

Practical approaches to the Aid Effectiveness Agenda: Evidence in Aligning
Aid information with Recipient Government Budgets

Extract of
Conclusions and Recommendations
from a longer paper still being finalised

26 February 2010

Samuel Moon

* Disclaimer: The views presented in this paper are those of the authors
and do not necessarily represent the views of International Budget
Partnership or Publish What You Fund

Overseas Development Institute

111 Westminster Bridge Road
London SE1 7JD
UK

Tel: +44 (0)20 7922 0300 Fax: +44 (0)20 7922 0399

www.odi.org.uk

Conclusions and Recommendations

The following section summarises the key lessons and recommendations emerging from the study. A detailed elaboration on each of the issues broken down by donor HQ level, country level, sector and in specific scenarios is presented in Appendix 4 of the full study. The section is structured in the following way: the importance of budgets for aid transparency is outlined; an approach to aligning aid to budgets is broken down and examined; and specific recommendations for generic sector and economic classification definitions.

Facilitating Alignment to Recipient Budgets Must be a Priority for IATI

- Budgets are the link between government policies and their implementation; they allocate resources to plans and constitute the framework from governments' accountability to its citizenry. Unless aid is planned for and delivered in alignment with budgets, it is likely to serve to undermine this cycle of accountability between government and the citizenry.
- Publishing better information on aid requires compatibility with recipients' budgeting and planning systems
- Recipient budgets bear many similarities, but this is not reflected in current formats for reporting aid
- The poorest countries will lose out if donors do not publish aid information that is easy to link with recipient government budget systems.

Approaching the Problem

There are two levels at which the problem of aligning aid information with recipient budgets needs to be tackled:

- Interfacing aid information with budgets needs to be tackled at the country level to make information relevant for a specific recipient country; and at donor HQ level to facilitate the interface at country level. Country aid management systems need to be enhanced which can deliver such functionality. This does not just demand trust between recipient and donor. It also demands that the recipient government takes the lead.
- Whilst there is no substitute for working at the country level, at the Donor HQ level IATI can make a critical difference by standardising donor system information to interface with country budget systems.
- For the efforts to standardise at donor HQ level to facilitate the interface at country level the following specific areas are critical:
 - the timeliness of publication of aid information including timeliness in relation to the budget cycle, and, specific to budget integration
 - standard mechanism for aligning financial years for forward information,

- currency conversion,
- sector definition and
- broad economic area of expenditure
- At the country level, any Aid Information Management Systems must be integrated with the budget structure if they are to make off budget aid information useful for planning. None are currently integrated and actors at the country level must work towards this.

Recommendations for a generic sector ‘backbone’ and economic definitions

This paper specifically examines only the last two areas mentioned above— sector definition and, briefly, the broad economic area of activity.

- The availability of national Charts of Account is more limited than was expected, in itself an important finding and a challenge to budget integration. The CoAs were more easily available in countries with higher capacity, better designed websites and greater domestic transparency leading to an unintended bias in the comparison of countries with the international standards. This exposes that lower capacity countries are likely to start at a disadvantage in the attempt to use IATI information and build functioning, integral AIMS.
- The DAC/CRS purpose codes provide sectoral analysis of aid flows, but are not designed to link to sectors in national budgets and as such, are not appropriate as the only sector classification in IATI. Empirical tests show limited comparison between the CRS standard and existing national budget structures
- COFOG is intended to describe government structure, but is not sufficient as an IATI standard as there are numerous identifiable areas where further granulation would significantly improve the fit to a majority of tested national budget structures
- In terms of specific sectors: The education and justice law and order sectors can generally be matched to COFOG although identifiable areas of granulation can improve this. The health sector is structured quite differently in different countries and this sector may need distinct schemas, or a new or heavily revised schema, to be able to adequately describe these different structures. {Note: still being updated for other sectors.}
- Some additional analysis into the economic classification schema was undertaken. This is separate from the sector codes, but also plays a critical role in aligning aid information with budgets. Top level GFS coding schema for economic classification are uncontroversial, used by the vast majority of recipient countries, and would be extremely useful to the recipient government to identify donor expenditure. The main distinction is between expenditure on consumption or investment in capital with several clear sub-categories in each.

The analysis was constrained in several ways which should be noted. The timing limited the extent to which country CoAs could be traced and acquired. This meant analysis of some countries had to be abandoned where CoAs could not be obtained. Additionally, the methodology used only the education, health and JLOS sectors as it was a limited study, a more comprehensive analysis would be desirable. Finally, while this paper has dealt with the technical detail of a flow of information from donor to recipient budget it has only lightly touched on the political incentives, both at donor

and at country level. These are significant and need to be addressed more comprehensively in subsequent discussion¹.

A significant amount of further work needs to be undertaken to gain a fuller understanding of the country level and donor HQ level constraints. The first area is to complete a proposal for the budget sector classifications; the second, a thorough technical assessment of what donor country aid systems are capable of supplying. The final area is to examine the practicality of matching donor system information to recipient government by testing across further government organisational structures and a complete testing of all budget relevant parameters of the IATI information with a number of recipient countries.

¹ Bill Allan has provided some interesting work on incentives within and around the PFM reform process: Allan, William, 2009 (mimeo), The Paris Declaration after 2010: Resolving Collective Action Dilemmas in PFM Reform. Melbourne.