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**Role of Aid Information Management Systems in
Implementing the Paris Declaration on
Aid Effectiveness at the Country Level**





Role of Aid Information Management Systems in Implementing the Paris Declaration on Aid Effectiveness at the Country Level

Scaling up development assistance and the Paris Declaration commitments demand urgent steps to increase the quality, transparency and accountability of ODA. This global agenda, reiterated at the UN World Summit in 2005, places importance on the reliability, transparency and accountability of public financial management systems and monitoring of ODA flows. A prerequisite for the effective coordination and management of aid is easily accessible and timely availability of up-to-date information on planned and ongoing aid flows by funding agency, sector and geographic location. Consequently, many governments have worked to set up databases, websites and other information management systems and tools to more effectively track, document and analyse aid flows to their countries.

This paper describes how aid information management systems support all aspects of implementing the Paris Declaration and good practice in selecting and implementing such systems, based on several years' experience in a variety of country situations.

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Background

1. Scaling up resources for development and increased aid levels ¹ require a concomitant increase in aid effectiveness. For recipients to maximise available resources and to leverage the announced scaling up of ODA, national aid management needs to substantially mature and become part of a transparent “aid architecture” to improve effectiveness. Better aid management also means increased capacity to absorb additional financial assistance and to produce more effective results in line with poverty reduction strategies. On the donors’ side, predictability, transparency of resource pledges, coordinated aid allocation and management, and mutual accountability are *sine-qua-non* to maximise the effectiveness of development aid.

2. Aid information management systems (AIMS) are central to changing the way donors do business. They help to align donor procedures and practices with government systems. AIMS help to build trust, transparency and accountability that can, in turn, counter corruption and resource misuse. In short the broader adoption of AIMS is key to the successful implementation of the Paris Declaration on Aid Effectiveness including mutual accountability for development results.

3. The Paris Declaration on Aid Effectiveness provides a practical and monitorable framework for reform that has the potential to increase the impact of aid on poverty reduction. The Declaration recalls the commitments made at Monterrey to increase the volume of aid and recognises that without improved systems of aid management the anticipated impact of increased aid levels is unlikely to materialise in terms of accelerated growth and reduced levels of poverty.

4. Both the Paris Declaration and the UN World Summit in 2005 stressed the importance of nationally owned poverty reduction strategies aimed at accelerating achievement of the Millennium Development Goals. For national strategies to be successfully implemented, it is essential that all available resources are aligned with the priorities set out in the strategy. Countries have good information on aid flows that are channelled through their Treasury. These are taken into account in preparing the medium term budgetary frameworks that translate national strategies into actions. In many countries, however, a significant share of aid is not channelled through the Treasury. While donors may provide information on these projects to a central policy or line ministry, countries often lack access to comprehensive data on these flows and a system to consolidate this information.

5. In some countries, particularly where flows outside the Treasury are small, it may be possible to adapt the existing financial management system to record these flows. In other contexts it is advisable to enhance or establish an aid information management system that is linked to the budget process. AIMS can ensure that all parts of government gain access to essential data on projects by sector, location, and status. Similarly, on-line data entry ² by donors and other partners increases the availability of comprehensive data and provides information benefits to all users, rather than just making demands on partners’ time.

What are Aid Information Management Systems (AIMS)?

6. AIMS are IT applications, usually databases, which record and process information about development initiatives and related aid flows in a given country. AIMS have been in

¹ The G-8, as well as the EU and other bilateral donors, have made commitments to increase aid. If these commitments are met, the OECD-DAC estimates that ODA will be around US\$130 billion by 2010, a real increase of US\$50 billion from 2004 levels.

² For the purpose of this paper, data entry describes the online input of data into an AIMS both internally by government entities and externally by donors. In particular it also covers the capacity for automatic data exchange in both directions between the donors’ systems and AIMS. This decreases both parties’ workload and improves the efficiency of the provision of timely reports and information exchange.

existence, at varying levels of capabilities and sophistication, for the past ten years. Besides recording aid activities, AIMS have also proven to be extremely useful in planning and decision making. The advantages of implementing AIMS have been evident in stable countries as well as in emergency situations, where project management was vital due to specific circumstances, such as conflicts or disasters, as in the case of Afghanistan, Sudan, the Asian Tsunami, etc.³

7. AIMS are not complete public financial management systems (PFMS). Rather AIMS provide an *interface* between the recipients' PFMS and information stored in donor systems. They allow for harmonised reporting of aid provided or planned and for reporting back to donors on how the funds have been used. They are thus a tool of mutual accountability with the potential to increase the predictability of aid and to reduce administrative burdens for recipients and donors alike. Their role in poverty reduction is described the Box below.

How AIMS Can Support Poverty Reduction through Efficient Aid Delivery

Experience shows that aid information management systems can:

- play a critical role in decision-making on the allocation of resources by providing an overall picture of aid flows, arranged according to customisable criteria;
- assist in identifying funding gaps, alerting both government and donors to upcoming financial needs⁴;
- support the MDGs by making information relative to flows contributing to specific indicators available for cost analysis⁵;
- directly support Public Financial Management by interfacing with the national budget and contributing to its preparation;
- foster transparency and accountability by recording and tracking projects and financial flows⁶;
- present the international community with accurate and up-to-date information of the status of aid activities in a country through online web-based reporting;
- potentially, through planning and management tools, allow government to process higher levels of aid than ever before, while making aid more effective and decreasing duplication or overlap of aid-funded activities; and
- assist in multi-year programming through providing a clear picture of pledges and commitments juxtaposed against future needs.⁷

³ UNDP has a proven track record of providing customised aid management IT-based tools. Recent successful implementations of the Development Assistance Database (DAD) in Afghanistan, Iraq and Sierra Leone resulted in strong support from UNDP and the Office of Special Envoy to customise the DAD to meet needs of Tsunami affected countries and Pakistan after the South-Asia earthquake. UNDP has provided guidance on the introduction of new systems such as in the Sudan by providing the Government with system requirements and options.

Working with the Ethiopian Ministry of Finance and Economic Development, OECD-DAC, UNDP and the World Bank, the Development Gateway Foundation has developed an Aid Management Platform (AMP) pilot in Ethiopia. The pilot provides an innovative solution to aid harmonisation and coordination, which allows easy tracking and reporting of external assistance, reconciliation of government and donor views on aid flows, and interfacing with the public financial management system. Workflow and team work features support the Ministry in adapting technology to their operations. AMP is now available for implementation in other countries, building on the strong links it has to the staff of international organisations working on implementation of the Paris Declaration on Aid Effectiveness.

⁴ The participation of donors in planning makes their assistance more predictable

⁵ Some AIMS tag each project entry with the relevant MDG indicator(s) and calculate the amount of funds being allocated to each indicator.

⁶ This is particularly important today as it is often a requirement for increasing funding levels.

⁷ The performance of AIMS as a predictability tool is strictly linked to the compliance of donors to timely and accurate disclosure of information on present and future financial aid availability.

AIMS and the Paris Declaration

8. Aid information management systems can make an important contribution to the successful implementation of the Paris Declaration at the country level. AIMS facilitate progress towards the objectives of ownership, alignment, harmonisation, managing for results and mutual accountability fostered by the Declaration. In some cases the Paris Declaration Indicators⁸ can themselves be built into an AIMS. Information to calculate aggregates for the Paris Declaration indicators can be tagged to each activity recorded. In other cases the AIMS supports the objectives more broadly. An AIMS which builds in the Paris Indicators can also track progress against these indicators across sectors, ministries or donors, and thereby help generalise good practice and ease the reporting burden.

Ownership

9. For development cooperation to generate sustainable benefits, a high level of national ownership is recognised as a critical ingredient. Authentic partnerships between governments and donors recognise the important role of government in shaping how aid is used. This role, central to genuine ownership, can only be played if governments have access to timely and comprehensive data on all planned and ongoing aid. Aid information management systems can underpin this access. AIMS can also promote well-informed and authentic dialogue between government and its partners, which is a prerequisite for ownership.

Alignment

10. The Paris Declaration calls for donors to align with partners' strategies, reflected in indicator 3. For governments to ensure this they need to know how projects and programmes will contribute financially and in terms of results to the priorities set out in the national strategy. A good aid information management system will track both planned and actual commitments, disbursements and expenditures, and also the planned and actual outputs that each programme and project is intended to achieve. In so doing, the AIMS can show what level of predictability in financing is available across sectors and across donors.

11. The Declaration calls for donors to use strengthened country systems. A robust AIMS provides a standard format against which donors can align, avoiding the need for governments to translate and consolidate similar but varying information from donor systems.

12. An AIMS can also track which projects make use of public financial management systems and procurement systems, and thus monitor progress against indicators 5a and 5b. Similarly, it is possible to record at the project level whether or not the project uses a parallel implementation structure, thereby monitoring indicator 6. The level of untying, indicator 8, could also be recorded at a project level.

Harmonisation

13. AIMS can contribute to harmonisation at several levels. The first involves the standardisation of key terms such as commitment, disbursement and expenditure, or the recording of projects using harmonised sector and geographical categories. At a second level, AIMS provide the common arrangements envisaged in the Paris Declaration for planning, monitoring and reporting to government on donor activities and aid flows.

⁸ Namely: **Indicator 3**. Percent of aid flows to the government sector that is reported on partners' national budgets; **Indicator 4**. Percent of donor capacity-development support provided through co-ordinated programmes consistent with partners' national development strategies; **Indicator 5a (i and ii)**. Percent of donors and of aid flows that use country procurement systems; **Indicator 5b (i and ii)**. Percent of donors and of aid flows that use public financial management systems; **Indicator 6**. Use of parallel PIUs, Project Implementation Unit; **Indicator 7**. Percent of aid disbursements released according to agreed schedules in annual or multi-year frameworks; **Indicator 9** Percent of aid provided as programme-based approaches; **Indicator 10** Percent of (a) field missions and/or (b) country analytic work, including diagnostic reviews that are joint.

14. The Declaration calls for collaboration among donors to reduce the number of separate and duplicative missions to the field and the sharing of analysis. These objectives can both be facilitated and monitored through an AIMS which can, for instance, provide web access to project or sector level studies and monitoring reports.

Managing for Development Results

15. Managing for results is defined in the Paris Declaration as “managing and implementing aid in a way that focuses on the desired results and uses information to improve decision-making”. An AIMS can provide components of the results-oriented reporting and assessment frameworks required for monitoring progress against national and sector strategies. An AIMS can include indicators that are derived from sector or national strategies, and monitor how individual projects or programmes are delivering against these indicators.

16. A good AIMS can produce sectoral reports that can greatly facilitate discussions that take place in sectoral working groups or their equivalent or in preparing for a national development forum, Consultative Group or Round Table meeting. AIMS reports remove the need to spend time on information sharing and free up time for assessing whether expected results are being delivered and how aid effectiveness can be reinforced.

Mutual Accountability

17. The Paris Declaration calls on donors to “provide timely, transparent and comprehensive information on aid flows so as to enable partner authorities to present comprehensive budget reports to their legislatures and citizens”. An AIMS provides a robust and harmonised mechanism to enable donors to live up to this obligation.

18. A web-enabled AIMS provides real time information that can help strengthen the parliamentary role in national development strategies and budgets. AIMS reports and on-line databases can help legislators understand how external assistance is incorporated into the budget preparation and execution process.

19. Similarly, AIMS can provide data on who is doing what and where at the provincial or district level, thereby making it easier for local government authorities to exercise accountability for the delivery of aid at the local level.

Setting up an AIMS

20. Ultimately the decision on how to implement an AIMS rests with the purchaser. To assist them, a number of best practices have been identified during the past few years through work carried out by the UNDP and global consultations in 2004-2006 (See Annex). These consultations gathered practitioners and experts from several regions and recorded their practices and experiences.⁹ Through lessons learnt and assessment of good practices it was identified that success, in a nutshell, depends on:

- **Governments providing** leadership; applicable policies for information disclosure and exchange; complete and verified development data; classification systems that are in line with accepted standards; and adequate staff; and
- **Donors providing** complete, reliable and comprehensive project data, including full disclosure of financial assistance; mid-term projections of assistance delivery including disbursement schedules; validated data across reporting sources and well defined conditionalities; as well as resources and training for setting up an AIMS.

21. As the aid architecture and environment, as well as the national capacity might differ considerably from one country to another, it is essential to start with a thorough assessment of the specific needs and required capacities for setting up an AIMS. A new information

⁹ Proceedings from these consultations and information about aid management tools and practices are reported at www.devoid.org.

management system should be established within the context of existing business processes. This includes the automatic sharing of AIMS reports at sectoral and other coordination fora, allowing for cross-checking data and its routine use for decision making. AIMS should serve to promote the progressive integration of external assistance within the national budget framework.

22. To date, most AIMS have been project-based.¹⁰ Their primary focus is to track activities, to which aid flow amounts are attached. This allows monitoring and reporting on development initiatives within the country by calendar, sector, donor, type of initiative, or other criteria. AIMS also allow tracking key information on each activity, from documentation to project status and implementation deadlines, type of aid, implementing agencies and beneficiaries, as well as financial issues such as amounts pledged, committed and disbursed by donors and, in some case, tracking amounts up to the final expenditure.

23. The validity of data recorded in AIMS depends directly on the quality and frequency of reporting by donors and government. Hence, the reliability of AIMS data and their value for decision-making are a function of the dialogue between government and donors and their policies and practices. Open dialogue reinforces mutual accountability and the aid alignment and harmonisation process, while strengthening relations between the two parties. Sustainable and reliable data flow is a precondition to AIMS implementation, as well a sustained political and financial commitment relating to good, transparent and accountable governance.

24. Depending on the institutional framework and arrangements, different government departments can be involved in aid coordination and management. In many cases, functions related to managing external resources reside within the Ministry of Finance. However, departments within the Ministry of Foreign Affairs or the Ministry of Planning, as well as line ministries might also be involved in negotiating and/or managing parts of the external assistance. While information on aid flows should be easily accessible to different stakeholders, an AIMS should be located within the department with the most comprehensive mandate on aid coordination and management.

25. The design, set-up and maintenance of aid information management systems often go along with a set of difficulties and challenges, particularly with regard to technical and political issues. In general, people tend to over-estimate the problem solving capability of IT tools, while under-estimating the time, financial and other resources required for developing, installing and maintaining it. Another common challenge designers often face is that people request an AIMS without a clear vision of what they want the system to achieve.

Conclusion

26. Scaling up of ODA, albeit critical, will not yield results in terms of achieving the MDGs and reducing poverty unless donor and government practices change, aid becomes effective and development results become the principle guiding this partnership and promoting mutual accountability. In this, ICT is an invaluable tool to enable countries to adopt results-based management to inform their own and donor publics of the development progress achieved with the resources applied.

27. An urgent requirement for implementation of the Paris Declaration is to improve the capacity of recipient governments to utilise and manage external resources. A transparent, user friendly AIMS is a cost effective way to achieve this.

¹⁰ As a result, information related to external financial flows is being only partially captured within the national budget. Technical cooperation, including out of country assistance such as study tours and fellowships, together with food and emergency aid, and NGO support, account for roughly half of all ODA, yet rarely reach the national budget. The other half is project based assistance, general budget support and sectoral support. Of this OECD-DAC estimate that 5-8% is general budget support and around 4% sectoral support. In 2000-2004, project-based programmes accounted for 35% of total aid, the type of assistance typically recorded in an AIMS. In most countries, however, there is no requirement on donors to report their project-related aid; hence not all data related to projects are captured.

28. Governments should be encouraged to establish such IT-based aid information management systems under their full ownership and management and exchange data electronically through a standard format. Donors should support the development of recipient governments' capacity to manage and populate AIMS and allocate the necessary financial resources to deploy and sustain them.

29. OECD-DAC, UNDP and the World Bank should support the development and use of AIMS within the existing aid coordination mechanisms at country level. They can inform Consultative Group or Round Table processes, contribute to informed decision making on aid allocations and promote mutual trust and predictability through transparent aid planning and management. UNDP through its country presence can provide support for the efforts needed to select and implement aid information management systems and address recipient governments' capacity development needs in this respect.

Annex: The key ingredients for a well functioning AIMS

1. Political Commitment and Institutional Issues

1.1. Donor/Recipient Government partnership commitment: commitment to mutual accountability and transparency is key. While donors need to commit to reliable, timely and transparent data on aid flows, recipient Governments need to ensure that there is transparency in data tracking and accountability to national constituencies (Parliaments and civil society) and donors for resource allocation. This

The Paris Declaration anticipates a national approach characterised by leadership, broad-based participation and effective management. AIMS in particular should be seen as a strategic tool for putting these principles into practice as it works at multiple levels to: (i) support consultations; (ii) develop national strategies; (iii) operationalise results-based programmes; and (iv) promote meaningful government leadership.

rests upon national development strategies that are clearly defined through dialogue among national stakeholders and donors. Increased ownership is acknowledged as a precondition for successful aid delivery, but the operational implications are not always followed through.

1.2. Careful selection of AIMS and management of expectations: the success of an AIMS depends on: being clear on its purpose, its best placement in the government institutional system, capacity required to make it work, donor 'buy in', and realistic expectations of the tool. Success may depend on improvements in the budget and aid management processes, strengthening IT infrastructure, and enhancing outreach and analysis capabilities.

2. Institutional Arrangements and Human Capacity

2.1. AIMS management responsibility is important: Most governments establish an Aid Management Unit within a core Ministry, usually the Ministry of Finance or Ministry of Planning. Before creating new units, however, governments should first consider reinforcing existing departments, such as the budget department. The institutional location of the team responsible for the aid information management system is critical in determining its effectiveness. Clear inter-ministerial and inter-departmental responsibilities and reporting lines are essential.

In Syria the AMU (called the Technical Cooperation Unit) is within the State Planning Commission. The Commission, subdivided into directorates dedicated to one or more line ministries, entertains a constant dialogue to determine sectoral priorities and financial needs ahead of the upcoming budget cycle. Gaps in funding are identified in line with sectoral policies and the PRSP and projects are lined up for consideration by appropriate donors to supplement national budget inputs as needed. Projects are then submitted to an approval committee under the Prime Minister's office. Once the project documents are signed by donors and the executing agency they are entered in the AIMS. Reports from the AIMS are available online.

2.2. Capacity development is crucial: In many cases, the capacities of the department responsible for aid coordination are limited and often already overstretched. In order to use the system effectively, analytical, communication and outreach, as well as negotiation capacities often need to be increased.

Additional human resources might be required, especially during the initial roll-out, i.e. data entry phase. A thorough capacity needs assessment should precede the development and establishment of an AIMS. To ensure that the benefits of introducing an AIMS are sustainable, careful consideration needs to be given to minimising staff volatility by ensuring adequate salaries can be paid and costs related to training and skills' retooling met. As in other e-Government initiatives, the complexities of aid management coordination require that staff turnover be kept to a minimum. This also ensures a more reliable and professional work environment, better data security and redundancy and prompter services.

3. Data Collection Issues

3.1. Reliable, transparent and timely data disclosure: Data collection must be jointly conducted by both donors and partner governments. For AIMS data to be reliable, they should be provided in a coordinated manner by donors and line ministries. This requires frequent communication between governments, donors and implementers. In countries where data collection has been effectively streamlined (e.g. Serbia and, to some extent, Afghanistan), the collection environment has been regulated by a policy framework which established precise reporting responsibilities on the side of the donors, with firm points of capture of financial transactions. When this happens, it is usually because the government is firmly leading the efforts and wishes to integrate the AIMS within their PFMS. In these cases, data are reliable, can be audited and can also be integrated in the budget.

When government leadership is less firm, donors may not recognise their obligation to report to the AIMS regularly. This can create a negative spiral of declining data reliability resulting in limited relevance for decision-making and limited support to the national PFMS, further reducing donor will to support the system. Government agencies and donors should routinely validate project data and financial information entered. The process of verification is critical to ensure that all data entered are reliable and capture the entirety of activities and funding sources available.

Successful implementation of AIMS hinges on making the process of providing data as simple and time efficient as possible. Currently, partner governments are typically faced with trying to make sense of and integrate data provided by donors in differing forms and with different financial years. AIMS have the potential to remedy this, but this must be done in a way which does not increase the workload on donors who themselves face staff and time constraints.

3.2. Technological reliability: Technology helps in providing easy reporting mechanisms to facilitate data provision. Where donors have strong project information management systems of their own, it may be possible to automate part of the process of data provision and updating. A good example that could be applied to AIMS is the process of data harvesting put in place by AiDA, where data is automatically transferred from the donor internal database to the AiDA reporting system.¹¹ For this to happen, however, donor practices should be harmonised and a common framework of disbursement procedures and reporting requirements should be established.

3.3 Clarity on data purpose: Data are useful only if they serve a purpose. Congruence between national and local realities should be established. Hence, there should be clarity at all levels on what type of reports the data are going to generate, for what purposes and for which audience. While systems need to be tuned to local circumstances, there is sufficient commonality of requirements between countries in aid management to start with examining existing systems and standards rather than starting from scratch. The standards developed for sectors, countries, currencies, agencies and types of aid by the OECD-DAC's Creditor Reporting System have been widely adopted by donor agencies and their use in AIMS – such as AMP – facilitates data exchange with donors.

4. Financial Implications:

4.1. AIMS come at some cost: AIMS can promote aid effectiveness, but this costs. AIMS main capital costs are the application purchased or developed, which can range approximately from a few thousand (locally developed databases or spreadsheets) to three hundred thousand US dollars (commercial systems inclusive of customisation, training and

Governments that have integrated AIMS within the Ministry of Finance (MoF) have usually benefited from the already existing information systems environment supporting the PFMS and have found that the costs related to the implementation of AIMS can be more easily absorbed within the MoF than in other government agencies.

¹¹ See AiDA (Accessible information on Development Activities) at work at <http://aida.developmentgateway.org/AidaHome.do>. AMP builds on the AiDA standards some of which in turn come from the OECD's Creditor Reporting System.

support). Additional capital costs are the equipment and the networks to support the AIMS application. Operational costs include updates, maintenance and human resources and training. Government commitment is hence of primary importance to ensure that, once established, AIMS can continue to be financially supported beyond the implementation phase which is usually funded by one or more donors.

5. Technical Issues

5.1 *User-friendliness of the system.* Potential users of the system need to be involved in the design and customisation from the beginning. The tool needs to be designed around existing business processes, not the other way round. Nonetheless, the design process can trigger a review of existing business processes and in such a case implementation should be interrupted until objectives and business processes are clarified. It is recommended to keep the number of data entry fields limited.

ICT literature demonstrates that their use requires that: (i) systems respond to existing needs (promoting efficiencies rather than generating additional demands); (ii) routine needs of 'end users' are served as opposed to simply producing more data; (iii) use of local capacity is maximised; and (iv) the system and its developers allow real stewardship of the tool (i.e. ownership without responsibility is meaningless).

In this context, one should also consider how many different people would be required to provide the requested information. If a data entry module requires too many different people within a development partner agency to provide information, it is unlikely that the partner agency will enter the data online and the data quality might be fairly low. Automatic exchange of aid information collected by different donor systems should be pursued to the fullest extent possible.

5.2 *Development time:* The development from scratch of a comprehensive web-based AIMS requires a considerable amount of time. The development time can be cut short through adapting an existing system. Depending on how sophisticated the aid environment is, customisation can take from one to three months.

5.3 *Reliable long-term support from the software developer.* It is critical to ensure that internal, or locally available technical capacity exists to maintain and support the chosen AIMS in the long term. The technical support needed usually encompasses the areas of application code development, user support and help desk functions, networking and Internet access and troubleshooting. This is critical to maintain the system up to date and its users properly trained.