CABRI POSITION ON
AID TRANSPARENCY

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CABRI

INTRODUCTION

Aid transparency is an indispensable pillar for the achievement of sustainable development in Africa. Unless aid is transparent, many countries on the continent will remain unable to use available resources optimally to deliver essential public goods and services for equitable development and growth. This is because opaque aid undermines country systems and results in domestic resource allocation decisions based on incomplete information, which negatively impacts on aid effectiveness as set out in the Paris Declaration and Accra Agenda for Action. This is especially relevant for country ownership and the alignment of aid to country priorities.

The Third High Level Forum on Aid Effectiveness, which took place in Accra, recognised the importance of aid transparency for the development agenda. It resulted in specific commitments by donors to publicly disclose 'regular, detailed and timely information' that would support more accurate budgeting, accounting and auditing by countries. Partner countries, on the other hand, committed to 'strengthened processes' for managing domestic and external resources. The Forum, however, did not define what was meant by regular, detailed and timely information or what would count as strengthened processes.

This CABRI position on aid transparency is intended to make explicit what CABRI sees as sufficient levels of aid transparency for aid to work better at the country level in Africa.

When is aid transparent?

Aid transparency is adequate when it supports aid effectiveness, sound budgeting and accountable public financial governance systems at the country level. Aid transparency, therefore, requires an adequate flow of and access to information not only between donors and country governments, but also between country institutions. Put differently, adequate aid transparency for development means that aid information should be transparent: to and within country governments for country budgeting and aid effectiveness purposes; and through country budgets to country parliaments and citizens in support of domestic accountability.

This requires *comprehensive*, *timely*, *reliable* and *useful* information on aid commitments, disbursements and actual use flows in *useful formats* and in an *accessible* manner from donors to country governments, between aid managers and budget managers, between the centre and line ministries and from executive government to domestic stakeholders.

The above implies that both donors and countries require systems to generate, collect, collate, verify and distribute aid information. Country systems further need to ensure an integration of aid management processes and information (which usually are oriented towards multi-year project cycles) and public financial management processes and information (which run on an annual budget cycle timeline). Not only would this improve budgeting for domestic resources, it would also assist countries in reducing the cost of reporting to donors on aid managed through country systems.

REQUIRED DONOR INSTITUTIONS

Current levels of aid transparency in Africa are insufficient to support country budgeting and accountability systems. Information flows from donors to African countries on expected and actual disbursements and on the use of funds often are incomplete and/or unreliable. At country level, donors have inadequate knowledge of country information requirements for budgeting and reporting, resulting in missed opportunities to improve co-ordination and reduce the cost of delivering aid. Effective aid transparency requires donor systems to be more oriented towards country needs. In particular, CABRI sees the following as minimum requirements to be met by donors for effective aid transparency.

Donor information flows

Comprehensive aid information is required. Aid information is comprehensive when it enables information on relevant aid to be integrated on plan, on budget and on report for country budgeting and accountability purposes. CABRI, therefore, defines adequate aid transparency as the regular flow of information:

> on all aid that funds the provision of goods and services of a public nature to citizens, whether in terms of an agreement with the government or not;

> on all aid, notwithstanding the aid type, modality or disbursement channel;

> by all donors (including emerging donors), be they multilateral, bilateral or private; and

Even aid that is not delivered in terms of an agreement with the government (such as aid from private donors, direct aid to civil society organisations and humanitarian aid) should be transparent to the government if it funds services of a public nature to citizens, so that country governments can allocate their own resources optimally and assess likely future demands on domestic resources when the aid programmes come to an end.

> throughout the budget cycle (in other words, on commitments, on disbursements and on actual use of funds).

Reliable aid information is required. Aid information is reliable when it is up to date and reflects the actual money flows that occur. When aid flows occur that were not predicted for the fiscal year, or when predicted aid flows do not occur or occur later than the estimates provided, the information is unreliable from an aid transparency perspective. CABRI acknowledges that it is a challenge for donors to provide forward information on aid that is both timely and reliable, given their own budget and commitment cycles. However, this should not prevent donors from providing indicative forward information over the medium term, so that countries can practice effective medium-term budgeting. Therefore, reliability requires that:

> donors and country governments agree on common criteria for assessing and signalling the status of forward medium-term information and how it is to be used;

> donors indicate the status of forward medium-term information in line with the agreement;

> donors ensure that information becomes more reliable closer to the fiscal year; and

> donors ensure that information pertaining to the upcoming fiscal year is fully reliable by the time the country budget is being finalised.

Information on actual disbursements and the use of aid that is managed by the donor itself or by a third party should also be reliable.

Timely aid information is required. Aid information is timely when it is available in time for country budget processes to incorporate and reflect the information throughout the budget cycle as required in relation to country institutions. Therefore, countries require:

> indicative projections on all aid when country budget-formulation processes start;

> reliable information on expected flows for the fiscal year no less than three months before the budget is tabled in the legislature;

> information during the year on changes to expected flows relevant to the fiscal year as soon as the changes occur, particularly for aid

disbursed through country systems, but also on expected delays in aid projects and programmes that are managed off-budget;

> preliminary information on actual disbursements and spending for off-budget aid at least on a quarterly basis, in order for governments to report on aid to domestic stakeholders; and

> verified information on actual disbursements and spending for off-budget aid as soon as it is available to the donor for inclusion in country reports.

Useful aid information is required. Aid information is useful when it can be aligned with country budgets and supports country internal, legislative and social accountability processes. Therefore, countries require:

> aid information (especially with regard to off-budget aid) to be classified consistently to align with the country categories and classifications used for budget allocation and accountability processes, irrespective of whether the classification is administrative, programmatic and/or economic;

> clarity on the aid type, modality and disbursement channel;

> information on the intended objectives, expected and actual results and any conditions that attach to each aid flow;

> information on the role of different institutions (who is accountable for managing an aid project or programme, who receives money and who implements the activities); and

> all documentation from the aid project cycle (including appraisal, programming, review and evaluation documentation) for projects that are implemented under an agreement with the government.

Accessible aid information is required. Aid information is accessible when it is routinely available to all stakeholders – whether country governments, parliaments or citizens – as a result of institutionalised mechanisms that ensure the flow, rather than ad hoc processes. The requirements for aid information to be accessible are:

> routine flows of information to central government, which enable comprehensive budgeting and reporting at country level and address negative incentives on the internal flow of information;

Not all modalities carry the same aid transparency challenges at country level. Off-budget aid – particularly aid that is managed outside of government treasury and accounting systems directly by the donor or that is disbursed to a third party – is the most opaque. If donors prefer not to use country systems at any point of the aid management cycle, it is their obligation to provide comprehensive and timely information on such aid to minimise the impact on country budgeting, country financial management systems and local accountability.

> flows of information between donors at the country level to strengthen incentives for ownership, alignment and harmonisation and to support accountability; and

> timely availability of information at the international level to enable country-level checks on the transparency of governments in respect of aid and to promote integrity in the management of aid at country level.

Donor systems

Achieving adequate levels of aid transparency to support country budget and accountability processes requires changes in how donors manage aid processes and information at both country and headquarters level. The timeliness, coverage and quality of aid information flows from donors to country governments is a function of the capacity of donor staff at country level, their mandates to release information, the parameters against which donors record aid information and inter-donor structures. Adequate levels of aid information require that:

> personnel in field offices have the authority to release information in line with country-specific, regular information-management schedules, and in response to specific requests, without needing to revert to headquarters;

> personnel in field offices are familiar with country budget cycles, processes and information requirements, so that they can

facilitate optimal alignment with donor internal processes;

> donors use donor/government and donor/ donor aid co-ordination structures at country level in support of aid transparency, including ensuring as a collective that aid information flows to the government are complete, timely and of sufficient quality;

> donors invest in adjusting their aid information management systems to ensure adequate levels of transparency for country budgeting and accountability purposes (a critical input to aid effectiveness); and

> donors move to using country systems to manage aid flows – when aid is on treasury and on account, its transparency in alignment with country budgets is ensured in many countries and is facilitated in all.

However, the increased use of country systems for managing aid flows should not be seen as a sufficient measure towards aid transparency. As stated above, it is essential that off-budget aid is transparent, as it comprises a significant part of aid flows.

REQUIRED COUNTRY INSTITUTIONS

The integration of aid information in country budgets is a key factor in ensuring that aid transparency reaches its intended objective of improving budget systems, the effectiveness of public spending and local accountability. Poor availability of aid information can undermine this, but responsibility also lies with institutional arrangements in countries. These arrangements need to ensure that available aid information is included adequately in budget processes and documents, and that countries, in turn, make such information available to domestic stakeholders. The key issues to address are: the fragmentation of aid information, aid management processes and aid institutions; the lack of integration with budget management systems; poor information flows on aid within the government; and the creation of processes to ensure country demand for aid information and accountability for aid.

CABRI sees clear rules on aid information and improved government systems to manage and incorporate aid information in country processes as indispensable to adequate aid transparency.

Clear aid information rules

Clear rules on aid information are required. Country governments are responsible for ensuring that all role-players are clear on their functions and responsibilities in providing, collecting, collating, validating and disseminating aid information at the country level. This means that country governments must establish clear rules:

> on the flow of aid information from donors, in co-ordination with the donors;

> on the flow of aid information internally, integrated with the flow of information from donors, so that processes are not duplicated; and

> on reporting aid domestically, so that regular, comprehensive, reliable, accessible and timely information on aid is available to parliament and citizens, and is integrated with domestic spending.

The rules should:

> spell out what information is required from whom, to whom, how and in which formats (there should be clarity on donor responsibilities for providing information, as much as on the responsibility of country institutions and role-players);

> clarify who is responsible for the aggregation and collation of aid information and its alignment with country budgets;

> define what the aid information provisions in financing agreements should cover, and establish clear mandates for their negotiation and signing;

> clarify the responsibilities of joint donor/ government forums and management mechanisms, such as project steering committees, in ensuring regular and timely flows of quality information;

> formalise mechanisms for collecting aid information from role-players;

> formalise instruments to disseminate aid information to domestic stakeholders;

> establish the use of consistent and unique

country-driven aid project numbers to integrate information flows; and

> make specific provision for the management of multi-component, multi-stakeholder aid programmes and projects (the functions of different role-players in providing and channelling information in these programmes must be clear, captured in the financing agreement and monitored through the programme management structures).

Rules on aid information flows must be made public and given a legal basis. Country governments must incorporate rules on aid information flows into the legal framework for aid and budget management. This means that:

> public finance management legislation – and aid management legislation, when in place – must include provisions to make the flow of aid information within the government a legal requirement;

> aid management policies must be explicit about requirements for donors and internal role-players;

> ongoing aid management instruments, such as financing agreements and aid programme and project documents, must include provisions to regulate the flow of information on aid activities; and

> continuous budget system documentation, such as budget circulars, regulating the budget process from year to year must make explicit how aid information is to be included in the budget.

Systems to manage aid information

Effective country aid information systems are required. Country demand for aid information depends on the quality of systems to collect, collate and use aid information in country budgeting and accountability processes. In order to establish a reinforcing cycle of strong demand and better aid information, countries:

> must establish systems to collect and collate aid information from donors routinely, throughout the budget cycle, and to align aid information with country budgets;

> should use central and sector government/ donor forums to bring all role-players together

All aid information should be transparent through country budget documentation, even if aid is not appropriated by country parliaments and/or not disbursed through country treasury systems. As different aid types and modalities are treated differently within the country budget systems, it is crucial that countries establish clear rules for how different forms of aid are to be reflected in the budget documentation.

to co-ordinate the flow and accuracy of information;

> must establish mechanisms within budget management systems to collect information on aid routinely in the budget cycle from country institutions for aid not managed through country systems (budget and accounts classifications should also include the means to track non-budget support aid that is managed through country systems);

> must adjust their planning and budget allocation as well as monitoring processes to incorporate aid information systematically;

> must develop accessible, useful, user-friendly vehicles for reporting aid to parliament and the public at large, including by adjusting budget documentation to report comprehensively on aid before and after the fact;

> should establish processes and the means to verify the accuracy of aid data through triangulation between donor and country institution information, and between local and international information; and

> must adjust parliamentary processes to bring aid onto the oversight agenda systematically.

Aid databases can play a central role in managing aid information at the country level; however, they should be linked, harmonised or integrated with budget information systems. They should use country budget classifications as a default, whatever other classifications are used. Unique project numbers should be used to avoid duplication of records.

IMPLEMENTING IMPROVED AID TRANSPARENCY

CABRI acknowledges that the parameters for adequate aid information set out above are demanding and may be achieved only in time. CABRI participating countries have set out the following action points to ensure optimal progress over the short and medium term on the aid transparency agenda:

> countries will focus first on working with their more significant and/or willing donors, as well as institutions receiving significant volumes of aid, including civil society organisations, to develop the necessary systems to make aid transparent in the budget process and in the public domain;

> similarly, countries will focus on off-budget aid as the area most in need of improvement;

> countries will endeavour to create better incentives for sharing quality aid information, including the use of donor league tables/benchmarking (where feasible) and promoting the public disclosure of aid information, in order to ensure that the systems they develop deliver; and

> CABRI countries will continue to develop a collective voice on these issues in international forums, in order to ensure that country initiatives are supported and sustained through international and central donor good practice.