What Proportion of Aid is Actually Transparent?

Assessing the visibility of IATI data in the Aid Transparency Index – A discussion paper

Publish What You Fund
The Global Campaign for Aid Transparency

Abstract

This discussion paper outlines Publish What You Fund's work to develop a way of assessing the proportion of development assistance visible in the IATI Standard. This work was part of the Aid Transparency Index methodology review conducted in 2016-17. The intention was to incorporate it into the scoring approach for the 2018 report. It outlines attempts to date to address visibility, considering the strengths and weaknesses of each. It concludes that it is not currently possible to assess the visibility of IATI data in the Aid Transparency Index for three reasons: first, limitations in the quality of the data; second, challenges in collecting reliable data; and three, uncertainty over precisely what is and should be under assessment. These three challenges are highlighted as areas where improvements can be made and a satisfactory measure developed, rather than attempting to devise an alternative methodology altogether. Readers are invited to get in touch in response to the questions raised at the end of the paper, or about the issue of IATI data more broadly. Please email tracker@publishwhatyoufund.org with any comments.

Technical Glossary

Activities – also referred to as projects, development interventions and investments. Investments are a form of activity distinct from a development project or intervention and usually refers to the financial activities of development finance institutions in developing countries. Inclusive of investments when not differentiated.

Denominator – the number below the line in a common fraction. Indicates how many parts from the whole.

IATI Registry – an online repository that provides access to data published in the IATI Standard.

IATI Standard – a technical framework for publishing information on development cooperation activities in a timely, comprehensive, forward-looking, and comparable manner (see http://iatistandard.org/).

Numerator – the number above the line in a common fraction. Indicates how many parts of a whole number are being considered.

Introduction

Publish What You Fund's Aid Transparency Index ('the Index') is the only independent measure of aid transparency among the world's major development agencies. It tracks and encourages progress, while holding donors to account for commitments they have made to open up their information. In 2016, Publish What You Fund conducted an in-depth methodology review and consultation process in order to raise the bar on data published in the International Aid Transparency Initiative (IATI) Standard. It also aimed to ensure that the Index methodology kept pace with the changing development landscape.[1]

Many respondents to the consultation asked Publish What You Fund to assess how much of a given organisation's portfolio of activities and investments is published in the IATI Standard.[2] This is what we refer to as visibility - the greater the proportion of a donor's portfolio published to IATI, the more visible their information is overall.

This is an important question for two reasons. First, it allows those accessing and using data on aid and development finance to determine the extent to which data published in IATI is representative of the full scope of an organisation's activities; second, it allows Publish What You Fund and other monitoring organisations to compare the visibility and accessibility of data from different organisations. It also means the Index assessment can be based on a donor's entire portfolio, as opposed to a subset. At present there is no agreed methodology to determine IATI visibility. This creates a situation where international development is comparable to an iceberg, with some resources above the water but a large proportion barely visible below the waterline.

Throughout the methodology review, Publish What You Fund explored a number of ways in which visibility could be incorporated into the Index. This paper outlines this process, discusses the options and concludes with some questions for the open aid community around how visibility can be assessed in the future. It argues that both the IATI Secretariat and publishers must do more to tackle this critical issue.

Visibility and financial data

To assess the visibility of IATI data it is necessary to mathematically compare two pieces of information: a) figures or values indicative of the total activities that a given donor publishes to IATI; and b) a figure or value representative of that donor's entire portfolio. These values must be comparable across the same time period, in order for conclusions to be drawn, and figure b can only be sourced from IATI itself. If we define *'a'* as the numerator and *'b'* as the denominator, the ratio a/b approximates the proportion of a donors' development activities visible on IATI.

The IATI Registry contains descriptions of project activities, financial data and document links. Most information published to the registry was previously held by donors in private systems such as project management software or databases. In principle, therefore, each donor should be able to assess its own visibility, through a comparison of its IATI data with what is available on internal systems. However, Publish What You Fund does not

[1] See 2018 Aid Transparency Index Guidelines www.publishwhatyoufund.org/wp-content/uploads/2017/06/2018-Aid-Transparency-Index-Guidelines.pdf and Technical Paper www.publishwhatyoufund.org/wp-content/uploads/2017/06/2018-Aid-Transparency-Index-technical-paper.pdf

[2] IATI is a voluntary, multi-stakeholder initiative that aims to bring together all stakeholders in the development process including developing countries, providers of development cooperation, and civil society organisations. IATI aims to provide a single point of access for data published in the IATI Standard via an online Registry. See technical annex for definition of Standard and Registry.

have access to this information and consequently the only consistent way to estimate visibility externally is to compare financial data. This means comparing financial data published in the IATI Standard to other public sources of financial data provided by the organisation, such as annual reports, audits and budgets.

There are risks associated with focusing on financial data: for example, this approach may miss projects published to the IATI Registry without any financial commitment but other useful descriptive data. However, it is the only generalisable approach that can be applied to all donors, and will be followed in the rest of this paper.

1.0 Existing assessments of visibility

First, to demonstrate how the final proposal for visibility was developed it is worth briefly exploring previous attempts to do the same or similar.

1.1 IATI Dashboard coverage statistic

The IATI Dashboard coverage statistic was designed to show what proportion of a given organisation's disbursements and expenditure is being published to the IATI Registry. It was developed by IATI as an element of the transparency indicator for the Global Partnership for Effective Development Co-operation monitoring.[3] The statistic takes an organisation's spend for a given year – calculated as the sum of disbursements and expenditure across all activities published to the IATI Registry – and compares it to a reference spend, which is drawn from an external source. From a comparison of these two values, a spend ratio and subsequently a coverage statistic are calculated. The IATI spend ratio is an organisation's IATI spend as a percentage of its reference spend (see Box 1).[4]

Box 1: Calculation of the IATI Coverage Statistic

Spend Ratio (%) - The IATI spend as a percentage of the reference spend or the official forecast. This value is based on whichever is the greatest result from the following calculations:

- 2014 IATI Spend / 2014 Reference Spend
- 2015 IATI Spend / 2015 Reference Spend
- 2015 IATI Spend / 2015 Official Forecast
- 2015 IATI Spend / 2014 Reference Spend *(The resulting value from this calculation is only included if no annual pair of IATI Spend & Reference Spend/Official Forecast data is available.)*

Coverage (%) - As it is impossible to create an exacting methodology applied to disparate comparisons, the percentage coverage applied to the overall score uses a broader framework. The IATI reporting scores will be adjusted for the ratios of the financial flows reported using the following scale of coverage: Excellent: 80% or over (adjustment factor 100%); Good: 60 – 80% (adjustment factor 80%); Fair: 40 – 60% (adjustment factor 60%); and Poor: less than 40% (adjustment factor 40%).

Source: IATI Dashboard

[3] See IATI Dashboard publication statistics. Available at: http://dashboard.iatistandard.org/publishing_stats.html; Global Partnership for Effective Development Co-operation. Making Development Co-operation More Effective: 2016 Progress Report. [pdf] Available at: www.undp.org/content/undp/en/home/librarypage/development-impact/making-development-co-operation-more-effective--2016-progress-re.html. Coverage was not included in the final indicator.
[4] See also the IATI Dashboard coverage page http://dashboard.iatistandard.org/coverage.html

There is a precedent for using IATI Dashboard metrics in the Index (the indicator on frequency of publication is calculated using the dashboard's frequency assessment), so the potential for incorporating the coverage statistic was explored. However, the way in which the coverage statistic is calculated would present a number of problems for the Index.[5]

First, aggregating disbursements and expenditure across all activities can present an inaccurate picture of donor spending. A single activity might be published to the IATI Registry more than once by single or multiple organisations, a practice known as double counting.[6] It is also unclear what development flows – particularly non-Overseas Development Assistance (ODA) flows, such as private sector or Official Development Flows (ODF) – are represented in IATI (See Box 2). This could lead to discrepancies between what is represented by the IATI and reference spends. In essence they may not be counting the same things.

Box 2: Development-Related Spend

Development-related spend is a term introduced by Publish What You Fund during the Aid Transparency Index methodology review. It describes the norms of transparency that any donor organisation operating in international development should be held to account for. A development-related spend can be understood as the total amount of resources expended by an organisation where socioeconomic development is the primary mandate. This is defined as working towards an internationally recognised development initiative or set of goals such as the Sustainable Development Goals or equivalent national/sectoral development strategies. The sum total of these resources would be the reference for the Aid Transparency Index.

This term, however, raises a number of questions that will need to be answered in collaboration with stakeholders in the Index and other development actors:

- How and by whom should the precise composition of this development-related spend be determined?
- How should organisations disclose their development-related spend?
- How can the validity of spend values be ensured?
- What other limitations might there be to the concept?

This development-related spend constitutes the sum total of resources, where the organisation should be subject to the same norms of transparency as a development organisation and where the Aid Transparency Index is the recognised authority.

The use of different sources for reference spend makes it difficult to compare coverage values across donor portfolios. A different source – for example the Organisations for Effective Cooperation and Development's (OECD) Credit Reporting System (CRS), the annual reports of donors, and donor data portals – implies a different composition of resources being taken into account within each one.

The budget figures in an annual report, for example, might include administration costs, private sector operations, staff salaries, and other budget lines excluded under the OECD ODA or ODF criteria. CRS data is not consistently useful as it presents ODA and ODF by country, whereas the Index looks at donor agencies below the national level. The

[5] It is worth noting – as will be discussed later – how these problems are not necessarily limited to the IATI method but present common problems across approaches and should not be thought of as being to the detriment of the Dashboard's publication statistics.
[6] This is an issue acknowledged by the curators of the standard and efforts are being taken to provide guidance on double counting. See https://docs.google.com/document/d/1FN-R2mwSqPrTJElkjiWkyqrOAu-SIG6jeo_4LqJy_Ow/edit; https://discuss.iatistandard.org/t/tech-paper-double-counting/540

budgets of these agencies cannot always be isolated, leading to inflated reference spends. Where no reference spend data for the year in question is available, one is taken for another year, possibly from a forecast or historical information. Whilst donor budgets tend to remain fairly stable across different years, they can be prone to sudden variation, limiting the value of any such assessment.

The use of different numerators for different organisations depending upon their business model presents a further problem for comparability. For Development Finance Institutions (DFIs) the sum of their annual commitments are taken to calculate an IATI spend, whereas that of other organisations is derived from disbursements and expenditure (see Box 3). It is not obvious which of these measures would be more stable.

Given that the Index is seeking a comparable method that would be applicable across a wide range of different organisations, it was not practical to incorporate the IATI coverage statistic into the 2018 Index.

Box 3: What are disbursements and expenditure and what are commitments?

- **Disbursement and expenditures** – disbursements are outgoing transactions that are placed at the disposal of a recipient government or organisation or a fund transferred between two separately reported activities. Expenditures are outgoing funds that are spent on goods and services for a given activities.
- **Commitments** – are firm, written obligations from a donor to provide a specified amount of funds, under particular terms and conditions, for specific purposes, for the benefit of the recipient.
- **Total organisation budget** – is the total amount that the organisation will be allocated by the government or its funders per year. This money going to the organisation and can be indicative rather than exact.
- **Development-related spend** – the organisation's total expected spend on development-related activities for a given year to be reported by the organisation itself, subject to public disclosure and external validation by an independent or peer reviewer (see note on development-related spend).

1.2 Publish What You Fund's 2015 Aid Transparency Reviews

In the 2015 Aid Transparency Reviews, Publish What You Fund presented an illustrative assessment of IATI visibility in ten aid dependent countries, based upon the same principles as the Dashboard statistic.[7] This infographic aimed to highlight why visibility is such a critical issue for partner countries.[8] The sum of expenditures in IATI for a select group of Index donors was calculated for each country. This was then divided by the volume of ODA reportedly spent in each country by the same group of donors according to DAC CRS data, to estimate the proportion of ODA visible in each country.

This methodology, however, has a number of shortcomings that would make it unsuitable for replication in the Index. Since the 2015 reports, the quantity of data published to IATI has increased to the extent that dividing the sum of IATI disbursement by the sum of ODA reported in the CRS data now results in ratios in excess of 100%.

[7] Publish What You Fund. 2015 US. Aid Transparency Review www.publishwhatyoufund.org/wp-content/uploads/2016/12/2015-US-Aid-Transparency-Review.pdf; Publish What You Fund. 2015 EU Aid Transparency Review www.publishwhatyoufund.org/wp-content/uploads/2016/12/2015-EU-Aid-Transparency-Review.pdf
[8] View the infographic at: www.publishwhatyoufund.org/wp-content/uploads/2017/03/Publish-What-You-Fund-infographic_JPEG.jpg

These may reflect resources captured in the IATI data not meeting, or exceeding, the criteria of ODA set by the DAC, or various forms of double counting (for example, multilateral organisations reporting expenditure that has already been reported by bilateral donors).

Furthermore, using only CRS data as the denominator is not applicable across all donors in the Index, as they do not all report to the DAC. Taking recipient countries as the referent object of the measure is not consistent across these donors, as not all donors will operate to the same extent in these countries, if at all. As a result of these limitations, it would not have been possible to replicate this exercise in the Index more broadly, although we believe that the argument put forward is still a valid one.

2.0 Aid Transparency Index Methodology Review

Having reviewed the options above, Publish What You Fund then explored other ways for measuring visibility during the methodology review, that are set out below.

2.1 Country Programmable Aid

One option suggested during the consultation was using Country Programmable Aid (CPA) as a proxy for the proportion of ODA visible on IATI. CPA is a subset of ODA that is meant to represent the proportion of ODA spent in partner countries where they have a significant say over its use.[9] In 2014, CPA was reported as 53% of ODA[10] on average.

However, no way could be found to isolate CPA projects and flows within IATI data as there is no comparable classification in the standard. As with ODA, CPA is determined by a validation process carried out by the OECD-DAC and there is no similar validation process for IATI data. Furthermore, as CPA and ODA are DAC classifications, this measure could only be applied to DAC members.

2.2 Visibility threshold

Given the difficulties of finding a precise estimate of visibility, an alternative approach was to assess whether the sum of financial flows published in IATI met or exceeded a certain threshold. It was suggested that a ratio greater than or equal to 50% would be a logical threshold indicative of where this minimum level of data visibility was met. The following proposal was tested in the consultation:

1) IATI publishers would self-declare the value of their expected organisational spend on development interventions for a given calendar or financial year (identified by transaction dates). This value would be linked to an official document or a website in order that it goes through an organisation's internal checks and that it is open to public scrutiny.

2) This value would then be compared to an IATI spend (being either the sum of disbursements and expenditure or the sum of commitments) across an organisation's activities published in the IATI Standard within the same 12-month period.

[9] For more information see www.oecd.org/dac/aid-architecture/cpa.htm
[10] See www.oecd.org/dac/aid-architecture/cpa.htm

3) To incorporate this threshold into the Index scoring approach: where the sum of the IATI spend is greater than or equal to 50% of the organisational spend, the threshold would be passed and the organisation awarded the IATI format points in the Aid Transparency Index.[11] Where it falls below 50%, the organisation would not receive the IATI format points for any of its indicators, and would be assessed through the manual survey for all indicators (see Box 4).

If an organisation was unable to self-declare its expected development-related spend, then this would be taken from a public document, such as an annual report. The aim would be to encourage publishers to self-declare, to the extent permitted by their laws, regulations and systems.

Box 4: Visibility threshold example

'Organisation A' reports a value of USD 10 billion as their development expenditure for the calendar year 2016 – 2017. For the same year, their IATI spend is USD 9 billion. The sum would be:

$\frac{9 \text{ bn}}{10 \text{ bn}}$ = 90% > 50% therefore 'Organisation A' passes the threshold.

'A' passes the visibility threshold and is awarded the IATI format points for all indicators published to IATI.

However, if 'Organisation B' reports a value of USD 10 billion and publish an aggregate IATI spend of USD 4 billion the sum would be:

$\frac{4 \text{ bn}}{10 \text{ bn}}$ = 40% < 50% therefore 'Organisation B' would fail the threshold.

'B' fails the visibility threshold and all indicators would be assessed via the manual survey, resulting in a lower score overall.

2.3 Limitations of a visibility threshold

As with the other methodologies, analysis using 2016 data and feedback received during the consultation suggested a number of limitations with the proposal of a visibility threshold.[12] These lie on both the denominator and numerator sides of the equation.

2.3.1 Problems with the denominator

First, addressing problems that lie with the denominator, or a donor's self-declared spend. These limitations are present regardless of whether disbursements and expenditure or commitments are used as numerator values to represent an organisation's IATI spend. These relate to the source of the data, the composition of different denominators and different financial years used by organisations.

The source of the reference spend presents a number of problems. Some agencies included in the Index cannot at present publish forward-looking commitments of development-related spending. This is the case for German (KfW and GIZ) and some US agencies (USAID, State, PEPFAR), for example. The reasons for this are less technical than

[11] The Index scoring approach rewards publication of data in the IATI Standard. See 2018 Aid Transparency Index: Technical Paper, p.9. www.publishwhatyoufund.org/wp-content/uploads/2017/06/2018-Aid-Transparency-Index-technical-paper.pdf
[12] These limitations emerged from rigorous testing of various thresholds using IATI data and 2016 Index scores to predict and analyse the potential outcomes.

legal and political, for example, reflecting legislative privilege or at times a reluctance to publish numbers that may later be corrected. This would prevent these or similar agencies from being able to publish an expected development-related spend at or before the start of the year.

Another problem identified is that many organisations have a higher total budget than they spend on development. For this reason, it was proposed that organisations self-report a 'development-related spend' (see Box 2), subject to public disclosure and external validation. A total organisation budget would only be used where this development-related spend could not be sourced.

Finally, organisations included in the Index operate different financial cycles based on either a calendar or financial year. This makes it difficult to compare organisations with each other at any given time, as they would inevitably be at different stages of their budget processes.

Nevertheless, it is important to uphold the principle that data provided to IATI should be timely, comprehensive and forward-looking to the extent possible. Partner country governments, in particular, continue to place a high emphasis on the importance of forward-looking information in order to help with planning and budgeting. For this reason, it was decided to retain a forward-looking budget indicator in the Index.[13] Organisations that are unable to provide forward-looking budgets across the full portfolio of their activities are encouraged to publish as much information as they can, as soon as they can, flagging that it may not be the full picture.

2.3.2 Problems with numerators

Two measures of the numerator of visibility were considered: disbursements and expenditure or commitments published to IATI.

Disbursements and expenditure

A number of limitations were highlighted in the use of disbursements and expenditures (henceforth disbursements) as a comparison to an organisation's budget or expected development-related spend.[14] First, there is the risk that using disbursements is more a measure of the organisation's ability to disburse against its commitment than a measure of its transparency. Although a reasonable divergence between the sum of disbursements and a committed budget would fall within the 50% margin for error afforded by the threshold, this nonetheless represents a limitation and makes it more difficult to raise the threshold in the future.

Second, it is common for disbursements made under a financial commitment to be disbursed over a number of years. This makes it difficult to compare disbursements with budgets, particularly if there is a substantial change in the budget from year to year. Although budgets remain relatively stable in most organisations (certainly within the 50% margin for error), the concern remains that the figures are not directly comparable.

Third, not all organisations publish disbursements. This may be for commercial or legal reasons when lending to the private sector or because a demand-driven business model makes it difficult to predict when a loan facility will be drawn down. Development Finance Institutions and other organisations that lend to the private sector would be

[13] See 2018 Aid Transparency Index Technical Paper www.publishwhatyoufund.org/wp-content/uploads/2017/06/2018-Aid-Transparency-Index-technical-paper.pdf
[14] Disbursements here includes both planned disbursements of grants or loans and on-demand draw-down of loan facilities

particularly affected. Publish What You Fund encourages all organisations to publish disbursements where possible, but recognises that at present many do not, whereas commitments are more widely published by these organisations.

Commitments

Commitments should be a better reflection of an organisation's total budget or development-related spend because they are more likely to be made in the same budget year, and less dependent on operational idiosyncrasies. As commitments are generally made in the same year as a budget is allocated, it is more comparable to a total budget of development-related spend and wouldn't encounter the issue of disbursements across different years. Finally, all organisations engaged in aid and development finance should be able to provide commitments data, even if they do not currently publish data on disbursements. Nevertheless, a number of limitations remain.

Commitments may be expected to differ from a total budget, but less so than disbursements. However, a number of agencies restate commitments once they have been made to account for under- or over-spends and reallocations. Some reallocation of resources is inevitable and may indeed be desirable, but if commitment amounts are changed once published, they undermine the robustness of the assessment. It should be possible to see where underspends or the reallocation of commitments occur if the goal of accountability is to be realised. Users may have an interest in observing this in order to question why resources that were committed did not end up at their objective destination. Therefore, the notion of retrospectively editing commitments is at odds with the stated aims of the IATI Standard. IATI currently has no guidelines on this. If these issues could be resolved – and indeed they should be - using commitments would be Publish What You Fund's preferred approach to assessing visibility.

3.0 Discussion and conclusion

This paper has outlined attempts made to date for assessing the visibility of aid and development finance published to the IATI Standard and Publish What You Fund's attempt to incorporate this assessment into the methodology of the Aid Transparency Index. Our preferred approach is to assess visibility by dividing total commitments published in the IATI Registry by a self-declared reference spend by the publishing organisation. This would then be awarded IATI format points if the measure exceeded a certain threshold, initially set at 50%. However, there are significant technical and political barriers to overcome, including data quality, the ability to implement the assessment consistently, and the scope of IATI. If these concerns can be addressed, it should be possible to implement an assessment of visibility that meets the needs of publishers and data users as well as the Aid Transparency Index.

This paper identifies three main limitations of a visibility threshold: data quality, the ability to apply the threshold consistently across organisations, and the scope of IATI.

First, data quality remains a significant barrier to a robust visibility threshold. Current data quality does not permit a comparison of equivalents. For example, it is not possible to isolate ODA-funded projects in IATI to compare with DAC totals. Certain publication practices also make it difficult to implement a threshold, such as making retroactive changes to commitments, not publishing disbursements and forward-looking budgets, as well as double counting. Improving the quality of data overall will make it easier to assess visibility accurately.

Second, current donor practices make it difficult to implement the assessment consistently. At the very least, all donors would need to provide an estimate of development-related spend for the next 12-months. This reflects a consistent demand from partner countries, and is recognised in the Busan commitment[15] to publish "timely, comprehensive and forward-looking data". Unfortunately, although major donors reiterated that commitment in Nairobi in November 2016[16], many are still not living up to it.

Third, there is a need to clarify the scope of the IATI Standard so that data published to it can be compared to total development-related spend consistently across organisations. A comparison between what is represented in the IATI Standard to what is in a donor organisation's portfolio of development interventions currently represents a comparison of two unknown quantities. As any assessment of visibility ultimately will come down to comparing them, there needs to be clear agreement and definitions around their composition. There is a wide variation in expectations and practices of what data should be published to the IATI Registry. Resolving this requires developing more explicit guidelines on the purpose and limitations of the standard than currently exist.

For these reasons it was not possible to incorporate a visibility threshold into the methodology for the 2018 Index. However, assessing visibility remains important. We therefore conclude by posing three questions to the aid transparency community, debate around which we intend to feed back into our continuing work on implementing a visibility assessment.

Question 1 – What resources, flows and spending should be considered as development-related and in scope for publication to IATI? How might these differ from established definitions such as ODA?

Question 2 – What is the scope for organisations publishing data in the IATI Standard to publish forward-looking spending data, and what changes to disclosure rules and norms may be needed to enable more organisations to do this?

Question 3 – What is a reasonable threshold for aid and development finance to be considered visible for the purposes of the Aid Transparency Index or other assessments?

[15] See www.oecd.org/dac/effectiveness/Busan%20partnership.pdf
[16] See http://effectivecooperation.org/wp-content/uploads/2016/12/OutcomeDocumentEnglish.pdf