Concept note | May 2022

**Tracking development finance flows to local organisations;**

**a new approach to produce an independent analysis of how leading donors perform**

**against their own localisation targets**

Following six months of exploratory analysis, we have proved that it is possible to use current International Aid Transparency Initiative (IATI) data sets to analyse funding flows between the world’s major aid funders and their primary recipients, and to determine to what extent those recipients are local. In a pilot piece of research, we tracked USAID funding to Zambia in 2019. We found that using the most restrictive definition of “local”, USAID provided only 3% of funding to such organisations during the time period we looked at. Using the most expansive definition of local (for example, including local offices of global organisations), we found that USAID provided 10% of funding to such organisations. ***With funding, this research could be scaled up to cover all G7 donors, providing an independent annual comparison to be used by aid agencies and advocates alike to drive faster, better funding of local organisations.*** Importantly, our methodology accommodates the many nuanced definitions of local proposed by funding agencies[[1]](#endnote-1) as well as those valued by localisation stakeholders.

Neither Publish What You Fund, nor indeed any global entity, is well placed to define either transparency or localisation as it relates to individual countries and communities. We also recognise that efforts to “shift the power” and increase “localisation” speak to many more issues (such as agency, power, co-creation, etc.) than we are addressing here. To that extent, we recognise that this concept note only addresses issues relating to resources, and even then has a limited scope focussing purely on flows and quantities of aid rather than quality of funding. In this context however, we are well placed to understand, interpret and present existing data in a way that enables stakeholders to undertake analysis and track funding based on their own definitions of what it means to be “local”.

Our conclusion is that it is feasible to analyse, annotate and present existing data, for a select number of donors, in a number of high aid recipient countries, to illustrate the extent to which disbursements are made to different types of organisations. Key to this approach is the process of defining and then assigning specific organisational characteristics (such as principle place of business, years of operation etc.) to the recipients of donor funds. This then enables data users to manipulate data to present funding flows in line with their own interpretations of what it means for an organisation to be local.

**A new approach**

Understandably, the search for an agreed definition of local has been difficult and has led to some delay in analysing current development finance flows. Rather than providing a single definition, we have sought to annotate existing data sets with the characteristics frequently referenced by both northern and southern definitions of local. For our pilot research, we used the following characteristics for each of USAID’s primary recipients:

1. Entity's principle place of business/location of headquarters (donor country, recipient country, third country)
2. Type of entity (private, academia, UN agency, NGO, Public Sector, multilateral, global program)
3. Organisation's focus (sub-national, national, regional, international)
4. Is the organisation a Community Based Organisation (CBO)? i.e. does it only work sub-nationally within the area local to the organisation's HQ (yes/no)
5. Is the organisation legally organised under national laws in the recipient country? (yes/no)
6. Is the organisation a subsidiary/brand of an international organisation? (yes/no)
7. Is the organisation a subsidiary/brand of a regional organisation? (yes/no)
8. How long has the organisation been operating in the country? (no. of years)
9. Is the organisation beneficially owned (the owners) by individuals who are citizens of the country which is the organisation’s principle place of business? (yes/no)
10. Is the organisation majority run (the executive) by individuals who are citizens of the country which is the organisation’s principle place of business (or else run by and for a specific target group e.g. refugee organisations)? (yes/no)
11. Is the organisation governed (the Board) by individuals who are citizens of the country which is the organisation’s principle place of business? (yes/no)
12. Does the organisation have a bank account in the recipient country? (yes/no)

While applying characteristics to each organisation, in most cases, information to support decisions was found using a combination of receiver organisation’s websites, d-portal and secondary research. Where information could not be found best guesses and deductions can be used to determine characteristics (noting again that the findings of this work should be considered indicative rather than factually correct).

**The opportunities and limitations of the current data**

The International Aid Transparency Initiative open data standard has been in use for more than a decade. Today, the data published to this standard, by the largest international donors, is generally of high quality and suitable for analysis. This data is also becoming easier to access with the advent of new tools, most notably the [Country Development Finance Data](https://countrydata.iatistandard.org/#access-data-files) Tool.

However, the data is not perfect. The main limitations for the purposes of tracking funding are:

1. Definitions of “organisation type” – The [current list](https://iatistandard.org/en/iati-standard/203/codelists/organisationtype/) of options for assigning “organisation type” does not reflect the full variety of organisations that stakeholders in aid recipient countries recognise. Also, for those organisation types on the list, the accompanying definitions and guidance are vague.
2. Consistency and errors – Partly because of inadequate guidance and definitions, different IATI publishers interpret the same organisation types in different ways. A cursory review of the data highlights errors in how organisation types have been assigned. For example, we found instances of international private sector organisations assigned as national NGOs. Depending on the publisher there may also be a substantial number of organisations where no organisation type has been selected resulting in a substantial value of disbursements displayed as “no data”.
3. Traceability – partly as a result of the complexity of the IATI open data Standard, and partly because of a lack of guidance, it is [very difficult to track funding down the delivery chain](https://www.publishwhatyoufund.org/2021/11/aid-delivery-chains-organisation-networking-and-the-new-networked-data-indicator/) to identify if and how funds were disbursed through multiple organisations. For example, in most cases we will not be able to trace where the funding goes after it is received by a primary implementing organisation and specifically, how much of the money, if any, might subsequently go to other organisations such as community groups and grassroots organisations who are unlikely to receive funding directly from international donors.

As stated above, this concept note represents a vital but limited contribution to the current localisation/shifting the power debates. The evident limitations are as follows:

1. This work provides little insight into the ways in which funds are passed between organisations other than the donor and the primary recipient. However, it can be argued that other aspects of localisation such as inclusive decision making, co-design, and accountability are less likely to progress while the primary recipients of funds are not the organisations based in the country where activities will happen.
2. This work would provide limited insight as to the type or quality of funding provided (the majority of IATI disbursements are tagged simply as grants).
3. The nature of the secondary research required in order to execute this work, and the fact that many of the indicators used require information which is simply not made public in a consistent manner, means that the conclusions of this work need to be considered as indicative rather than factual.
4. We note that this research uses organisation, rather than activities, as the unit of analysis. As a result, this approach presumes that all activities undertaken by a single organisation will be similar in terms of their attention to principles of locally led development.

**Note**

This concept note, and the pilot research on which it is based, was undertaken by the Publish What You Fund team. Specifically, Farzana Ahmed, Henry Lewis and Gary Forster developed the concept and analysed the pilot data set. We thank a number of stakeholders including USAID and CRS for their feedback as we developed this concept. The team can be reached at: farzana.ahmed@publishwhatyoufund.org or henry.lewis@publishwhatyoufund.org.

1. Note that these criteria are derived from a broad cross section of current definitions including those from the Inter-agency Standing Committee (IASC), PEPFAR, USAID and the Network for Empowered Aid Response (NEAR). [↑](#endnote-ref-1)