# Aid transparency

A guide to best practice in transparency, accountability and civic engagement across the public sector

# Aid transparency

**Contributor:** Publish What You Fund

Aid transparency matters for many reasons – from improving governance and accountability and increasing the efficiency and effectiveness of aid to lifting as many people out of poverty as possible. At present, countries that receive international aid have little way of knowing how much aid is coming into their country and how it is being spent. Donors often face serious challenges in establishing where and how their help is most efficient and effective.

Aid transparency involves publishing information on aid flows and all donor, recipient country and NGO efforts that have developmental or humanitarian impacts. This should

include the origin and destination of aid, as well as its purpose, conditions and contracts. When comparable and available, this information benefits both donors and recipients in assessing the effectiveness and impact of aid.

The recommendations here are divided into recipient and donor governments, but of course there are a number of governments who are doing both, and thus for whom both sections might be relevant when considering what steps to implement and how to sequence them.[1]

## Donor agencies and governments

### Initial steps

#### Goal

Assess, test and develop a publication schedule for aid information that donor agencies already hold against the emerging standard.

#### Justification

The first steps in responding to emerging international best practice standards on aid transparency lie in assessing what aid information government agencies already collect, developing an implementation schedule for making available data in line with the standard, and investing in it to ensure that they deliver on and for the systems and data run by donors.

#### Recommendations

Undertake an assessment of information collection (both content and systems) on aid, foreign assistance and external finance flows, and activities and documentation currently held by each government agency that are used in the delivery of foreign assistance or aid. The assessment should relate to the emerging best practice standard for aid transparency.

1. Test and pilot the interoperability of data between and within the systems of donors and agencies (both between agencies of the same government/institution as well as between bilateral and multilateral agencies).

2. Develop an implementation schedule for the publication of existing information in line with the international best practice standard.

3. Ensure the refining and further development of best practice within existing agreements rather than building a parallel model (including the provision of resources and ensuring lesson learning and the revision of standards to ensure the standard is fit for purpose).

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[1] The Collaborative Africa Budget Reform Initiative (CABRI) recently prepared a position paper on aid transparency. This details the formal position of 22 partner countries on what both donors and recipients should do in order to implement effective aid transparency. When preparing this submission, we have taken into account CABRI's initial work on the development of a paper. Now that the document draft is public, we recommend that its contents and recommendations are taken into account as the Open Government Partnership progresses (see http://www.cabri-sbo.org/en/news/170-aid-transparency-la-transparence-de-laide-a-transparencia-de-ajuda).

## More substantial steps

### Goal

Publish all existing information already held by aid agencies, in line with best practice, and facilitate the dissemination and use of this information.

### Justification

Many aid agencies already possess substantial information related to aid flows and activities, procurement strategies, policies and procedures, results, audits and evaluations to the international standard.

### Recommendations

1. Publish existing aid information that is held within systems in a timely manner, in line with aid information standards, in machine-readable formats and under an open license.

2. Register that information on the international registry (http://iatiregistry.org/).

3. Develop internal procedures/authorisation to automate the delivery of information.

4. Develop data collection systems for the information that is found not to be collected currently.

5. Publish a timeline in which that data will also be made available.

6. Develop and implement guidance on the minimum use of exemptions on aid.

7. Make sure that all staff know they have the responsibility to disclose this information.

## Most ambitious steps

### Goal

Build systems to collect data that is not currently held, and invest in accessibility and use of that information in donor countries.

### Justification

Some information is not collected and, in cases where it is not available, systems need to be established to collect it. Investment in transparency efforts need to cascade through the aid system in order to foster demand for, and use of, aid information. Supply should be driven on what is useful for citizens to maximize impact.

### Recommendations

1. Build systems to collect and publish new information in line with the best practice standard.

2. Invest in mechanisms and resources for others to do the processing, for example through 'infomediaries'.

3. Extend the use of best practice standards to grantees and contactors of assistance (including multilaterals and private and NGO grantees/contractors).

4. Foster the use of aid information at the recipient country level, within both government and civil society.

# Recipient governments

## Initial steps

### Goal

Investing in and demanding the use of an emerging best practice standard on aid transparency that also delivers on recipient country needs.

### Justification

There is an emerging international good practice standard on aid transparency[2] that is broadly applicable to public and private bodies engaged in the giving and delivery of aid. At present, aid information is often not collected systematically or in ways that respond to partner country needs. For donor's investments in aid transparency by donors to have maximum impact, they need to respond to the needs and systems of recipient countries. Recipient governments need to ensure that the common standards and formats that emerge are compatible with recipients' needs and budgets, resource allocation and management systems and processes.

### Recommendations

1. Endorse and invest in the emerging best practice standard for the transparency of aid and ensure that the needs of recipient country systems and processes are captured during the refinement phase.

2. Develop and coordinate a collective position on what aid information is needed between line ministries and agencies to avoid confusion and overlapping or duplicate systems.

3. Provide formal agreements for the disclosure of aid information held by donors that is associated with their countries (jointly or otherwise undertaken) in principle and in practice (including terms, conditions and contracts, aid agreements, results, monitoring and evaluations).

## More substantial steps

### Goal

Improve and align aid information systems and structures to best use information supplied and to standardise demand from donors.

### Justification

There is an emerging international good practice standard on aid transparency [3] that recipients can use to demand information from signatory agencies and donors, and this should be applied by all public and private bodies engaged in the funding and delivery of aid, including donors, contractors and NGOs.

### Recommendations

1. Conduct in-country stock-takes of current aid information systems, information gathering tools and requests to donors for information on aid.

2. Undertake a process and lesson learning exercise relating to the integration of aid information into relevant systems such as budget, accounting and audit systems.

3. Streamline aid information collections.

4. Build systems to link aid information systems to the budget process and transparency.

5. Ensure the comprehensiveness of the information provided so that it includes off-budget aid (e.g. aid provided through IFIs and NGOs), humanitarian aid and climate finance funding, non-DAC donors and external financing streams.

## Most ambitious steps

### Goal

Make aid information more user-friendly and accessible to the public and encourage public oversight through proactive engagement.

### Justification

Opportunities for public engagement in decision-making around aid flows can help improve aid efficiency and effectiveness. Public oversight can help reduce corruption and ensure that aid gets delivered where, when and how it is intended.

### Recommendations

1. Publish information held about aid in a budget annex (or equivalent) to ensure full parliamentary oversight.

2. Encourage public participation and engagement with information on aid flows and budgets.

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[2] See Annex 1 for more on the development of a common standard for aid transparency

[3] See Annex 1 for more on the development of a common standard for aid transparency.

# Annexes

# Annex 1. Guiding principles and emerging best practice

## The types of information needed

Public and private bodies engaged in funding and delivering aid, and those who deliver aid on their behalf, should proactively disseminate information on their aid and aid-related activities. They should develop the necessary systems to collect, generate and ensure the automatic and timely disclosure of (at a minimum) information on:

- **Aid policies and procedures**, including clear criteria for the allocation of aid;
- **Aid strategies** at the regional, country and local levels, and at the programmatic, sectoral and project levels;
- **Aid flows** (including financial flows, in-kind aid and administrative costs), including data on aid planned, pledged, committed and disbursed, disaggregated according to internationally agreed schema by region, country, geographic area, sector, (disbursement/delivery) modality and spending agency;
- **Terms of aid**, including aid agreements, contracts and related documents – for example, information on all conditions, prior and agreed actions, benchmarks, triggers and interim evaluation criteria, and details of any decisions to suspend, withdraw or reallocate aid resources;
- **Procurement** procedures, criteria, tenders and decisions, contracts and reporting on contracts, including information about and from contractors and sub-contracting agents;
- **Assessments of aid and aid effectiveness**, including monitoring, evaluation, financial, audit and annual reporting;
- **Integrity procedures**, including corruption risk assessments, declarations of gifts and assets, complaint policies and mechanisms and protection of whistle-blowers;
- **Public participation**: opportunities for public engagement in decision-making and evaluation, consultative/draft documentation, copies of submissions to the consultation processes and reports on how inputs have been taken into account;
- **Access to information**: organisational structure, contact information and disclosure mechanisms and policies.

All aid agencies should ensure that the presumption of disclosure is made in the application of exemptions on aid information. The only restrictions on the proactive publication of this information should be based on limited exceptions consistent with international law and subject to consideration of the public interest in the disclosure of information.

All agencies and organisations engaged in aid should publish and register the types of information that they hold, and wherever possible these should be organised so that all the documents linked to a particular country, programme or project can be identified.

## Aid transparency principles

The following four principles should be applied by all public and private bodies engaged in the funding and delivery of aid, including donors, contractors and NGOs.

**1. Information on aid should be published proactively:** Aid agencies and organisations should tell people what they are doing, for whom, when and how.

**2. Information on aid should be comprehensive, timely, accessible and comparable:** The information should be provided in a format that is useful and meaningful.

**3. Everyone can request and receive information on aid processes:** Ensure that everyone is able to access the information as and when they wish.

**4. The right of access to information about aid should be promoted:** Aid agencies and organisations should actively promote this right.

## The development of a common standard

Research on the possible benefits of greater aid transparency has found that they fall into two broad categories: '(1) efficiency gains (such as reduced administration costs, less duplicate reporting, better planning of aid programmes); and (2) effectiveness gains (such as improvements in services resulting from greater accountability, and microeconomic and macroeconomic improvements from greater predictability)'.[4] A series of less tangible benefits have also been identified: the possibility of enhanced aid allocation, between countries, donors and sectors; better research, monitoring, evaluation and possible impact benchmarking; and supporting a greater willingness to give aid.

Consequently donors have started to invest in building a common standard to get the most out of increases in proactive disclosure of aid information, making it possible to deliver on the potential of greater transparency and yield the greatest efficiency and effectiveness gains that this offers.

A common standard is essential for transforming more information into better information. This makes information mappable, useable and searchable. The principle underlying a common format is that it allows aid agencies to publish once but to use many times – both themselves and for other stakeholders.

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[4] Collin, Zubairi, Neilson and Barder, 'The Costs and Benefits of Aid Transparency', AidInfo, October 2009, p.4.

## Ensuring that the common standard delivers for everyone

The common standard needs to deliver in a number of crucial areas:

• Organisations need to ensure that the agreed standard is based on and fits with the **reality and practice of donors' and recipient governments' internal systems** – from accounting to project management to monitoring and evaluation systems. Without this grounding in actual practice, there are serious risks that organisations will struggle to disclose to the standard, instead of it making things easier and streamlining information availability.

• The format agreed needs to deliver also on **major external reporting formats** required from aid agencies such as the Development Assistance Committee (DAC) Creditor Reporting System (DAC CRS), the IMF's functional classification of government financial statistics and the UN's Financial Tracking System, in order to ensure that savings of time and resources are attained.

• In the run-up to the next **High Level Forum on Aid Effectiveness in Korea in November 2011**, it is essential that publishing information in a common standard assists donors to deliver on the Paris Declaration and the Accra Agenda for Action aspirations and commitments. Transparency to recipient governments is closely linked to the Paris alignment targets for aid on budget and predictability. If information is not comparable and timely between donors and aid agencies, coordination conversations that lead to greater harmonisation cannot progress to actual improvements in the division of labour. For highly aid-dependent recipients, discussions of their ownership of the development process remain hollow without usable information on aid. Accountability cannot occur without the ability to identify and track what is happening or not.

• A particularly important area is information comparability – which means ensuring the **compatibility of aid data classifications with recipient country accountability and budget systems**. Without this element, the Paris agenda is hard to achieve as noted above. More fundamentally, the common standard needs to ensure that the critical link between improving donor aid and building the accountability of recipient governments to their citizens can be made. If recipients do not know what donors are doing, it is hard for them to optimise the use of their own tax resources and to be accountable to their taxpayers. Ensuring that the agreed standard maps to national budgets is a prerequisite for improving use of national resources in highly aid-dependent countries.[5]

In the medium term, a time-series dataset needs to be constructed to allow for aid information availability country by country and programme by programme. A central premise for such an approach would be collecting information by recipient country, and for centrally allocated sectoral spending by programme. Aid transparency could thus be assessed much more practically, in each recipient country or for each 'vertical' programme. This would give a much more powerful analysis and the ability for aid agencies and recipients to learn and change more rapidly, making it possible for accuracy to be monitored both by the aid agencies operating in that country as well as by the citizens of countries receiving aid and citizens of donor countries. This is a large-scale project, depending on the evolution of a common standard, and would need investment.

[5] See Williamson and Moon, 'Greater Aid Transparency: Crucial for aid effectiveness', Project Briefing 35, Publish What You Fund, the Overseas Development Institute and International Budget Partnership, January 2010; and Moon, S. with Mills, Z., 'Practical Approaches to the Aid Effectiveness Agenda: Evidence in aligning aid information with recipient country budgets', Working Paper 317, Publish What You Fund, the Overseas Development Institute and International Budget Partnership, July 2010.