



**Issues Paper
Istanbul, 12-13 October 2006**

Statistical capacity: A tool for policy analysis and management

Purposes for which aid statistics are produced

As donors build their development co-operation programmes they require increasingly detailed information about them for a variety of purposes. The main requirement is the internal management of the agency:

- setting budgets and monitoring how they are delivered;
- deciding on the balance between multilateral and bilateral aid, and for the latter which countries and sectors to focus on;
- deciding between different forms of aid—grants/loans, projects/technical assistance/budget support; and
- monitoring the agency's performance and the results achieved—as part of public relations for the agency and to inform setting of national public expenditure priorities between different ministries in the donor country.

Another major purpose is accounting to taxpayers for the use of their money—showing the contribution their country has made to reducing poverty and improving health and education, often in neighbouring countries. A further purpose is international reporting and monitoring, especially of donors' commitments to increase their ODA/GNI ratios—e.g. by new EU members to achieve 0.17% by 2010 and 0.33% by 2015 or by Korea to achieve 0.25%—and most recently on how effectively aid is delivered through monitoring of the Paris Declaration indicators.

How are aid statistics compiled?

What is needed to build a comprehensive statistical picture of a donor's ODA efforts? First, the system must be primarily designed to meet the agency's own administrative needs. This usually means adding information to the financial and accounting systems so that the required statistical information can be easily extracted from them. Sectoral or regional departmental systems can also play a role, particularly for detailed information on projects and activities and on future spending intentions.

The agency's own requirements will always be slightly different from the requirements for comparable international reporting on ODA. This is due to differences in:

- coverage—ODA can come from many ministries in addition to the main aid agency;
- timing—ODA data are compiled for the calendar year, agency' data are based on their financial year; and
- reporting conventions—some contributions are only partly counted as ODA, contributions to multilateral banks are counted when a promissory note is deposited not when it is drawn down.

How are such differences addressed? Most donors use a mixture of surveys and mapping the ODA requirements to their administrative systems. Surveys are often used to collect in-donor expenditure such as on student costs and first-year refugees as well as reporting of single

items such as the ministry of health's contributions to WHO, ministry of agriculture to FAO, etc. The DAC has comprehensive guidance/standards on the classifications to use and most DAC donors have built these into their systems. The classifications cover country coding, economic sectors (purpose codes), types of aid, and policy markers for cross-cutting work—gender equality and environmental sustainability.

What resources are required? As noted above, most of the information should be a by-product of administrative systems. But agencies need to dedicate some staff to assembling all the information from the various sources. The staff numbers vary between countries. Some agencies manage with just one or two people. Others have a larger team responsible for internal, national and international reporting, producing publications and answering questions on the agencies' programme. One important point is to ensure continuity and passing on experience as staff move on in their careers, otherwise quality reporting can turn overnight into no reporting.

What are the outputs of a good aid statistics system?

Most agencies start with an annual report to publicise their activities. Another recent outlet has been reports on each country's contribution to the Millennium Development Goals, specifically Goal 8 for the Partnership in Development, which includes measures of development co-operation effort. Some donors have used these reports to show how their ODA contributes to each of the other 7 MDGs.

By reporting to the DAC, non-members contributions can be reported alongside those of members, such as in the 'aid at a glance' charts that feature on the DAC website. And with more detailed, activity-level reporting, their efforts can be included in sector analyses, such as those produced recently on aid to the water and sanitation sector and for gender equality. Finally, as part of improved public financial management in partner countries, donors are increasingly providing both historic and forward-looking information to their partners to include in their budgets. The DAC is facilitating this through working with the UNDP and World Bank on an aid management system developed in partnership with the Development Gateway Foundation.

These outputs are usually available on the Web and CD-ROM as well as in paper publications. This includes, for those with the resources, the chance to have their activity-level reporting included in online databases of aid activities, notably the DAC's Creditor Reporting System.

But in addition to reports and publications, the most useful outputs of a good statistical system are using the information in the systems to generate knowledge about the agency's work for policy setting and monitoring. Statistics can inform decisions about strategic direction, aid allocations and focus on countries and sectors where comparative advantages lie, and evaluating what works and what does not.

Issues for discussion

There is a variety of experience of building statistical capacity in donor agencies:

- What examples do donors have of using statistical information on their programmes to influence policy?
- How have agencies approached obtaining management buy-in to devoting scarce resources to quality statistical reporting? Where have they located the function—finance, public relations, operations, other?
- What benefits—national and international—have agencies found when they moved from generating simple to more detailed statistical reports?
- What assistance/advice do they look to the DAC/other donors to provide?