Building a Transparent System of Global Aid

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Having transparent mechanisms for distribution of global aid is hugely important. It allows scrutiny to ensure money is used effectively. The global aid landscape has changed drastically with the rise of southern donors like India and China. This makes it even more important that transparency for public flows of development aid should be non-negotiable, irrespective of whether or not they are official development assistance.

Research carried out here in the International Development Department (IDD) demonstrates how little of southern donors' aid data is presently captured. But on a positive note, it finds that there are only minor differences between standards for southern donors proposed by the UN's Development Cooperation Forum, The Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC) standards, and global standards proposed by the International Aid Transparency Initiative (IATI). This opens up the prospect of achieving a unified global standard for aid data for the first time.

But crucial to achieving a unified, global standard will be including transparency on export credits. For the purpose of promoting exports; these make up a substantial portion of financial flows to developing countries from all donors, but with little public disclosure or scrutiny. Furthermore export credits are not yet covered by IATI.
There are now moves by some donors to make export credits transparent, for example, The Export Credits Guarantee Department (Regulation and Reporting) bill going to the UK parliament in November 2011 contains transparency requirements as well as regulations. It calls for 'the publication of an audit of all sums owed to the department, an annual impact assessment and a real-time disclosure policy on all supported projects'. Widening of the transparency regime to include Export Credits would further strengthen IATI and would be an important step towards a system that captures the full scope of development assistance, and could have important implications for international trade. It would help create a 'level playing field' so that competition among exporters is on the basis of quality and price, not subsidies.
By clarifying the options for a transparent system of global aid, the conference will make an important input into the upcoming 4th High Level Forum on Aid Effectiveness taking place in South Korea in early December 2011.

There are four feasible options for developing a unified, transparent system of global aid that incorporates emerging donors like India and China.
• First, would be to encourage these increasingly important 'southern donors' like India and China to report in accordance with the existing OECD-DAC classification. This necessarily depends on southern donors supporting the OECD-DAC system.
• Second, to ask southern providers to comply with the developing International Aid Transparency Initiative (IATI). The larger issue remains, as how IATI as a new aid data standardisation tool would bring southern donors on board to adhere to its data standards, and improve the overall quality of aid.
• Third, to create a separate cooperation standard for southern donors. This raises the issue of how to define south-south cooperation, and whether to include trade as well as foreign direct investment?
• Fourth, to reform the existing OECD-DAC standards to make them acceptable to southern donors;
The IATI Technical Advisory Group should have the potential and legitimacy to act as 'standardisers' because they represent not only bilateral and multilateral aid donors, but aid recipients, and civil society organizations. This means that the second option, which uses this framework, is probably the most promising way forward and would represent a major step towards understanding how the billions of pounds of global development aid is spent.

A conference hosted by the University of Birmingham this week brought together key players in the global effort to develop a transparent system of development aid. The Future of Aid Data Workshop (31 October – 1 November) highlighted the importance of developing international aid transparency standards which include southern donor nations like China and India.

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