**Session Name: Budget Alignment - Discussion of recommendations from study into how IATI can meet the information needs for effective budget planning and execution processes,**

**Date/Time: 15 May 2012, 09.00-11.00 hrs**

**Work stream: Partner countries**

Presentation by Ms. Alta Foltscher, Mokoro:

* Budget alignment of aid information remains a challenge across developing countries. It is hampered by different factors, most importantly the overall poor availability of timely aid information in terms of both quantity and quality. The situation tends to be worse in low income countries with higher aid dependency and less robust Public Financial Management (PFM) systems that in less aid dependent countries with higher PFM capacity. This means that countries that most need robust aid information are least likely to have it. Even in countries that have effective aid information collection systems, information on off-budget projects and programmes is less comprehensive and information on the disbursement of aid, particularly project aid, is less available than information on commitments. The reliability and timeliness of information on estimated disbursements, however, remains an issue.
* The key finding from the study on further testing a common administrative/functional code (in now 35 country classification systems) is that it is compatible with country budget systems, but requires further work by developing countries to aggregate, disaggregate and manually assign aid flows. Overall, the study concludes that it would be a useful signifier of budget placement of aid activities and contribute to the greater use of IATI data at country level.[[1]](#footnote-1) Assessing the likely contribution of using a common code at country level showed that benefits would be realized in most countries, and mostly those without effective AIMS and aid information collection systems.
* To move forward, the study presents a range of options that IATI could choose with regard to the introducing a budget identifier or not to the IATI standard:
  + *Option 1: Leave the IATI standard as it is* – already it includes CRS codes and information on the ‘participating organization/accountable organization’. Issues with this include that CRS codes map to some sectors but to others not at all; and it seems that IATI signatories are struggling with providing the right information in the data field for ‘accountable organization’, since it is not recorded in their MIS. In addition, there are issues with countries where the signatory of a financing agreement is not the institution against whose budget funds are used. On balance, the study team believes it to be more likely that a common code with which donor staff can grow familiar will provide good info.
  + *Option 2: Tweak ‘accountable organization’* – The definition of the data field could be tweaked to solve the issue with countries where the signatory of a financing agreement is not the institution against whose budget funds are used.
  + *Option 3: Include common code in IATI standard* – The impact that this would have would differ across countries, being greater for those without effective AIMS and aid information collection systems. This would help developing countries to map aid flows against their budgets. Including the budget identifier in the IATI standard would be cost-neutral for donors, since the cost for adding the new chart field would be off-set by the reduction of staff time working on data (donors need about three days in average to get together the information on aid flows required by developing country governments).
  + *Option 4*: *Add economic classification* – not only information on sectors is needed to map aid to country budgets, but the economic classification is equally important to do macroeconomic projections (i.e. gauge the forward cost of today’s investment in terms of capital versus recurrent; identify proportion that is capital spending at a minimum based on Government Finance Statistics (GFS) classification); information on the economic classification is needed for on-budget but crucially also for off-budget assistance. While adding a chart field on economic classification in donor reporting systems will not be cost-neutral, it would have significant development impact. At the minimum, the IATI standard could require that donors identify the proportion of an aid flow that is capital spending.
  + *Option 5: Include common code and economic classification in the IATI standard* – This would have the highest impact but is not cost-neutral.
  + *Option 6*: *Drop ‘accountable organization’ field and include common code and/or economic classification* – high impact, not cost-neutral.
* From the point of view of the study team, option 5 would be the preferred option, followed by option 6, then option 4, then option 3, and then option 2, with option 1 being the least preferred option.

Discussion:

* Brian Hammond, IATI TAG Chair explained that the ‘accountable organization’ field had been added to the standard as a result of earlier work on budget alignment as a step on the way to achieve better alignment. If the study now shows that this not the best way, he said, it would not take much to ask the IATI Steering Committee to abandon this interim solution and put in place something better.
* Bill Anderson, IATI TAG, informed that to date, no IATI signatory had published information on the ‘accountable organization’ yet, which indicated that the interim fix was not currently workable.
* Karen Christiansen, Publish What You Fund, noted that the study very well fleshed out the evidence and indicated challenges and opportunities for the budget identifier. The budget identifier/common code would help to get to a higher level starting point at country level, but would not be a silver bullet to solve all problems with regard to aid-to-budget alignment.
* Bill Anderson observed that the report relied on desk reviews for all the countries except for the DR Congo (DRC), where extensive research took place in-country. The result is that the situation in the DRC, which was reported truthfully, appears more negative than in the other countries, where the absence of actual country research might have led to a positive bias. A lot of important work has been done in the DRC, and the country systems were much improved. He agreed that information about the economic classification of aid was mush needed by developing countries, but said he expected that it would be difficult to persuade donors to disaggregate their data accordingly. There would be cost implications not only in adding new data fields but also in training and using the information. Nevertheless, because of the impact that it would have, IATI should go for one of the options that include the economic classification. As regards the common code, an organization with expertise in PFM would need to be identified to own the definition and maintain the common code list. IATI cannot take on this role, as it is not a content standard, but a reporting standard.
* In the course of the discussion, Alta Foltscher proposed a seventh option *(“adjust CRS, ensure historical compatibility and add eco classification”*), namely to adjust CRS coding in sectors where this is needed, ensuring compatibility with the base CRS to align with historic data, and add economic classification. The CRS does not match all sectors, and the common code rolls up to the CRS as it is currently reported. The CRS could be further developed and detailed where CRS codes do not map to sectors, but kept compatible with the base CRS to maintain historic data, and left as it is in sectors where it is sufficient.
* The representatives of IATI partner countries present at the meeting, Yvon Mombong (DRC), Isaora Zefania Romalahy (Madagascar), Abie Kamara (Sierra Leone), Mario Zavala (Honduras) and Arturo Gomez (Colombia) underlined that for partner countries, it is important to get information on both economic classification of aid as well as accountable organizations/sectors to make it easier for developing countries to align aid with budgets.
* As a way forward, Brian Hammond proposed to do mapping between the CRS and the common code to show where the latter expands the CRS. Going for a hybrid solution as proposed by Alta as the seventh option might be a better option in terms of its acceptability by stakeholders and the amount of work involved. Once the final draft of the study is available, the TAG sub-group on budget alignment should meet to discuss the options and put forward a proposal with evidence to support it, looking at implications for implementation by donors and partner countries, for Steering Committee endorsement in autumn. Also, there is a need to look at the issue of who will own and maintain the common code, how to manage in the future, and the relationship with CAFOG. It was agreed to open the TAG sub-group membership to additional IATI members who would like to participate. CIDA expressed interest in joining the group.

1. Earlier work identified that the current IATI standard provides most information useful to partner country budgets except for information on the purpose of aid flows and the economic nature of aid flows. [↑](#footnote-ref-1)