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Improving aid transparency

The issue of transparency in development finance means different things to different country groups. The 54 Commonwealth members represent a diverse spectrum, including donor members of the OECD Development Assistance Committee (DAC), non-DAC donors, established and emerging middle-income countries, least-developed countries (LDCs), and small island developing states (SIDS). Aid can be more effectively and efficiently used when regular, detailed and timely information on aid volumes and allocations is made available to developing countries. The 2008 Accra Agenda for Action calls for specific actions to promote greater transparency, and on these some progress has been made – although not nearly as much as was committed. The upcoming Fourth High Level Forum on Aid Effectiveness in Busan, Republic of Korea (29 November – 1 December 2011) is an opportunity for all development partners to indicate how they will achieve unmet commitments.

Transparency of what and for whom?

Transparency as a principle cannot be easily dismissed – who does not believe that openness, communication and accountability mark a society's progress? It is also plausible that aid faces more scrutiny than other, larger government expenditures, because of suspicion regarding resources spent outside the country, where results may appear more elusive to a faraway public.

In the context of development finance, most actors agree that transparency is desirable, but the debate can quickly become clouded by technical discussions. To what degree should flows be transparent? Should all official and private development finance and its terms – as well as individual contracts – be disclosed? Should all development results be communicated?

Underlying the question on the breadth of transparency is another, even more difficult question. Who are the beneficiaries of transparency? If one accepts that there is a dual responsibility – to the taxpayers, citizens, government and members of civil society in countries providing assistance, as well as to the same groups of stakeholders in developing countries – it is unlikely that one single global instrument or platform will satisfy the diverse needs of the growing number of development stakeholders.

Costs and benefits of transparency

Transparency does, of course, have a cost, and there can be legitimate limitations to disclosure. In fact, the number of parallel tools and standards adopted and used by different countries can boost transaction costs, especially if these are not adapted to the needs of users or regularly updated. On

the other hand, the large number of development finance transparency initiatives in place today is a testament to more responsive and mutually accountable partnerships among development partners. These diverse platforms and systems respond to different country-specific needs, and no single one of them can pretend to serve everyone's purpose at once. Mutual accountability and trust among partners create – and are created by – a cycle of transparency that runs from disbursement to ownership, and through to implementation and results.

Budget and aid information systems in developing countries

Evidence shows that in order for developing countries to benefit from transparency and use aid more effectively and efficiently, their aid management systems must be designed according to their own needs and priorities. To date, as many as 32 developing countries have aid information systems in place, although the accessibility of and amount of information available from these systems varies greatly. For example, reporting on current and projected disbursements is more or less standard, while reporting on off-budget aid, progress on specific projects and programmes, commitments of future aid, funding gaps and progress on the Millennium Development Goals (MDGs) is less consistently available across these systems.

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Commonwealth members support a number of important initiatives, including the International Aid Transparency Initiative – which makes information about aid spending easier to access, use and understand – and the Global Campaign for Aid Transparency, Publish What You Fund.

This year Kenya became the first sub-Saharan African country to launch a national open data initiative in the form of a portal that allows users to track public expenditure, follow parliamentary proceedings and locate public services. This initiative fortifies the Government of Kenya's accountability to its citizens.

Development finance captured by the OECD

While 'home-grown' aid management systems are useful at a country level to triangulate other databases that are more supply-driven, their use is far from a reality in some countries. Officials in Afghanistan, for instance, indicated that they rely on data reported by donors to the OECD Creditor Reporting System to fill data gaps in their aid income and to brief policy-makers.

In addition to the 24 members of the DAC (listed at the end of this article), 20 more countries report their official development assistance or South-South co-operation to the OECD, including three Arab donors. While this does not cover

development assistance from some of the more important emerging economies (Brazil, India and China), the OECD remains the largest single robust source of information on development finance.

Aid reviews

Two Commonwealth countries, the UK and Australia, are pressing forward on the aid transparency agenda. Both published aid reviews in 2011 and made available the underlying methodology to the public. Beyond making these reviews public, these two countries have also committed to enhancing the transparency of their development operations. The UK Aid Transparency Guarantee commits the UK to publishing detailed information on DFID projects and programmes and allows those directly affected to provide feedback. Similarly, Australia is developing a Transparency Compact with the aim of publishing data and documents on its aid programme in a comprehensive, accessible and timely manner.

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A variety of systems

It is normal for countries to come up with different aid transparency needs and systems, depending on the intended beneficiaries, and this should be encouraged as a sign of partnership and increased accountability among all development actors. The Kenyan example cited is at the vanguard of domestic accountability in sub-Saharan Africa and will play a key role in holding the Government accountable to

Predictability and mutual accountability

Providing developing countries with indicative future aid flows to anchor medium-term planning and macroeconomic frameworks requires transparency, by definition, and is an essential prerequisite for predictability and mutual accountability. Collectively, the 24 DAC members have strong potential to advance toward this objective because on an annual basis, the DAC Secretariat collects donors' plans for aid allocations over the coming five years. Currently, however, this information does not fully benefit developing countries for two reasons: information on individual donors is not available to them; and not all DAC donors are able to comprehensively report their forward spending plans. Providing full disclosure of the survey information would enable the DAC, which includes important Commonwealth members, to cost-effectively and concretely lead the way in implementing aid effectiveness commitments.

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its own citizens. Yet, on the other hand, it is not necessarily an appropriate tool for demonstrating results linked to development co-operation, nor is it an optimal instrument for aid management.

As providers of development co-operation respond to the increasing demands from their own citizens for information on the value for money of development co-operation, they must also recognise the parallel accountability demands made on developing country governments by their own citizens. In fact, accountability arrangements in developing countries are more complex by nature, as these governments deal with a plethora of actors beyond their domestic constituency.

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Commonwealth leadership

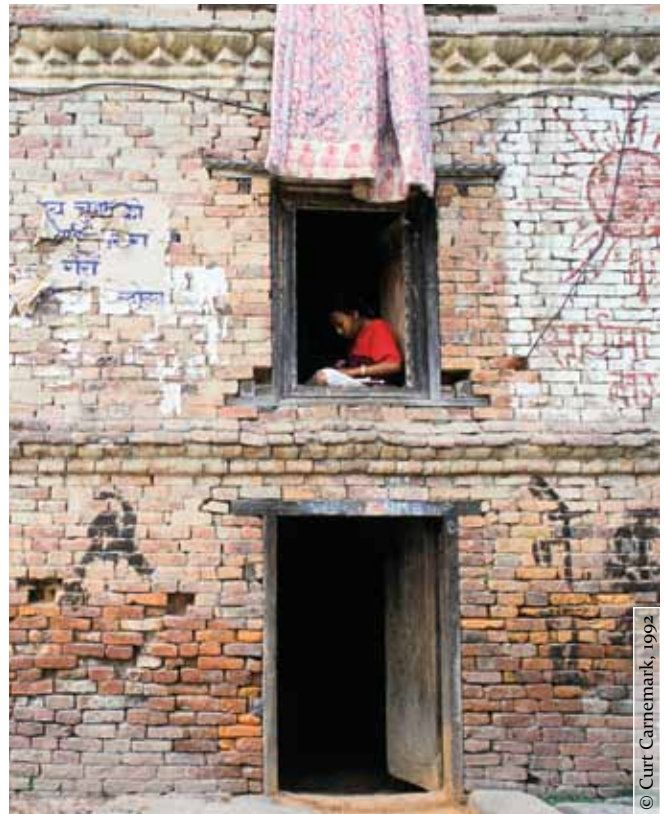
Given the historical reliance on OECD statistics for measuring aid, DAC and Creditor Reporting System (CRS) statistics are as close to a global standard for measuring the supply of development assistance as exists today. While they do not fully capture all the important providers of development co-operation, and lack detail in respect of private flows, they are, nonetheless, the only sound basis for comparing development assistance flows at a global level.

Yet more needs to be done. Commonwealth aid providers and the international community can further support developing countries and encourage transparency by promoting the improvement of statistical systems and the development of aid management systems and platforms adapted to each country's needs and purposes.

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Aid providers can and must lead by example, transmitting timely and user-friendly information to partners and to their own citizens. At the same time, Commonwealth members have a duty to educate their own publics about development: because it is embedded in a larger global process, transparency does not necessarily immediately translate into measurable and visible results.

The Commonwealth is well placed to lead in this area. Transparency is a means towards an end: a more accountable and open partnership for development. As such, it is an issue of high priority for all Commonwealth countries, in line with the values that unite them.



Commonwealth aid providers and the international community can better support developing countries.

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The **OECD's Development Co-operation Directorate (DCD)** contributes to developing better policies for better lives through transparent data on development finance, and improved development co-operation practices and policies. The DCD provides evidence-based policy advice and an open forum to share and build knowledge. The DCD helps build consensus among members of the OECD Development Assistance Committee (DAC) and the wider development community to improve development effectiveness. The DAC members are Australia, Austria, Belgium, Canada, Denmark, the European Union, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States.

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