

Aid and budget alignment

Progress update from the IATI TAG Working Group on the Budget Identifier¹

Background

The budget identifier is the last remaining part of the IATI standard to be finalised. The aim is to provide data to partner countries in a way that facilitates alignment with their own budget classifications. There are two parts:

- the **economic classification** – which distinguishes between capital and recurrent expenditure (vital information for effective planning);
- the **common code** – which matches CRS sector codes with the codes used by most partner countries in their budgets. The common code elements can then be mapped to each partner country budget.

Combined, this will facilitate *automatic integration of the majority* of IATI data with the budget classifications of a recipient country budget, *reducing (not eliminating) the need for manual matching*, thus freeing up time for closer scrutiny of more complicated sectors and projects.

Timeline

- 2010 – a report from the IATI TAG subgroup on aid and budget alignment recommended the common code as a way to link to partner countries' administrative/functional classifications
- 2010 – the Steering Committee agreed to include the budget identifier as a placeholder
- 2012 – another report from the IATI TAG subgroup successfully tested the common code against 40 partner country budgets and found it to be a "best fit" between these classifications
- 2012 – the Steering Committee approved the proposed budget identifier, subject to piloting

Pilot group

DFID, Sida and DFATD have been piloting the budget identifier, with technical support from the International Budget Partnership and Publish What You Fund. The pilot has been donor-focused – to investigate the extent to which this information could be generated from donors' systems. However, the Government of Tanzania has also been involved, and provided a high-quality machine-readable budget for initial testing. Further engagement and consultation with partner countries is planned.

Conclusions

The pilot was successful in demonstrating the extent to which the existing DAC/CRS sector classification can be mapped to generate data in a way that can be integrated with a partner country budget. However, it also showed a need for more precise sector codes in certain areas. This could be achieved by further disaggregation of the DAC/CRS sector codes.

It was largely unsuccessful in generating the economic classification from existing data within donors' systems, suggesting the need to begin capturing this information early on to avoid higher costs of manually re-coding projects either at the donor or country level.

Common code

- Automated mapping using CRS codes can help map 71% of projects by volume to the partner country budget. For the remaining 30%, more specific coding is needed.
- Using multiple sector codes helps: 83% of projects can be automatically mapped when 2 CRS sector codes are used, compared with only 68% of projects when 1 CRS sector code is used.
- 20 codes are more disaggregated than the CRS (ie relate to an existing, higher-level CRS sector code, but are more detailed).

¹ DFATD (Canada), DFID (United Kingdom), Sida (Sweden), International Budget Partnership and Publish What You Fund

- **IATI should work with the DAC Working Party on Statistics (WP-STAT) to add the 20 more detailed codes into the DAC/CRS sector code, in order to incorporate the "common code" codes that are more disaggregated than existing CRS codes.** All of the new codes can be rolled back up into higher-level DAC/CRS sector codes.
- **For new projects, donors should consider adding these new codes to their project management systems to identify the purposes of activities more specifically.**

Economic classification

- A more precise definition of capital expenditure is needed to ensure consistent classification across donors and projects.
- It is not possible to generate the economic classification from existing published data.
- Some donors may have data within systems that could identify projects which contain capital spending; but in other cases additional work maybe needed to identify capital projects accurately.
- IATI should work with PFM experts to agree a working definition of capital expenditure and prepare guidance for donors (e.g. example of projects).
- **For new projects, donors should consider scope to capture the economic classification of activities in their project management systems, if this information is not already held.**

Proposal for next steps

The pilot group discussed potential ways forward, and proposes the following:

1. **Consultation:** The codes required for mapping against partner country budgets should be validated and consulted on before the next Steering Committee, to ensure that:
 - a. they are sufficiently detailed;
 - b. that they contain sufficient disaggregation in particular areas.
 NB: this consultation will not be as extensive as the 2012 report, which mapped against 40 country budgets; changes to the common code may thus be quite limited.
2. **Steering Committee proposal:** The pilot group would report back to the Steering Committee in October 2014 on the results of the consultation. In this meeting, the Steering Committee would be asked to approve the final Budget ID standard and the proposal for disaggregated sector codes.
3. **WP-STAT proposal:** The proposal would then be presented to the WP-STAT as a proposal to be incorporated in the list of DAC/CRS purpose codes.

Timetable

Date	Description
March 2014	Steering Committee discusses this proposal
May-June 2014	Consultation on common code and economic classification
July-August 2014	Finalisation of overall budget ID and additional codes for CRS
October 2014	Request approval by IATI Steering Committee
November 2014	Raise awareness at the informal meeting of the WP-STAT
31st January 2015	Deadline for proposal to WP-STAT
June 2015	WP-STAT official meeting and decision
1st January 2016	New codes implemented in DAC CRS

Request for approval

The Steering Committee is asked to approve this proposal for finalisation of the budget identifier.

The Steering Committee will be asked again in October 2014 to approve the final version of the budget identifier following the consultation process outlined above.