internal efficiency.
5. Greater transparency of aid information will have greatest impact through locally-owned mechanisms, responsive to particular local circumstances, and implemented in locally-appropriate ways. Aid transparency must not be another donor-driven global initiative.
6. The design and implementation of a consistent set of technical standards for the publication of aid data is a global public good. Donors should focus on creating a simple, reliable and publicly accessible infrastructure that makes the underlying data easily available. This would be a platform on which public sector, private sector and civil society organisations could develop diverse, decentralised and innovative applications that would share, compare and analyse aid information for a wide variety of purposes, including aid management systems suitable for local needs.

Introduction

7. This paper summarises the advantages of making aid information more transparent. It proposes an international process to develop and implement a new, open standard to make aid information more useful and more accessible.

8. Our work is at an early stage, and this paper sets out our initial findings, based on discussions with a wide range of different stakeholders. The messages are sufficiently consistent that we can offer preliminary conclusions; but they should be regarded as hypotheses to be tested as we gather more comprehensive and systematic evidence and as we consult a wider range of people.

Why is transparency important?

9. Transparency of aid is a means to an end: it improves people's lives by enabling aid to be used better. It increases accountability and ownership, improves decision-making, reduces duplication and waste, and so increases the impact of aid.

10. Transparency **can increase the impact of aid spending by enabling citizens to hold service providers to account.** For example, in the late 1990s, the Ugandan government initiated an information campaign to boost schools' and parents' ability to monitor the government's handling of a large school-grant program funded by a group of donors. The results were dramatic: the amount of money reaching schools increased from 20 percent in 1995 to more 80 percent in 2001.¹ A modest investment in transparency of resource flows resulted in a very large increase the effectiveness with which those resources were used. In general, transparency about the amount of money provided, to whom and for what purpose, enables the intended beneficiaries to demand the services that it is intended to fund.²

11. Transparency also increases the impact of aid by **improving the performance of aid agencies.** A recent quantitative study of 39 donors found a strong positive correlation between transparency and other dimensions of effective donor behaviour, such as low overhead costs and better choice of aid instrument.³ Easterly & Pfutze suggest this explanation for their findings:

The lack of feedback in aid

“Domestic government bureaucracies in democratic countries have some incentive to deliver the services to the intended beneficiaries because the ultimate beneficiaries are also voters who can influence the budget and the survival of the bureaucracy through their elected politicians. ... However, the peculiar situation of the aid bureaucracies is that the intended beneficiaries of their actions – the poor people of the world – have no political voice to influence the behaviour of the bureaucracy.”

Easterly & Pfutze, 2008

¹ Jakob, Svensson ; Ritva, Reinikka. (2004) The power of information: evidence from a newspaper campaign to reduce capture. The World Bank Policy Research Working Paper Series. No 3239.

² See also Martina, Bjorkman ; Jakob, Svensson. (2007) Power to the People: Evidence from a Randomized Field Experiment of a Community-Based Monitoring Project in Uganda. C.E.P.R. Discussion Papers.

³ William Easterly and Tobias Pfutze. (2008) *Where doe the Money Go?*

“To remedy the feedback problem [a lack of accountability for aid], a plausible partial solution is to make the operations of the aid agency as transparent as possible, so that any voters of the higher income country who care about the poor intended beneficiaries could pass judgement on what it does. In turn, with greater transparency it becomes possible to look at other elements of best practice ...”⁴

“We may be illiterate but we are not stupid”

We would like to tell you the story of \$150m going up in smoke," said the young villager. "We heard on the radio that there was going to be a reconstruction programme in our region to help us rebuild our houses after coming back from exile, and we were very pleased."

This was the summer of 2002. The village was in a remote part of Bamiyan province, in Afghanistan's central highlands, and several hours' drive from the provincial capital - utterly cut off from the world. UN agencies and NGOs were rushing to provide "quick impact" projects to help Afghan citizens in the aftermath of war. \$150m could have transformed the lives of the inhabitants of villages like this one.

But it was not to be, as the young man explained. "After many months, very little had happened. We may be illiterate, but we are not stupid. So we went to find out what was going on. And this is what we discovered: the money was received by an agency in Geneva, who took 20 per cent and subcontracted the job to another agency in Washington DC, who also took 20 per cent. Again it was subcontracted and another 20 per cent was taken; and this happened again when the money arrived in Kabul. By this time there was very little money left; but enough for someone to buy wood in western Iran and have it shipped by a shipping cartel owned by a provincial governor at five times the cost of regular transportation. Eventually some wooden beams reached our villages. But the beams were too large and heavy for the mud walls that we can build. So all we could do was chop them up and use them for firewood."

Clare Lockhart, “The Failed State We’re In”, Prospect Magazine, May 29 2008.

12. Transparency of aid **limits the scope for corruption** by exposing financial flows to public scrutiny. Analogous to the Extractive Industries Transparency Initiative (EITI) which seeks to limit rent-seeking and corruption related to oil and other revenues, so greater transparency of aid limits the scope for aid to be diverted or wasted.⁵

13. Increased access to aid information facilitates **linking aid to results**. Without information about where aid is being spent, by whom and for what, it is very difficult to trace through the effects of the aid to the outputs and outcomes it is intended to deliver. Better aid data would permit more robust statistical relationships to be

⁴ Note that Easterly and Pfütze identified a correlation between transparency and effectiveness; but they did not look for evidence that greater transparency is the cause of greater effectiveness.

⁵ Klaus Deininger and Paul Mpuga. (2005) Does Greater Accountability Improve the Quality of Delivery of Public Services? *World Development, Volume 33, Issue 1, January 2005, Pages 171-191*. Also see Johann Graf Lambsdorff (1999), Corruption in Empirical Research - A Review

established between aid inputs, outputs and outcomes. Greater transparency of aid information is a necessary component of a systematic effort to link aid to results.

14. Transparency improves the impact of aid by **improving the quality of investment decisions**. Information about what is being delivered, and by whom, enables governments, donors, NGOs, foundations and the private sector to coordinate with each other at local level. They can reduce duplication, identify areas of unmet need, share services (e.g. using a rural distribution network to deliver a variety of goods) and ensure that complementary inputs are provided (e.g. the government can employ teachers where a donor builds a school.)

15. Access to information about aid **facilitates macroeconomic management**. The Central Bank needs information about aid inflows to enable it to stabilize exchange rates in the face of large, high value foreign currency inflows, and to sterilize the inflationary impact of additional liquidity.⁶

16. Easier access to information about aid would also **reduce overhead costs** for donors and for developing countries. There are more than 50 countries that operate decentralized aid management systems such as the Aid Management Platform (AMP), Development Assistance Database (DAD) and bespoke systems for individual countries such as ODAMoz.⁷ These systems are populated manually and maintained by staff of donor agencies and developing countries, and require substantial and sustained effort to ensure that they remain current and comprehensive. Our preliminary view is that donor agencies will make net administrative savings within a few years if they implement systems to provide information to these databases automatically.

17. As well as directly improving the impact of aid, and reducing overhead costs for donors, greater transparency **underpins rigorous research and evaluation** necessary for lesson-learning. This in turn enables aid to be used more effectively in future to achieve results. For example, we are documenting the case of an NGO that is studying the impact of improved sanitation on saving children's lives in Zambia and Madagascar. Because the existing DAC classification of aid spending does not distinguish between investments in water supply and investments in sanitation, it is impossible to investigate the statistical relationship between sanitation investment and infectious disease.

18. As well as making aid more effective and improving learning, a powerful case for greater transparency of aid can be made on grounds of **the public's right to information**. Taxpayers in donor countries are entitled to know how their taxes are being spent in developing countries. Citizens in recipient countries are entitled to know what is being done in their country and by whom. A group of international NGOs is launching the "Publish What You

The public's right to information

The Publish What You Fund Principles have been developed out of recognition that special efforts are needed to promote the transparency of aid and to ensure that all sectors of society have equal access to information, particularly the communities which aid is designed to benefit.

"Publish What You Fund" Principles, draft of July 2008

⁶ Gupta, Sanjeev, Powell, Robert and Yang, Yongzheng, "The Macroeconomic Challenges of Scaling Up Aid to Africa" (September 2005). IMF Working Paper No. 05/179

⁷ Conversation with UNDP officials July 2008.

Fund” initiative which argues that the principles of freedom of information should be applied to aid. Publish What You Fund argues for transparency of decision-making and for the publication of strategies, evidence and analysis underpinning aid decisions as well as for publication of detailed aid spending information.

19. It is reasonable to expect that greater transparency will help to **build public support for aid**. While we have no proof of this, evidence from opinion polls suggests that the public knows little of the role of government aid in promoting development. The public are not unsympathetic to the need to help people in developing countries, but they express doubts about whether the money actually reaches the intended beneficiaries. Transparency of aid information which gives the public confidence that the aid really does reach its target should therefore build greater public confidence in government aid programmes.

20. Increased access to aid information would also enable parliaments, civil society and the public to **hold donor governments to account** for meeting their international and domestic political commitments on international development. In the absence of detailed and up-to-date information, civil society groups cannot readily analyze whether governments are living up to their commitments, or in some cases legal requirements, either to spend the aid they have promised and to allocate it to particular priorities. For example, it will not be known whether donors have met their Gleneagles commitments to increase aid by 2010 until the figures are released in 2012.

Transparency of aid and the Paris aid effectiveness principles

21. The 2005 Paris Declaration on Aid Effectiveness contains a specific commitment on the part of donors to greater transparency of aid flows.⁸ Just as importantly, transparency of aid information would make a substantive contribution to the achievement of *each* of the five organising principles of the Paris Declaration: ownership, harmonisation, alignment, results and mutual accountability:

- **Ownership**

Lack of transparency around aid flows is a barrier to partner countries’ attempts to exercise effective leadership over their development policies. Lack of knowledge about existing and future aid flows and projects compromises partner countries’ efforts to plan and co-ordinate development actions. Improved aid information is one important way in which donors can meet their commitment to strengthen partner countries’ leadership over development policies.

- **Alignment**

Aligning aid with country systems requires that aid is transparently included in budget planning, execution and audit, even if the aid funds themselves do not flow through government systems. Donors are committed in the Paris Declaration to provide reliable indicative commitments of aid over a multi-

Paris Declaration on aid effectiveness

“Donors will:

- Provide timely, transparent and comprehensive information on aid flows so as to enable partner authorities to present comprehensive budget reports to their legislatures and citizens.”

Paris Declaration, March 2005

⁸ Paris Declaration, March 2005. Para 49.

year framework; to rely to the maximum extent possible on transparent partner government budget and accounting mechanisms and to implement harmonised performance assessment frameworks in public financial management. Delivering these objectives will require greater aid transparency.

- **Harmonisation**

Information about aid in an easily-comparable format is an essential underpinning of efforts to harmonize development assistance. A variety of country-specific aid management systems have been developed to bring together information about donor spending to facilitate coordination, but while these tools add value, they have also frequently proved burdensome and difficult to maintain.

- **Managing for Results**

Greater clarity on how, when and on what aid has been spent is an essential component of any effort to assess the results of aid expenditure. Donors committed themselves in the Paris Declaration to align resources to country performance assessment frameworks, which must include accounting for aid resources if they are to be meaningful. Improved information on the implementing channels associated with aid would enhance diagnostic reviews of the results of aid disbursements and enable more systematic tracking of results. Greater availability of data would also facilitate statistical and econometric analysis to link aid to results.

- **Mutual Accountability**

The Paris Declaration explicitly recognizes that donors must provide timely, transparent and comprehensive information on aid flows to enhance mutual accountability and transparency in the use of development resources, and to strengthen public support for national policies and development assistance. Information is needed both to hold developing country governments to account for the way that they use the resources within their control, and to hold donor governments to account for living up to their promises.

22. Transparency of aid information is therefore not merely a specific commitment in the Paris Declaration: it is also a necessary condition for making progress across all of the Paris principles and aid effectiveness agenda.

What additional information is needed by users of aid information?

23. The benefits of greater transparency of aid information described above will only be achieved if the type of information that is provided, and the way it is provided, meets the needs of the people who will use it in developing countries and in donor countries. It is not sufficient that donors merely publish more information: the right information has to be easily accessible in the right form.

24. The aidinfo team has therefore begun detailed work with a range of stakeholders in donor and developing countries to assemble evidence about how they use aid data, and to understand their priorities for greater transparency. This evidence should inform decisions about the ways in which aid is made more

transparent, so that the potential benefits outlined above are achieved. This work is in its early stages but it has suggested a number of consistent themes about the improvements that would most meet the needs of different groups of stakeholders.

25. We have heard from all stakeholders, in varying degrees of priority, that they would benefit from a combination of the following improvements in transparency of aid information:

a. **More detailed information**

Information users need more fine-grained information about the purposes to which aid is spent, geographical location, and the recipient of the money.

b. **Information about future aid flows**

Authorities in developing countries, other donors and civil society all give high priority to having more reliable, more detailed information about planned aid.

c. **Real-time data**

Detailed information is at present only available with a one or two year lag, by which time it is, for many purposes, out of date.

d. **Standards**

Data should be published in consistent, accessible, comparable formats to make it easier to add up, compare and analyse, and to read it straight into accounting systems and other applications.

e. **Traceability**

Common project identifiers would allow money to be tracked through the aid system and so increase accountability and enable aid to be tracked through to results. This also requires that implementing agencies and partners adopt the same aid information standards so that aid can be tracked as it passes through the system.

f. **Standard output indicators**

A number of organisations are interested in using standard indicators to enable them to estimate and compare the impact of aid.

Governments in developing countries

26. There is considerable variation both within and between developing countries in their need for additional information.

27. Finance and budget ministries are primarily interested in aggregate country-level and sector-level aid information. They place a large premium on having timely access to current data, and reliable estimates of future spending. Many want aid to be “on budget” – that is, shown in budget documents so that overall spending priorities are informed by donor and well as government spending.⁹ In the case of Rwanda just 49% of total ODA inflows in 2005 were recorded in the national budget. Less than one-seventh of project-support funding was shown in the budget. Some governments choose partially to offset donor flows in their own

⁹ Note that “on budget” is not the same as “budget support”. Aid can be “on budget” without the money passing through government systems.

resource allocations (e.g. to take account of donor flows when they determine intra-government fiscal transfers) – for these governments, it is important to know where money will be spent in advance of budget allocation decisions. Because budget classifications and fiscal years differ among countries, finance ministries value aid information that is consistent with the budgetary classifications they use, or which can easily be mapped to their budget. Exact disbursement dates are important to finance ministries because they can affect fiscal aggregates (e.g. if a large disbursement might fall either side of a fiscal year-end).

28. Central banks are predominantly interested in aggregate flows, especially where aid is large enough relative to other transactions to affect exchange rates or domestic liquidity. In these cases, precise dates and amounts of current and near-future transactions are important for orderly management of financial markets.

29. For line ministries, and some budget ministries, more detailed information about aid spending is important for planning and coordination. This information may be required to avoid duplication (to put new services in places of unmet need), and to plan complementary investments (e.g. hiring and training health workers to staff a clinic financed by a donor). For this to be effective, timely and detailed sub-sectoral and geographical information is required about current and future spending plans.

Civil society organisations

30. Transparency of aid information helps service delivery NGOs to harmonise their development activities with government and donor activities. Additionally, where NGOs are used as an implementation channel, better information on current and future flows helps them to plan and increase their effectiveness. Information on implementing channels helps to reinforce mutual accountability between NGOs and the governments of both developing and donor countries.

31. Advocacy and research NGOs need up-to-date, detailed and comparable information about spending. Without this, research is less robust, or significantly more costly and time-consuming than it needs to be. Aidinfo is documenting the example of Water Aid, a UK-based NGO, which is looking at the extent to which spending on sanitation projects is aligned with the incidence of water-borne diseases in a number of developing countries. This research has been handicapped by the lack of detail in project sector codes reported to the DAC which make no distinction between sanitation projects and water-supply projects. Furthermore, because there is no sub-national geographical coding it is difficult to assess whether resources are being deployed in the areas of greatest need. The researchers have had to undertake labour-intensive searches of descriptive fields and project documentation in order to obtain partial information. With better data, many weeks manual effort could have been avoided, and more robust conclusions reached.

32. Civil society organisations have an important role to play in tracking spending through the aid system. At present, there is often no way to find out which implementing agency has received the money. This makes it hard to avoid double-counting, and makes it impossible to follow the money down to the intended beneficiary. If civil society organisations could trace the money, they could identify cases in which the money does not all reach people on the ground and so act as watchdogs for waste, inefficiency and corruption.

33. The ability of parliaments and civil society in developing countries to hold governments to account for service delivery is a key driver of improved public services, and it is made difficult or impossible by lack of detailed, timely and consistent data.¹⁰

34. In donor countries, civil society organisations need more information to hold donor governments to account for the political and legal spending commitments they have made. At present it is not possible to assess whether commitments on ODA have been met until one or two years after the deadline for achievement of the commitment has passed. For these NGOs, it is a high priority to make aid data available more quickly. These advocacy NGOs would also make use of more detailed information about the terms on which aid is provided, for example to enable them to calculate the implicit level of concessionality, or to monitor the impact of conditionality.

Donor governments and international organisations

35. As well as being providers of aid information donor governments and international organisations are also prolific users of each other's information. Information about the activities of other donors is an important part of the context for decisions about where and how to spend aid. This required detailed information about particular interventions, including geographic location. Donors use information about each other's aid to harmonise and to reduce overlap.

36. As donors are paying greater attention to systematic measurement of results, there is growing demand from development agencies and multilateral institutions for standardised indicators of outputs and outcomes which can be aggregated and compared. Rigorous impact evaluation would be made more reliable and easier to undertake if aid data were widely available. Furthermore, to estimate the contribution that a particular donor has made to progress in a particular sector, it is important to have an estimate of the size of the donor's contribution in proportion to the aid provided by others.

37. For those donors that provide mainly programme aid, such as budget support, it is increasingly clear that empowering civil society in developing countries to demand improvements in the allocation and use of resources is an essential complement to provision of resources to government. Transparent aid information is an investment in the power of civil society organisations in developing countries to hold their own governments to account.

¹⁰ John Clark, (1995) The state, popular participation, and the voluntary sector, *World Development* Volume 23, Issue 4, April 1995, Pages 593-601

Summary of user needs

Possible improvements	Southern Governments	Donor Governments	NGOs / Civil Society
<p>Detail Full compliance with existing DAC standards, plus more detailed sector and purpose codes, location coding, financial details, conditions and other terms, actual disbursements. Sufficient detail is needed for the aid be reconciled with budget classifications and timing.</p>	<ul style="list-style-type: none"> • Enhances ability to plan and execute budgets • Facilitates ownership of development priorities • Permits alignment with budget • Improves coordination of government, donor and civil society activities 	<ul style="list-style-type: none"> • Easier to link spending to results • Accountability to own citizens • Builds support for development • Improves harmonisation of donors • Improves accountability of partner country governments • Increases impact of aid spending by improving service delivery • Facilitates research and learning 	<ul style="list-style-type: none"> • Enables NGOs to put pressure on governments for delivery • Enhanced ability to carry out research • Improved accountability of donor governments for keeping promises
<p>Predictability Publication in some form of anticipated spending for next 3 years, though in less detail than for current and past spending</p>	<ul style="list-style-type: none"> • Increased productivity of public spending • Improved macroeconomic management 	<ul style="list-style-type: none"> • Improves harmonisation of donor activities • Increases impact of aid spending 	<ul style="list-style-type: none"> • Better harmonisation of NGO-funded activities with activities funded through ODA • Improved accountability of donor governments for keeping promises
<p>Timeliness As near to real-time publication as possible</p>	<ul style="list-style-type: none"> • Enhanced ability to budget • Better macroeconomic management • Reduced duplication • Greater accountability for service delivery 	<ul style="list-style-type: none"> • Improves harmonisation • Accountability to own citizens 	<ul style="list-style-type: none"> • Better research • Improved harmonisation • Accountability of donors
<p>Standards Consistent, comparable data, easier to access (i.e. machine readable)</p>	<ul style="list-style-type: none"> • Easier aggregation • Reduced transactions costs • Greater diversity of applications to use aid data 	<ul style="list-style-type: none"> • Reduced transactions costs publishing data • Opportunities to benchmark and compare across donors 	<ul style="list-style-type: none"> • Easier research and aggregation • Ability to benchmark and compare across donors • Reduced transactions costs • Greater diversity of applications to use aid data
<p>Traceability Publication of recipient organisation, imposition of transparency standards on sub-contractors, and use of a common set of unique identifiers for aid flows.</p>	<ul style="list-style-type: none"> • Cost-effectiveness comparisons • Reconciliation between amounts disbursed with amounts received • Reduces corruption • Increased competition among service delivery 	<ul style="list-style-type: none"> • Enables tracking of results • Reduces corruption • Greater accountability to taxpayers • Facilitates lesson learning 	<ul style="list-style-type: none"> • Improved visibility of the effectiveness of NGOs where they are used as an implementing channel
<p>Standard indicators</p>	<ul style="list-style-type: none"> • Output and outcome monitoring less onerous and intrusive than conditionality on inputs 	<ul style="list-style-type: none"> • Opportunities to benchmark and compare • Information to make the case for aid 	<ul style="list-style-type: none"> • Opportunities to benchmark and compare • Information to make the case for aid

“Think local, act global”

38. One of the important objectives of greater transparency of aid is that the information should be used within developing countries to promote greater effectiveness and accountability of government and service providers. To achieve this goal, the data has to be accessible and relevant to that particular community. For example, spending data has to be presented consistently with local budget classifications and budget cycles. The information should be presented in local language, and consistent with local accounting conventions. Applications will only be useful if they are locally owned, and designed for local circumstances to meet local needs.

39. This is why more than 50 different aid management systems have been implemented across the developing world, including Aid Management Platforms (AMPs) and Development Assistance Databases (DADs) and a range of bespoke systems. Though they share many common features, they are adapted for the particular needs of the policy community in the country concerned. The UNDP has played an important role in helping to develop, implement and enforce these aid management systems, which have made a significant difference to the availability of aid information at country level.

40. This decentralized approach is important, because it is locally owned and responds to local needs. But there are disadvantages to relying entirely on these databases as a solution to aid transparency:

- a. In almost every case it has proved a Sisyphean task to maintain the data; donors do not always give it sufficiently high priority; .
- b. As a result, the data is often incomplete, sometimes with significant gaps, and there are no resources to validate and check the data;
- c. Some donors – especially non-traditional donors – do not comply at all.
- d. In general, the databases are updated manually by donors; this usually involves retyping the information from their internal systems into the local system, involving substantial transactions costs repeated across every donor across 50 countries;
- e. Some national aid management systems are open to the public; but some are not. In Ethiopia, for example, the information in the AMP is not available to civil society, parliament or the public.
- f. These systems do not meet the needs of other key users of data, such as NGOs, researchers, donors, and taxpayers in rich countries. For example, the databases do not readily permit aggregation and comparison across countries.

41. It is important to avoid a donor-driven, global initiative on aid transparency that is not grounded in the specific needs of particular countries. Solutions must be local, allowing local stakeholders to access the information they need in ways that are appropriate to them. But conversely, it is also important to avoid the duplication and inefficiency of maintaining multiple, manual entry, fragmented aid management systems that meet the needs only of some, albeit very important, stakeholders. Donors should look for ways to act globally to create a platform that supports and simplifies the evolution of local aid data applications that are responsive to local needs.

What donors can do

42. All DAC donors currently report data on their activities to the DAC Creditor Report System (CRS) and this is the current standard for access to information. However, this process is far from perfect. The data are published with a one or two year lag, there is limited coverage, insufficient detail, partial compliance by donors, and there are persistent issues over quality and completeness of data. Many donors do not report to the DAC at all. The DAC will continue to play a pivotal role in setting standards for data publication and for improving the quality of data; and while DAC databases will continue to play a vital role providing reliable information on aid and other official flows, these could be complemented by a wider range of data providers and diverse applications that aggregate, interpret and present information in a variety of different forms.

43. Most donors capture additional data internally for internal management and reporting, but it remains unavailable outside the organisation. Advances in technology mean there are opportunities to improve the supply of this more extensive range of data and information by publishing in more timely fashion, without the large cost and effort required in the past.

Political Constraints

44. Our impression from discussions with donors so far is that there are few, if any, political or policy constraints that would make it difficult for most donors to publish information about *current* and *past* expenditure data. We anticipate, but have not yet experienced, some hesitation about publishing real-time transaction-level data; and there are some reservations about broader transparency issues such as the publication of detailed project documents.

45. By contrast there are some policy reservations about increased transparency of *future* spending plans. While donors recognize the substantial benefits for developing countries of greater predictability, they balance these with the donors' perceived need for flexibility and the need to protect political and legislative decision-making processes. However, many donors are already able publish quite detailed future spending plans through country-level aid management systems. Clearly, the amount of detail that donors can publish about future plans will be substantially less than for current and past activities; and for many donors it will be important that this information is clearly understood to be a projection rather than a commitment. The DAC is currently developing an important new system for collecting information from donors about future aid intentions which seeks to balance the need for more transparency with donors' legitimate worries about forward commitments.

Technical feasibility

46. Not all of the data that users currently seek are presently captured in a systematic, structured way (e.g. many donors do not have systematic ways to track results), and some are not captured at all (e.g. geographical locations). Where data are captured, there are inconsistencies between donors, and sometimes within donor countries, between definitions and formats. Furthermore, even where data are currently captured and published (for example through the DAC CRS system) there are numerous problems of data quality that need to be addressed by donors. For donors that do provide information to the DAC, it is often incomplete (e.g. whole

tables missing), inadequate (e.g. descriptions of projects) or wrong (e.g. implementing agency and channel of delivery). This is not through lack of effort or professional skill on the part of the DAC, but rather a reflection of the lack of priority given to aid transparency on the part of some donor organisations.

47. The DAC is in the process of designing and implementing a new system (called CRS++) that will replace the CRS system. This will allow aid statistics to be built up from detailed project information, and so guarantee consistency of data and reduce transactions costs.

48. If there is sufficient political will to make data available, and corresponding allocation of financial, human and managerial resources, it is technically straightforward to produce and publish the data in a consistent format. But for some donors, improving the supply of aid will require investment in their internal systems and processes for capturing and publishing data. Of the bilateral donors that we have looked at, about a quarter of donors, responsible for about half of all global aid, already have centralised management information systems that support both internal and external reporting processes and are able to report to the new CRS++ system. For these donors, it is relatively straightforward and inexpensive to publish more detailed and more timely information. About half of all donors have management information systems that are able to report to CRS++ to some extent, but only with separate reporting systems and manual intervention. These donors have the necessary data and infrastructure to deliver improved transparency of aid information, but it will require some investment in systems to move to automatic reporting. So about 80% of all aid is given by donors that could in principle meet new transparency standards without very significant new investments. The remaining third of donors, who give about 20% of global aid, do not currently have an effective management information system, and reporting to the DAC is already a time-consuming, manual process; for this group, additional reporting requirements to improve transparency of aid information would be a more significant challenge. The complexity for these donors is increased because in many countries multiple agencies are involved in administering and reporting aid.

49. Some of those donors who do not currently have management information systems are planning to introduce one in the coming years. For donors that are implementing, upgrading and improving management information systems, it would be helpful to have an agreement in advance about the information that they should capture and the format in which it should be made available so that this can be built into the specifications of their future systems. For donors that are not planning to introduce a management information system, it should be possible to develop alternative tools that would enable these donors to collate and publish aid data in a consistent format which could be less expensive and onerous than manual processing.

Other donors

50. There are, in general, fewer political obstacles to detailed reporting by multilateral agencies than for bilateral agencies. There are also few technical obstacles. The development banks all have comprehensive project databases which contain most of the information needed, though they would need to be adapted to deliver consistent, detailed and timely information in a common format. However, reporting by multilateral agencies to the DAC CRS is patchy at present: some organisations comply in full, some do not. Early indications from non-DAC donors, including some foundations, is that they are willing to be part of a process to define and implement a new aid transparency standard.

51. The development professionals involved in statistical reporting by aid agencies are unanimously passionate about improving their data and making it more available, and they welcome the additional interest and profile that interest in aid transparency is generating. Some donors are introducing new management information systems or improving existing ones, and this presents an opportunity to design and implement more open information standards for aid information. But further analysis is needed of the challenges and bottlenecks donors are facing to get a better picture of what can be achieved, and what support is necessary to deliver more accessible aid information.

52. Our preliminary analysis suggests that some donors will need to make some modest investments improve their internal reporting systems to facilitate to better external reporting. We plan to look at the costs and benefits of these investments in more detail. A qualitative assessment suggests that such an investment would be very good value for money: if we assume (very conservatively) that increased transparency would result in a one-off increase the impact of aid of just 0.1%, then the investment in systems would pay for itself within a few months. We also believe that there are opportunities to share lessons and good practice, and possibly systems, amongst donors which will accelerate change and reduce costs.

Proposals for next steps

53. These preliminary findings suggest that there are substantial benefits from increased aid transparency; that the diverse users of aid information have a consistent set of requirements for more detailed, timely, consistent and accessible information; and that it is both technically and politically feasible for donors to respond to these needs. There is substantial goodwill and willingness among donors to make progress.

54. We do not propose the creation of a new database or a new system. Instead we set out below some quick wins towards greater transparency, together with a proposal for the establishment of a new technical standard for aid information, which would underpin the development and evolution of a variety of systems that would meet the needs of users, particularly those in developing countries.

Quick wins

55. Some improvements can be made easily and quickly by individual donors, perhaps with external assistance. For examples of possible quick wins:

a. Completion of project long descriptions

Some donors do not always report long descriptions of projects to the CRS system, partly because of lack of resources to translate the internal records. It would be helpful to have more complete reporting of the long descriptions from all bilateral and multilateral donors, inclusion of geographical locations or other geo spatial data as a matter of course, and contact information or links to donor project documents. Where the problem is lack of resources to translate internal records or to input data, this could be remedied by using external resources, and perhaps translation software, to translate the existing information.

b. Reporting on implementing agency

Some donors complete the Implementing Channel of Delivery field in detail, giving the name of the

government department, NGO, or research institution that etc. Others classify their spending into ‘public sector’, ‘NGO’ etc; and others do not supply any data at all. This information is a vital first step in tracking how aid is used. It will also reveal in much more detail, the earmarked funding flowing to multilateral agencies that is included in bilateral ODA (multi-bi ODA).

c. Immediate publication of information reported to the CRS

At present, CRS data is available with a one or two year lag. Some donors are able to make this information available much more quickly, but the data is not available to the public until all the donors have reported and the data has been verified and cleaned up by the DAC. Provided that users are aware of the limitations of the data – notably the lack of verification – it would be useful to them to have access to the information as soon as it is available.

d. Comprehensive compliance with DAC reporting requirements

Bilateral donors do not all fully comply with DAC reporting requirements. Reporting by multilateral donors, which are not members of the DAC, is voluntary, and there is considerable variance in the extent to which they comply with the reporting standards. In most cases, the shortcomings in reporting are simply the result of lack of resources provided for statistical and technical staff in the agencies concerned. Both bilateral and multilateral donors could, in the first instance, give this higher priority, and allocated more resources to enable the agencies to comply in full with the directives for CRS reporting.

56. External support, such as technical advice or help with systems, could be made available to donors to implement these changes.

Development of an aidinfo standard

57. Donors should invest in a new public good: the definition and implementation of a new aid information standard. This standard would shape the evolution of internal management and reporting systems, and provide a platform for improvements in reporting to the DAC databases and to a variety of individual applications such as country-level aid management systems.

58. Donors should focus on creating a simple, reliable and publicly accessible infrastructure that permits access to the underlying data. A range of different organisations – public sector, international organisations, private sector and civil society – can then provide access to the data to citizens. They can create and reshape the tools in diverse ways to leverage the data, combining it with other information and presenting it in the most accessible and useful ways for their users.

59. To achieve this, the *aidinfo* standard would comprise three parts:

- a. A **data schema**, which would define in detail the structure and classification of aid data. This would be built from DAC CRS reporting directives combined with IDML.¹¹

¹¹ International Development Mark-up Language (IDML) is an XML schema for aid information developed by the Development Gateway Foundation

- b. A **common application programming interface (API)** for accessing aid data from donors.¹² This would enable a diverse set of applications to be developed that can read and manipulate aid information.
- c. An **aid transparency standard**, which would be a policy commitment on the part of donors to implement and adhere to common transparency requirements in aid, backed up by independent scrutiny and peer review, to create stronger pressure and incentives to invest sufficient resources in making information available.

60. This three-part *aidinfo* standard should be developed with a view to adoption not only by traditional DAC donors but also by multilateral organisations, non-traditional aid donors, philanthropic foundations, and NGOs and private charities. The standard would be adhered to by donors and by their implementing agents, such as NGOs and private contractors, to enable aid to be traced through from taxpayer to intended beneficiary.

61. The *aidinfo* standard would provide a platform on which other systems could be based. The DAC and UNDP, both of which would play major roles in defining the standard and promoting compliance with it, would benefit from improvements in the quality of donor reporting. Within country, aid management platforms would be able to access data directly, without requiring manual reporting by donors. The existence of data in a consistent format would unlock the potential for innovation by the private sector, civil society and research organisations. It would make it possible for a variety of other applications to be developed, from accounting systems to websites, integrating aid data with other information to improve the effectiveness and accountability of aid.

62. In addition to defining and implementing the *aidinfo* standard, donors should support a variety of applications that use this information to make it available in ways that are suitable and convenient to users. These might include global platforms such as the DAC databases, the Development Gateway and the Global Development Commons initiative of the US Government. Such systems might include national platforms such as aid management systems in country. Donors should also include support for local civil society organisations to access and use the information in their own context, including training and support for using the information and developing new tools.

Conclusions

63. This is a preliminary analysis, and we expect our findings to evolve as we gather more evidence and a wider range of perspectives.

64. The picture that has emerged from our work so far is that:

- a. There are substantial potential benefits from greater transparency of aid;
- b. Users of aid information want more detailed, more up-to-date, more consistent, more accessible and more systematic information, and they want more reliable information about future aid flows.

¹² An Application Programming Interface (API) is a set of declarations of the functions (or procedures) that a programme or online service provides to support requests made by another computer programme.

- c. Donors can meet these needs if they invest a little more in their systems for reporting aid information.
- d. There are some steps that can be taken in the short term to improve aid reporting.
- e. In the longer term, there would be substantial benefits from defining and implementing a uniform aidinfo standard, comprising a data schema, an API standard for accessing data, and a transparency standard to build collective compliance.

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