

Monitoring aid and budget transparency

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Introduction

Transparency has become an important focus of development stakeholders at the highest level over the past few years. This module discusses what transparency is, how and why governments and donors have committed to it, and the potential benefits it can bring. It introduces some of the obstacles to aid transparency, and the way that organisations can get involved in monitoring and promoting greater transparency.

The sixth in a series of six, this module was developed using content created by [Development Initiatives](#), [Integrity Action](#), the [International Budget Partnership](#) and [Publish What You Fund](#). The module aims to develop and strengthen the skills, capacities and strategic visions of civil society organisations working in the areas of aid and budget analysis, monitoring and advocacy.

Expanded versions of these materials have previously been used in pilot workshops in Nepal and Kenya. Participants engaged in practical, experiential learning activities, which encouraged collaboration and peer learning. This module includes lessons from these pilot workshops.

Aid transparency

Aid is transparent when information about aid and development flows is made accessible to anyone who might want to use it. This is not only about governments and donors sharing information, but also sharing among developing country government departments and agencies, among different donors, and with legislators, supreme audit institutions and civil society.

Both donors and developing country governments have a **formal responsibility** to make aid transparent. In addition to this, legislatures and civil society have a **civic responsibility** to help this process by demanding access to information that meets the requirements of truly transparent aid (see box).

To be transparent, aid information should be:

- **Comprehensive** – including all modalities and forms of aid provided by different aid actors, to ensure users have the whole picture.
- **Timely** – information is up to date to enable users to make decisions with the most current information.
- **Comparable** – easily compared with other types of data to allow easy analysis and comparison.
- **Accessible** – available through public, institutionalized channels, not ad hoc and irregular/informal channels.
- **Good quality** – providing information is not enough; good quality information is essential for it to be useful for monitoring and analysis purposes
- **Reliable** – accurate and checked by the provider.
- **Useful** – presented in a way that is comparable with country classification systems and disaggregated to allow users to monitor aid flows effectively.

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Monitoring commitments to aid transparency

Donors and governments have already made several international commitments to improve aid and budget transparency. Monitoring these commitments can provide a strong basis for advocacy on greater transparency of information about resources for development.

Rome (2003) and Paris (2005) declarations on aid effectiveness

Driven by concern about whether aid was delivering on its promised outcomes, development practitioners and politicians came together at High Level Forums to promote greater aid effectiveness. The outcome of these meetings was the commitment to ascribe to five principles:

1. **Ownership** – developing countries should drive their own development and own the policies and programmes that receive development assistance.
2. **Alignment** – donors should align their aid with the systems and processes already in place in developing countries (e.g., planning and budgeting) and with country policies and plans.
3. **Harmonisation** – donors should co-ordinate aid, simplify procedures and share information to avoid duplication.
4. **Managing for results** – aid should be focused on the desired results, and better provision of information should allow good measurement of these results.
5. **Mutual accountability** – donors and governments should hold each other accountable for their commitments to improving aid effectiveness and achieving results.

The Accra Agenda for Action (2008), Ghana

The High Level Forum in Accra followed those in Paris and Rome, and was important because of the greater prominence of civil society at the meeting, alongside donors and governments. Accra was a commitment to strengthen the principles from Rome and Paris, recognising the vital role of information in the aid arena. It emphasised provision of **timely, accurate information** about **aid flows and outputs**.

The International Aid Transparency Initiative (IATI) and the Accra IATI Statement, launched 2008

IATI was launched at Accra to put the necessary conditions in place to make aid more transparent, allowing donors to act on their Accra commitments. A multi-stakeholder steering group of donors, governments and civil society organisations (CSOs) agreed on the 'IATI Standard' for publishing more and better aid information. As of September 2014, over 270 organisations have published in line with the IATI Standard.

The Busan Partnership Agreement, November 2011

Following Accra was Busan, where signatories committed to three areas significant to aid transparency:

1. To publish the full range of information about aid activities
2. To create transparent public financial management and aid information management systems at country level
3. To implement a common, open standard for the electronic publication of timely, comprehensive and forward-looking aid information by December 2015. IATI is part of the agreed standard for providing this information.

Although aid transparency arose as a goal as part of the wider discussions on aid effectiveness, today it is an issue that resonates far beyond this sphere. There has been an increase in the number of initiatives focusing on the transparency of resources as a whole, reflecting greater demand for transparency and access to more and better data. Some of the initiatives that you might want to explore further include:

- The [Open Government Partnership](#) (OGP) is an international initiative that seeks secure commitments from governments to promote transparency, empower citizens and fight corruption to strengthen governance. Civil society is a crucial actor in OGP processes.
- [Extractive Industries Transparency Initiative](#) (EITI) has established a global standard for transparency in the mining, oil and gas industries. It sets out how companies should publish what they pay to the governments of the countries in which they are operating, and how governments should disclose what they receive from these companies.
- [Open Budget Initiative](#) is a project that monitors and advocates for greater transparency in the way individual countries manage their public finances. Run by an independent CSO, the International Budget Partnership, it involves regular research into budget transparency across a large number of countries to create the Open Budget Index (OBI).
- [Global Initiative for Fiscal Transparency](#) (GIFT) is a multi-stakeholder action network that works to advance and institutionalise global norms on fiscal transparency, participation and accountability around the world.

Aid Transparency – Who benefits?

The commitments outlined above emphasise a strong demand for greater transparency. However, it's useful to understand in more detail who the demand is from and what improved aid transparency can bring to a range of stakeholders in the development arena.

Recipient country governments currently struggle to access information on how much aid is available, from whom and how it should be spent. Increased aid transparency will provide governments with a clearer picture of what aid flows are coming in, which will enable them to budget more effectively, identify shortfalls and allocate other public resources to meet them. Further, forward-looking information on aid from donors can support them to plan ahead and avoid potential disruption to key services.

People living in recipient countries will be able to identify whom to hold to account for the provision of sub-standard or poor goods and services, if aid transparency is increased. Transparency will also make it more likely that funds reach the beneficiaries and that essential services are delivered.

CSOs and oversight institutions in recipient countries need more transparent aid to make it easier to hold government departments to account for the way they spend money, by comparing what they have achieved with the resources they received. It will enable more active participation in the public resource debate and improve their capacity to advocate for desired budget and aid decisions.

Donors and other development cooperation providers can benefit from aid transparency because it allows them to monitor their disbursements and see whether they reach the intended beneficiaries at the front line of service delivery. It also allows greater coordination among aid-providing organisations so that each knows what other organisations are prioritising. This enables them to ensure that funds are directed where they are most needed.

Traceability

One of the most significant promises of aid transparency is that it will enable greater traceability of resources. This means that each dollar spent on development can be tracked through the development chain, from funder down to recipient community, and monitored to ensure it is reaching the right people in the right way.

Obstacles and challenges

Although efforts continue to ensure greater transparency of resource flows around the world, information remains incomplete and inconsistent, with users struggling to monitor the effectiveness of resources in a meaningful way. What has prevented more progress on transparency efforts?

- **Low political will:** though written commitments on transparency have been strong, to implement transparency in a meaningful way requires a lot of effort to ensure that reporting systems are updated and maintained. Organisations need to invest time and leadership to create a transparent culture, requiring fundamental changes to existing processes and strong senior-level political support.
- Some **aid reporting systems do not capture the kinds of information needed** to be fully transparent – for example, data on future plans and financial transactions.
- **Difficulty creating standardised reporting frameworks** across the diverse actors of the development arena, which take into account differences in aid and budget cycles, classification systems, currencies and planning timeframes.
- **Reliance on electronic media** to access aid and budget information can create difficulties in countries with minimal internet access, low computer literacy and irregular electricity and internet connectivity.
- Some recipient countries have **out-of-date public financial management systems**, weak oversight institutions, and little space for civil society participation. This can really undermine efforts to establish greater budget transparency.

Greater transparency remains an important goal and it requires effort and support from many stakeholders to realise it. CSOs have a key role to play in drawing attention to good and bad practices and highlighting critical problems.

Approaches to monitoring aid and budget transparency

There are many different approaches to monitoring transparency; no single method is the best or the correct approach. Often it will depend on how we define and measure transparency. To date, most initiatives focus on international comparative studies that rank donor organisations and countries against each other and against particular commitments or best practices.

Quality of Official Development Assistance (QuODA) Transparency Index, Ghosh and Kharas (2010)

This index assessed 31 bilateral and multilateral agencies on six measurements, including: membership of IATI; average character count of descriptions of projects; completeness of information on commitments to projects; and the share of development assistance from the agency going to recipient countries with strong monitoring frameworks. Findings were recorded in the report [*The Money Trail: Ranking Donor Transparency in Foreign Aid*](#). The QuODA analysis has developed over the years and is now carried out annually by the [Center for Global Development](#).

Aid Transparency Index from Publish What You Fund

In 2010, Publish What You Fund published an [Aid Transparency Assessment](#) of donor agencies, based on four principles:

1. Information on aid should be made available to the public in a way they can easily access it
2. Information on aid should be comprehensive, timely, accessible and comparable
3. Everyone should be able to request and receive information on development aid
4. Aid agencies should encourage people to exercise their right to public information.

Identifying the lack of primary, comparable donor data as a key problem in monitoring aid transparency, Publish What You Fund set up the [Aid Transparency Index](#), an annual ranking index that uses primary data collected by Publish What You Fund and that is used to track what aid information is available and to show progress over time.

Open Budget Survey from the International Budget Partnership (IBP)

The [Open Budget Survey](#) monitors the transparency of country budget systems at the national level. It uses 123 indicators to assess performance on: public availability and dissemination of key budget documents; comprehensiveness of the executive's budget proposal and availability of other information that supports analysis of budget policies and practice; and accessibility of information over the four stages of the budget process. IBP also researches budget transparency sub-nationally, identifying how budget information is produced and shared at district, province or municipality level.

Monitoring transparency: Some considerations

If you are interested in monitoring aid or budget transparency in your country, you might want to consider the following questions to help you shape your work:

1. **What do you want to achieve** with the monitoring, and what is the most relevant sector, issue or region you should focus on?
2. **Which level** will your monitoring focus on? National or sub-national?
3. Can you access the **information you need** to carry out this monitoring? Where can you get it from?
4. **What activities** will you carry out to do the monitoring? Some of these might include interviews with donors or politicians, or perhaps monitoring media coverage of aid or budget decisions.
5. How will you **track 'on budget' aid** as it goes through your country's budget system?
6. Can you form any **partnerships** to support your work?

Integrity Watch Afghanistan published a [case study](#) outlining their work using aid information at the local level to monitor the implementation of a project. It shows how having access to information on resource flows enables communities and civil society to hold donors and service delivery agents to account, and may offer ideas of how to integrate similar processes into your own work.

Glossary

(Aid) modalities	Ways of delivering official development assistance, for example, project aid, budget support, etc.
Disaggregated	Data that is disaggregated is broken down to a lower level so that you can see more detail. For example, an amount of money is shown for each month, rather than a lump sum for a year.
Official development assistance (ODA)	Aid flows to countries and multilateral development organisations that are provided by official agencies and have the promotion of economic development and the welfare of developing countries as the main objective. Loans provided as ODA must be concessional (with lower than market interest rates) and include at least a 25% grant element.
'On Budget' aid	Aid that is channelled through a recipient country's budget processes and government systems.
Traceability	The ability to follow a dollar of aid money all the way through the aid chain.

Further reading

- CABRI (2011) [CABRI Position on Aid Transparency](#)
- Easterly, W. and Williamson, C. (2011) [Rhetoric Versus Reality: The Best and Worst of Aid Agency Practices](#), published in *World Development*, Vol. 39, No. 11, pp. 1930–1949.
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- Moon, S. and Williamson, T. (2010) [Greater Aid Transparency: Crucial for Aid Effectiveness](#), Project Briefing No.35. Published by the Overseas Development Institute, International Budget Partnership and Publish What You Fund.
- Publish What You Fund, [Briefing Paper 1: Why Aid Transparency Matters, and the Global Movement for Aid Transparency](#).
- Publish What You Fund, [Briefing Paper 2: Aid Transparency and Aid Effectiveness](#).
- Ramkumar, V. and de Renzio, P. (2009) [Improving Budget Transparency and Accountability in Aid Dependent Countries: How can Donors Help?](#) IBP Budget Brief No.7, 2009.