

# Aid Transparency in the Making

## What Compliance with the International Aid Transparency Initiative Reveals About Ideational Dynamics in the Aid and Development Regime

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### Introduction

The lack of predictability of international aid is estimated to cause a loss of \$ 16 billion per year in the development sector worldwide. This is 15-20 % of the aid donations' value. Making the development regime and the aid processes more transparent can provide a solution to the problem. Transparency can positively influence the impact of aid programmes as it may lead to the reduction of administrative costs, enhances service delivery and limits the scope for corruption and waste (Barder, 2011, p. 5). Publish What You Fund, the global campaign for aid transparency, criticises the limited information about aid that is available and claims that “transparency in aid is essential if aid is to truly deliver on its promise” (Publish What You Fund, 2012a).

Over time increasing awareness of the necessity of effective aid spending has led to the emergence of a global movement. The movement's commitments to financial aid transparency led to the 2005 Paris Declaration on Aid Effectiveness and the Accra Agenda for Action in 2008. The Millennium Summit in September 2008, however, showed that there are still severe deficits in aid transparency (Briefing Paper I, n.d., p. 3-4). Therefore, a group of leading international development organisations set up and launched the *International Aid Transparency Initiative* (IATI) at the Accra High Level Forum on Aid Effectiveness in September 2008. It strives for a close cooperation between donor and recipient governments as well as civil society “to make information about aid spending easier to access, use and understand” (International Aid Transparency Initiative, n.d., p. 2). It constitutes a corner stone in the aid and development field, which emerged as a regime in recent years providing a set of core principles and norms according to which actors' behaviour and expectations gradually conformed (Brown & Ainley, 2009, p. 36). The IATI

perceives the intensive cooperation of governments, non-governmental organisations (NGO), civil society organizations and supranational institutions as crucial in the process of increasing the effectiveness of aid spending. However, recent reports providing a first assessment of the IATI have observed that not all actors have committed to the initiative to the same degree and vary in their level of compliance.

Within the framework of this chapter, we investigate why intergovernmental and supranational, international, and national actors generally differ in their support of and compliance with international aid transparency standards such as the IATI. Drawing on the findings of the 2011 Pilot Aid Transparency Index (as outlined below), we test the hypothesis whether the degree of support of transparency as a norm depends on the actors' underlying values and self-interests.

The 2011 Pilot Aid Transparency Index ranks 58 intergovernmental and supranational, international and national actors according to a percentage value to which these actors comply with an international aid transparency standard<sup>2</sup>. This standard comprises 37 different categories and classifies aid projects of all actors into four categories: (1) fair, (2) moderate, (3) poor and (4) very poor. A categorization in these terms enables civil society, donor- and recipient governments as well as the development sector to find out “how much money is being provided each year [...] and how funds are expected to be used” (International Aid Transparency Initiative, n.d., p. 2).

Drawing on ideational underpinnings of Social Constructivism, we perceive transparency as a norm in the aid and development regime. To establish this perception we refer to Cortell's and Davis' outline of the emergence of norms in domestic systems. We focus on the stage of institutionalization, i.e. the incorporation of ideational principles into formal institutions, as the IATI is considered as an institutionalized form of transparency in this context, but still assign great importance to the discourse employed in this specific stage (Cortell and Davis, 2000). These theoretical foundations allow for the application of Mitchell's *Model of Balanced Demand and Supply of Information*. According to this model, a balance between the demand and supply of information proves decisive for the transparency of a regime, the very fact of which functions as an indicator for the regime's success (Mitchell, 1998). Placing transparency in its ideational understanding within the realm of Mitchell's model allows us not only to assess the success of the IATI in the wider aid and development regime, but also to contribute to the adaption of the model to the contemporary ideational dynamics.

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<sup>2</sup> The highest score is 100 %.

As the scope of this paper is limited, the analysis focuses on six donors. To compare the performance of actors at the supra-, international-, and national level, two case studies are taken at each level. We focus on the World Bank and the European Union (EU) at the supranational level, and shift our attention to the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) and the Hewlett Foundation (HF) at the international level. The United Kingdom (UK) and Finland provide the focus of analysis when turning to the national sphere. The actors are scrutinized with regards to their compliance with international aid transparency standards and their declaratory support of transparency as a norm. We use primary and secondary sources to highlight similarities or differences between these actors. Primary sources comprise the most relevant legal frameworks and statutes, according to which each actor operates. Furthermore, official statements and speeches of representatives are selected based on the topical suitability to contextualise the actors' approach towards aid transparency. Secondary sources include recent assessments, which focus on the actors' conduct in the field of aid development.

Due to the recent publication of the Pilot Aid Transparency Index 2011, we assume that this paper suggests possibilities to improve the impact of the IATI in the future. Testing the incorporation of transparency as a norm in the aid and development regime, allows us to update Mitchell's model of demand and supply of information and provide for a substantiated assessment of the role of transparency on the contemporary political stage. Firstly, we provide the theoretical background. Secondly, we assess the actors' performance in the IATI. Thirdly, we draw comparative conclusions from the performance of the six donors, and assess and evaluate the findings. Lastly, the chapter concludes by relating the findings to the research question and hypothesis.

## Theoretical Background

### Ideational Assumptions

The ideational assumptions guiding the present research need to be introduced to allow for a substantiated analysis. As we investigate transparency in its ideational understanding on various levels, the theoretical assumptions are rooted in Social Constructivism.

Social Constructivism highlights the importance of idealism. This is the recognition that socially constructed facts constitute the material underpinnings of reality. Therefore, the structure that provides the frame of agents' behaviour is not only constituted by hard power politics, but also by social agreements, or in other words the interaction of brute and social facts (Barnett, 2011, p. 155). Here it proves crucial to understand the composition of the ideational structure to comprehend its practical relevance. However, only those

entities of vital importance to the conceptualization of transparency in the aid and development regime are introduced to avoid uncalled-for complexity.

Within this framework, ideas and norms provide the dynamics of the ideational system by constant interpretation and socialization and allow the system to be open for change (p. 155; Adler, 1997, p. 323). This possibility of change derives from the assumption that endogenous, i.e. not pre-given, and intersubjective identities shape an actor's interests towards a certain object (p. 327; Wendt, 1992). This common understanding of identities and interests in the wider context of interaction then defines an actor's behaviour. (p. 330).

In the present case this causal presumption places transparency in the initial stage of the causality between ideas, identities and interests. Transparency is perceived as the norm, or the idea that constitutes the actors' identities and thus their interests within the aid and development regime. Thus, the differing performance of the actors in the IATI is rooted in their interests and stance towards transparency. It can be assumed that the identity of some actors, e.g. the distinction between private or public entities, entails a certain degree of secrecy to safeguard their agenda and interests.

To understand the motivations behind behaviour and interests, one needs to be aware of the importance of the so-called logic of appropriateness. This notion presupposes the understanding that behaviour is not only driven by a rational cost-benefit analysis, but also by concerns for the legitimacy of a certain action in a specific context or its impact on the esteem of an actor perceived by others (Barnett, 2011, p. 155). Consequently, the interaction between the individual and society matters in the ideational system. Norms and rules provide the linkage between the two entities by means of an interplay of action proper and observation, constituting the platform of socialization and reinforcement where ideas are shaped and re-formed (Guzzini, 2000, pp. 162-174).

Transparency, therefore, provides the link between the supra-, inter-, and national actors operating under the common umbrella of the IATI. It guides their behaviour and drives their mutual interaction. Even though the different actors are assumed to share an ideational source of behaviour, the importance they assign to it may differ. According to Cortell and Davis, the salience of norms, which they define as "prescriptions for action in situations of choice" varies in different contexts (2000, p. 69). They support the understanding of two types of norms, namely domestic and international ones, the latter generally influencing domestic political processes if incorporated into the national context (pp. 65-67). The degree of the salience of a norm in the national sphere can be assessed by examining (1) its prominence in the domestic discourse, (2) the magnitude of its institutionalization and (3) its inclusion in national policies (pp. 70-71). Drawing on these levels of assessment, Cortell and Davis introduce four categories of salience. While highly salient norms seem unchallenged in the national discourse, institutions and

policies, moderately salient norms face opposition on the domestic level. Norms that only enjoy a low degree of salience are present in the domestic discourse, but do not have great influence on the institutional structures or the political agenda. Consequently, non-salient norms experience no domestic support of any kind (p. 72). Thus, an assessment of these factors can give an indication on the support of a norm by domestic actors.

However, there are a few factors that need to be considered when analyzing the process of incorporation itself. According to Cortell and Davis, five crucial aspects constituting this process are particularly significant. First, the cultural match between the international and domestic sphere is of great importance. Here, the historical and cultural background of an actor is pivotal (pp. 73-74). Second, rhetoric and its potential for reinforcement of collective understandings needs to be considered (p. 77). Third, the domestic interests and their composition of material and social facts and, fourth, domestic institutions and their openness to adjustment are influential factors (pp. 77-79). However, the most relevant one for the present analysis is the factor of socialization forces on the salience process. These forces result in “stable patterns of state interaction” and are the outcome of efforts by the different types of actors (pp. 81-83). Socialization forces are therefore the most prominent and influential aspect within the aid and development regime that mainly provide the platform for interaction between the different actors.

Considering that the IATI is in its nature an institutionalized form of transparency, we consider an emphasis on institutionalization and discourse well-suited for our analysis. This assumption implies an analysis of the dynamic structures within the regime according to which the supra-, inter- and national actors operate. The model of balanced demand and supply of information within the boundaries of a regime advocated by Ronald Mitchell can best account for these structures to contextualize transparency in its ideational understanding.

### **Demand and Supply of Information in the Aid and Development Regime**

According to Mitchell, the acquirement of information is a precondition for a change of behaviour and can help to assess the degree of success of a regime (p. 1998, p. 111; p. 109). However, he acknowledges that transparency is no guarantor for effectiveness in itself (p. 109). Since the present analysis considers transparency as the norm within the aid and development regime towards which the actors' behaviour is geared and recapping that this behaviour is constituted by the actors' interests, transparency is perceived as the dependent variable open to change by interests as the independent variable.

Following Mitchell's argumentation, the transparency of a regime depends on the balance between the demand and supply of information (p. 126). In such a case of perfect balance, a regime would be most efficient. However, as will become evident in the further course of the analysis, this perfect balance is not given in the case of the IATI. To understand the causes of this imbalance, a closer examination of Mitchell's model seems necessary.

The demand of information is characterized by two differing, but not mutually exclusive approaches towards transparency that vary in their use of the information. On the one hand, *effectiveness-oriented information* is concerned with the performance of the collective whole in the process of working towards the achievement of the regime's aims and assesses its success (p. 113-114). It identifies controversial issues hampering effectiveness, but is not very demanding in terms of the quality of information it requires (ibid.). This type of information can usually be found in the early stages of a regime's life cycle (p. 115). On the other hand, *compliance-oriented information* entails a negative connotation. It highlights the performance of the individual actor in living up to the expectations of the regime (p. 113). Positive and negative incentives, such as rewards and sanctions, form an integral part of this usage of information, which requires for a more substantiated quality of data (p. 114). However, to circumvent the effects of sanctions through the provision of data, actors are tempted to only provide the information that allows for evaluation, which poses a problem to this type of information acquisition (p. 115). While effectiveness-oriented information dominates in the early phases of a regime, it gradually becomes more compliance-oriented by the help of a process of institutionalization (pp. 115-116). Thus, a regime is expected to move from voluntary effectiveness-oriented information requirements to a system of formalized compliance-oriented information.

The supply of information is mainly concerned with the content and source of information. This involves the actors' support for the regime's underlying norm and their capacity to provide the information required (p. 116). Mitchell introduces three models of reporting to assess these concerns, of which one suits the provisions of the IATI and is therefore the only one mentioned. In a model of *self-reporting* transparency very much depends on the actors' support (p. 118). The actors can be classified in four different categories: while (1) "committed conformers" show the necessary capacity and support, (2) "good-faith nonconformers" share the required support, but lack the capacities; (3) "coincidental conformers" do not support the norm, but comply if they anticipate a reward for doing so and (4) "intentional violators" do not support the regime, but seek to undermine it (p. 117-118). According to Mitchell, this type of reporting is common with governments and enjoys a great degree of efficient transparency if the norm itself experiences strong support (p. 118).

Mitchell's model allows for an assessment of the actors' motivations that are involved in the IATI given its underlying aspirations of using the information provided (demand of information) and the nature of the information itself (supply of information). Therefore, the following part of the chapter places the actors' performance in the framework of Mitchell's model to assess the varying degree of transparency.

## Analysis

Generally, the IATI is a “*voluntary* multi-stakeholder initiative”<sup>3</sup> aiming at providing data on volume, allocation and outcomes of aid and development spending (International Aid Transparency Initiative, 2012a; IATI Accra Statement, 2008). Drawing on Mitchell's classification of effectiveness- and compliance-oriented transparency, it can be said that the present demand of information places the IATI somewhere in between. Even though it seeks to assess the success of the regime by means of a voluntary provision of not very high quality data (effectiveness-oriented), the performance of individual actors rather than the collective whole and a progress towards an increase in the quality of data by means of gradual institutionalization can be observed (compliance-oriented). However, the IATI has emerged fairly recently accounting for its lack of formality, which is in line with Mitchell's assumption that the move from effectiveness- to compliance-oriented transparency generally occurs in the later stages of a regime's life cycle. Thus, it needs to be highlighted that the actors referred to in the present research project find themselves faced with a demand for increasingly high qualitative data that is, however, to be submitted on a voluntary basis allowing for some individual manoeuvre.

### Intergovernmental and Supranational Level

The following section aims at examining the degree to which intergovernmental organisations adhere to the commitments on access to information established under the IATI. The World Bank and the DG Development and Cooperation – EuropeAid of the European Commission (hereinafter DG EuropeAid) serve as the examples.

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3 Emphasis added by author.

## World Bank

The World Bank, among other globally operating financial institutions, has long been a deterrent example with regards to a lack of transparency and obscure decision-making procedures. Only ten years ago, it has been argued that “[r]epresentation and accountability have always been weak in these multilateral institutions” and that large parts of the public no longer believe that their interests are represented therein (Human Development Report, 2002, p.8). With regards to the World Bank’s rather chastening position in the global transparency discourse, it is striking the World Bank leads the ranking scoring 78 % in the Pilot Aid Transparency Index (Publish What You Fund, 2011a).

Examining the development of internal and institutional changes within the World Bank, the different presidencies of the Bank prove important for the analysis. Under the James Wolfensohn, the World Bank was increasingly shaped by the so called *Good Governance Agenda* in the mid 1990s. It is centred on the notion of information access and transparency meant to ensure the “proper and efficient functioning of a competitive market economy and to be a safeguard against corruption, wastage and the abuse of authority” (Ritzen, 2006, p.188; Hout, 2007, p.26). Wolfensohn continuously stressed that transparency needs to be regarded as an “essential element of good governance” (Wolfensohn, 1998, p. 13).

An important impetus for a deeper institutionalisation of transparency also came from the nomination of Joseph Stiglitz as the World Bank’s Chief Economist in 1997. While being Senior Vice President and Chief Economist of the World Bank, Stiglitz advocated the “basic right to know” of every individual to be informed about what governments are doing and why (Stiglitz, 1999, p. 1). His role in the preparation of the World Bank’s institutional reform towards more openness and greater access to documents cannot be overestimated. The rights-based approach to transparency and its implementation in World Bank policy instruments fostered the global perception of transparency as an international norm significantly. In that sense, the World Bank has acted as a norm entrepreneur during the late 1990s decisively strengthening the salience of transparency and thus its socialisation force in the international discourse on aid effectiveness.

In response to the change in management style and the declaratory emphasis on openness, we can observe how principles of transparency and access to information have subsequently been incorporated in the World Bank’s internal policy framework. The 2010 Access to Information Policy states transparency to be “of fundamental importance to the development process in achieving its mission to alleviate poverty” (World Bank, 2010, p. 1). The proper implementation of the policy within the World Bank’s management is subjected to the supervision of a newly established Access to Information Committee which is given the competence to “uphold or reverse prior decisions to deny access to information [...] made by the Bank’s Board” (ibid., 15).

In virtue of the findings, it can be stated that the World Bank has played an influential role in advocating transparency in the area of international development policy. Given its resources and paying tribute to its declaratory commitments, the Bank can be classified as a *committed conformer* according to Mitchell's model and still seems loyal to its image as a global promoter of transparency. It remains to be seen to what extent the World Bank's commitments will further foster the perception of transparency as a global governance principle and whether it has the potential to spill over to other international institutions and organisations.

### European Union – DG EuropeAid

The EU has faced persistent criticism of a democratic deficit which is closely entangled with the questions of participation of citizens, openness of decision-making and accountability of policy-makers. With the aim of bringing Europe closer to its citizens, the EU has developed a number of legislative and operational measures to move closer to its citizens. The 2006 European Transparency Initiative addresses the publication of data on beneficiaries of EU funds (Official Journal, 2006a, pp. 2-3). It outlines a central problem the EU faces concerning disclosure of information: shared management with its Member States. Although, the EU "wishes to be at the forefront" of granting more disclosure of information, the initiative continues stipulating that

*"Information on beneficiaries of Community funds spent in partnership with Member States is currently in the hands of each Member State and any disclosures on the subject are left to their discretion. The extent to which information is made public differs significantly."*

*(Official Journal, 2006a, p. 13)*

Thus, it appears that the EU, acknowledging the complex nature of its relations with its Member States, creates the possibility to shift responsibility to a lower administrative level. It needs to be further investigated whether the Union departs from its strong declaratory commitments in practice or whether it is willing and capable of keeping its promises with regards to aid transparency.

In terms of combined donations from Member States and the Commission, the EU is the second largest donor of development assistance in the world with a total volume of €57 billion dedicated to development within the 2014-2020 financial framework (Stratmann, 2012; Development Portal, n.d.). This renders the EU a leading figure on the international development aid stage.

DG Development and Cooperation – EuropeAid (hereinafter DG EuropeAid) oversees the three major geographical development instruments which are at the EU’s disposal: (1) the European Neighbourhood and Partnership Instrument (ENPI), (2) the Development Cooperation Instrument (DCI) directed at 47 countries in Latin America, Asia and Central Asia, and the Gulf region and South Africa, and (3) the European Development Fund (EDF) which is not funded by the Union’s budget but by individual voluntary contributions of its Member States (European Commission, 2012a; Gavas, 2010, p. 1). The EU is currently at the crossroads towards a more coordinated regional approach to development aid allocation. So far a large share of European development aid is still operated by the different Member States of the Union, which differ to a large extent in their commitment to and compliance with aid transparency standards. A budgetarisation of the EDF would entail more responsibility for the Commission to guarantee access to information on development policies.

Similar to the World Bank’s rhetoric, the Union also incorporated transparency as one principle of its understanding of good governance. With regards to its external actions and thus the Union’s development policy, the Commission underlines its duties to the promotion of transparency as a governmental pattern among the EU’s external objectives and its “contributions to global governance” (European Commission, 2001, p. 27). Thus, the EU sees itself as a global norm entrepreneur for governmental transparency and under the obligation to spread this institutional and operational norm standard through its relation with other international entities and bodies. Concrete provisions on how to guarantee the achievement of such objectives, however, are not stated explicitly.

Publish What You Fund has ranked DG EuropeAid 9<sup>th</sup> in the Pilot Aid Transparency Index with an overall score of 61 % (Publish What You Fund, 2012b). Since transparency forms an integral part of its good governance principles and given that these principles are reflected in the EU’s aid conditionality, the Union undoubtedly contributes to the socialisation forces of aid transparency in the international arena. Internally, its institutional capacities have fostered the incorporation of aid transparency to a large extent into the Commission’s legal body rendering the DG EuropeAid a *committed conformer* in the sense of Mitchell’s classification. Due to the complexity of EU development instruments employed by various institutions, it is not entirely possible to generalise these findings to the Union as a whole. Having introduced the intergovernmental and supranational approach to transparency, the following section investigates the non-state viewpoint of the importance of transparency.

## International Level

The Global Fund to Fight AIDS Tuberculosis and Malaria (GFATM) and the William and Flora Hewlett Foundation (HF) are analyzed as to their performance in the IATI and in the context of their internal structures and principles. Due to their nature they are not concerned with the impact of their actions and spill-overs into other sectors of the political stage, such as economic or security concerns. Therefore, it can be assumed that their approach to transparency differs from the other actors' investigated. The GFATM is analyzed first, followed by an investigation of the HF.

### *The Global Fund to Fight AIDS, Tuberculosis and Malaria*

The GFATM is a unique international and multilaterally structured organization (Boseley, 2011, January 28). After its establishment in 2002 it has developed as a public-private partnership managing a budget of around \$22.6 billion and combining actors of government, private sectors, civil society, and NGOs from both donor and recipient entities (The Global Fund to Fight AIDS, Tuberculosis and Malaria, 2012a). Functioning as a mere financing entity, it has no direct implementation capabilities as opposed to the more traditional donors (The Global Fund to Fight AIDS, Tuberculosis and Malaria, 2012b). In line with its praised commitment to transparency, the GFATM scored second in the overall ranking of the 2011 (Publish What You Fund, 2011a).

The GFATM follows a streamlined structure. A board of representatives of all entities involved makes the main decisions on operations and budgets (The Global Fund to Fight AIDS, Tuberculosis and Malaria, 2012b). The GFATM works in close partnership with local representatives organized through Country Coordinating Mechanisms administering the interplay of actors who are to distribute the local budget and implement the programmes<sup>4</sup> (The Global Fund to Fight AIDS, Tuberculosis and Malaria, 2012c). To monitor the implementation process locally, the GFATM employs external actors to function as Local Fund Agents reporting back to the Secretariat (ibid.). These partnerships must be based on certain principles and values.

The GFATM commits to a set of values, e.g. integrity and effectiveness. The former implies a founded commitment to principles such as consistency, honesty and transparency, while the latter is understood as holding “ourselves [the GFATM] to the same level of accountability, efficiency and performance that we ask of our recipients” (The Global Fund to Fight AIDS, Tuberculosis and Malaria, 2012a). According to Paris and Accra, this understanding is driven by a focus on country ownership and a certain degree

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4 For a detailed account on the percentage of different types of actors involved the implementation process in the fight against each disease, please refer to graphics 1, 2, and 3 in the Annex.

of conditionality (The Global Fund to Fight AIDS, Tuberculosis and Malaria, 2012d). The GFATM's *performance-based approach* to the allocation of grants impacts compliance and effectiveness, as efficient implementation and performance is rewarded with an increase of finances of up to 30% (The Global Fund to Fight AIDS, Tuberculosis and Malaria, 2012e). This entails an investigation of the GFATM's own impact and processes and underlines the commitment to collective accountability (The Global Fund to Fight AIDS, Tuberculosis and Malaria, 2012d).

The structure and underlying values provide the context of the GFATM's advanced approach to transparency. Holding the GFATM accountable to the same standards, the former Executive Director Michel Kazatchkine highlighted that the GFATM was "designed ... to set new standards in transparency and accountability" (Kazatchkine, 2011, April 11). Putting these commitments into practice, transparent, accountable and effective internal governance is ensured (The Global Fund to Fight AIDS, Tuberculosis and Malaria, 2012f).

Despite all commitments to these norms, the GFATM experienced fraud among its local partners in late 2010, which caused a great media outcry and threatened to cause a domino effect among donors pulling out (The Economist, 2011, February 17). According to its own evaluation report, "evidence of misappropriation and unjustified expenditure" led to a partial freeze of grants and tighter controls in a few recipient countries, such as Mali or Mauritania (The Global Fund to Fight AIDS, Tuberculosis and Malaria, 2010). Nevertheless, the GFATM reaffirmed its commitment to transparency, shifting its focus from risk elimination to management. Kazatchkine stated

*"I do believe that to some extent the Fund has paid a price for its transparency and it is tempting at such times to adopt more of a bunker mentality. I wish to assure you, however, that recent events have only strengthened my belief that we need to strongly reaffirm our commitment to transparency..."*

*(Kazatchkine, 2011)*

According to Mitchell's model, the GFATM shows support for the ideational conception of transparency and proves that it possesses the capabilities to comply with the demands of the IATI. Therefore, the GFATM can be classified as an advanced *committed conformer* in the aid and development regime. Even internally it shows signs of having institutionalized its commitment to transparency, thereby attempting to increase the quality of the data, which indicates a certain degree of maturity of a regime (Mitchell, 1998, pp. 115-116). Despite all weaknesses, e.g. timeliness and efficiency, it possesses potential to cause a move from effectiveness- to compliance-oriented transparency by its great degree of (voluntary) institutionalization and its performance-based approach. Its high degree of

commitment to transparency stems from its particular identity, which renders the GFATM one of the main advocates of transparency in the aid and development regime.

### The William and Flora Hewlett Foundation

Established in 1966 as a private foundation “to solve social and environmental problems”, the Hewlett Foundation (HF) has grown to oversee a budget of \$7.2 billion (The William and Flora Hewlett Foundation, 2012a). It is guided by three core values: (1) the commitment to problem-based solutions, (2) the willingness to take risks in the grant-making process, and (3) the focus on partnerships with other institutions. Even though transparency does not appear among the core values, it was the first of its kind to sign the IATI (The William and Flora Hewlett Foundation, 2012b; Publish What You Fund, 2011b). However, its performance has rather been disappointing, only scoring 31<sup>st</sup> (out of 58; Publish What You Fund, 2011b). Not all of the Hewlett Foundation’s actions are relevant for the IATI, i.e. only its Global Development and Population Program, which accounts for merely 21% of the foundation’s financial activities, is of greater concern (IATI-Registry, 2012a). It has been criticized that the foundation fails to provide detailed descriptions of the programme’s grants due to confidentiality or privacy clauses (ibid.). To understand the reasons for this paradox of committing to the IATI, yet accepting a kind of piece-meal-provision, one needs to look further into the foundation’s internal provisions.

It is not the foundation’s strong commitment to transparency that draws the attention, but the lack of it in its core documents. The HF’s statutes do not provide any concrete transparency policy. It is stated that all actions taken by the HF’s staff should follow along the lines of its “nonprofit and nonpartisan” provisions (The William and Flora Hewlett Foundation, 2011). However, the overall tone remains vague. Nevertheless, the bylaws guide the organizational arrangements concerning the HF’s internal governance. For instance, it is provided that the board’s performance is evaluated by the Nominating and Governance Committee, which is, however, composed of directors itself and thus not independent (ibid.). The success of such an evaluation procedure is consequently questionable.

Nevertheless, some policies have been established to guide the general conduct of the foundation, such as the so-called *Reporting of Financial Improprieties Policy* (The William and Flora Hewlett Foundation, 2012c). It states that complaints shall be made to the foundation’s high officials and should they not consider it with adequate importance, an independent agent shall be considered. Since the HF’s staff may be involved with other institutions, the Conflict of Interest Policy demands the instant disclosure of such involvements and regulates decision-making accordingly (ibid.).

Being aware of these structural underpinnings, the *Global Development and*

*Population Program* needs to be examined in more detail. At its core lie three foci, of which only one is of the greater interest here, i.e. the focus on transparency and accountability (The William and Flora Hewlett Foundation, 2010a). The Transparency and Accountability Strategy defines the HF's *outcome-oriented* grant-making approach, with which the HF commits to the provision of grants to local entities advocating greater transparency in their political systems (The William and Flora Hewlett Foundation, 2012d). The HF seems to have a clear understanding of the positive relationship between transparency and efficiency, given the two main objectives of the Development and Population Program, namely the increase of a country's revenues by a higher level of revenue transparency and the control and evaluation of public spending by greater budget transparency (The William and Flora Hewlett Foundation, 2009, p. 2; p. 4). Within the framework of the first objective, the HF acknowledges the need of high quality data necessary for the efficient planning and distribution of spending (p. 6).

The findings imply that the HF has a strong understanding of and demand for transparency towards others, but remains a closed entity itself. An explanation for this behaviour can be found in the HF's nature as a "nonprofit Corporation" (The William and Flora Hewlett Foundation, 2011, p. 1).

Foundations have been criticized for their reluctance to openness and transparency (Fleishman, 2009, pp. 25-26; p. 48). Foundations lack accountability, as they do not involve external actors to whom they might have to justify their actions (p. 85). Nevertheless, they are constrained by their need of public support whose degree can be affected by dishonest behaviour, e.g. irresponsibly high salaries of officials (Fleishman, 2001, p. 179). The HF can be accused of this kind of behaviour considering that its Vice-President and Co-Chief Investment Officer<sup>5</sup> received a total compensation of \$1,951,944 in 2010 (The William and Flora Hewlett Foundation, 2012e).

However, the HF has taken actions to counteract the negative public perception. First, it admitted the failure of one of its projects resulting in a loss of \$20 million (The William and Flora Hewlett Foundation, 2012f); second, it allowed its grantees to evaluate the performance and impact of its work by means of Grantee Perception Reports (2012g). The effectiveness of this evaluation process can be questioned, as it is not entirely independent.

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<sup>5</sup> Laurance R. Hoagland, Jr. holds the office of the HF's Vice-President and Co-Chief Investment Officer.

The HF does have a sound understanding of transparency, but does not apply the same standards to its internal governance. It seems appropriate to assume that this stems from its identity as a private foundation. Therefore, the HF perceives transparency as a necessary condition on grantee-level, but only as a means to secure financial support on the donor-level. These double-standards make it difficult to place the HF in Mitchell's model. While it has become evident that the HF supports transparency as a norm and possesses the capabilities to supply the information requested by the IATI, which would classify it as a *committed conformer*, it lags behind due to internal interests. The following part examines the performance and dynamics on the national level.

## National Level

This section examines the degree to which national actors adhere to the commitments on access to information established under the IATI. The United Kingdom (UK) and Finland serve as the examples. As Member States they signed *The European Consensus* on European Union Development Policy (Official Journal, 2006b). In this statement shared values and principles as well as common commitments and goals are identified, which the European Commission and the Member States have to implement in their development policies. The main emphasis is put on: (1) the reduction of poverty, (2) development based on democratic values and, (3) the demand that developing countries are in particular responsible for their own development (ibid.). Turning to the 2011 Aid Transparency Index, Member States do not always reach a high score. Thus, it can be assumed that the Member States have different approaches to development policy. This assumption is investigated with regard to how far the UK and Finland have been able to adapt to the increasing demands for aid transparency in recent years.

### *United Kingdom*

The UK reached a high score in the 2011 Pilot Aid Transparency Index (Publish What You Fund, 2011a). As a donor country the UK succeeded in increasing its development assistance in recent years and is perceived as a leading aid donor. In June 2010, the British government introduced a new *Aid Transparency Guarantee* to provide full access to information about aid projects. The British government considers transparency as a crucial aspect to improve the effectiveness and value for money of aid (The UKaid Transparency Guarantee, 2010). In this guarantee the government refers to the standards set out in the IATI. Since the introduction of the Aid Transparency Guarantee, the British government increased the amount of information on aid spending (ibid.).

Based on the results of two aid reviews, namely the *Bilateral Aid Review* and the *Multilateral Aid Review*, the British government developed a new approach to aid spending,

which authorizes the operation of a team of the British Department for International Development in each country. In the Bilateral Aid Review the team sets out “the results that could be realistically achieved in their country/region over the four years from April 2011-March 2015” (Bilateral Aid Review, 2011, p. 8). The Multilateral Aid Review scrutinizes the “value for money offered by 43 international funds and organisations through which the UK spends aid” (ibid., p. 2). This review analyses the effectiveness of each organisation with regard to its reduction of poverty and classifies all organisational entities into four broad categories: very good, good, adequate and poor. Whereas the UK continues to cooperate with organisations of the first three categories, it decided to stop funding organisations of the last (Multilateral Aid Review, 2011, pp. 9 ff.).

The UK reacted to increasing international demands and pressures for more openness in aid policy (ibid., p. 27). It can be assumed that transparency has become an incremental facet of the UK’s self-image. Taking the British support for transparency and its capacities to provide access to information and to report its aid programmes into consideration, the UK can be classified as a *committed conformer* according to Mitchell’s model. It remains to be seen to what extent the UK will maintain its high ranking position in the IATI and whether it will succeed in urging other Member States to follow the British example. In the subsequent chapter, the Finnish approach on aid transparency is examined.

### *Finland*

Finland is perceived as one of the leading aid donors and enjoys an altruistic reputation with regard to aid effectiveness and transparency (Erkkilä, 2007, p. 13). However, the 2011 Pilot Aid Transparency Index classifies Finland second in the overall score ‘poor’ (Publish What You Fund, 2011a). To understand Finland’s good reputation as an aid donor, but its poor performance in terms of compliance with the IATI, the Finnish approach to transparency and openness is contextualised.

Transparency and openness in their ideational conception gained significance in the Finnish political culture when the country joined the EU in 1995 (Erkkilä, 2007, p. 11). Finland has strived to open the Union’s decision-making process and is seen as “the advocate of openness in the European Union” (ibid., p. 13). Finland advocated openness in global economics to meet the challenges linked with “the instability caused by free movement of capital and the challenges of globalization” (ibid.).

Various civil society organisations asked Paavo Väyrynen, the Minister for Foreign Trade and Development, and Heidi Hautala, the Minister for International Development, in two open letters to make a special effort for the IATI (Open letter I, II, 2011). Nevertheless, the Finnish Ministry have not shown any concrete efforts. To understand Finland’s poor performance, Hautala’s remarks on aid development are examined.

Since the beginning of her tenure in June 2011, Hautala has stressed the significance of openness and transparency. However, there are no direct remarks underlining her efforts for the IATI. Hautala strives for a *rights-based approach* in the development field. This approach is based on “the universal human rights and the view that these rights are both a means and a goal” (Merisaari, 2012, p. 1). Hautala requests the employment of tools that increase transparency in the field of aid and development. However, she does not take the IATI as a possible tool into consideration (ibid.). Hautala requires a deepening of international norms and standards, which would improve the political dialogue between donor and recipient countries (Pasquini, 2012, p. 2).

Given the fact that Finland’s development cooperation focuses on a human rights-based approach and does not include concerns for results, it can be concluded that Finland’s reputation as altruistic is rather based on the volume of its aid than on its effectiveness (Easterly & Williamson, 2011, p. 1944). According to Mitchell’s model, Finland can be classified as a *good-faith nonconformer* as it shares the required support for transparency but lacks the capacity to transform the ideational commitments into action. It remains to be seen whether the Finish government will include a results-based approach in its aid and development policy and could thus improve its ranking position in the IATI.

## Evaluation

After having analysed the six different actors in terms of both their support for transparency as an international norm and their compliance with the IATI, the following section aims at providing possible explanations for the differentiated performance of the actors in question. In order to establish a common basis that enables a thorough comparison, the section embeds the findings into Mitchell’s theoretical framework of demand and supply of information.

Differing in the information supplied, the six actors under scrutiny still face an equal demand of information. During our analysis, the IATI served as the institutionalised consensus that forms the demand for aid transparency even if it is not a legally binding document. In this regard, it has to be acknowledged that the IATI does not necessarily constitute a mature compliance-oriented regime yet. Due to its lack of sanction mechanisms and the ambiguity of several formulations, it needs to be placed in the rather early stages of a regime’s life cycle (Mitchell, 1998, p. 115).

Within the intergovernmental and supranational level, the two actors analysed showed considerable similarities both with regards to their declaratory support of transparency as a norm as well as towards the relatively high degree of institutionalisation. Drawing on

Cortell and Davis' (2000) emphasis on socialisation forces in the process of incorporating norms, it is likely that the World Bank and the EU have both been subject to international pressure towards more openness and at the same time acted as leading figures in the promotion of an access to information principle in governance (p.82). Moreover, they face a discrepancy that persists between their declaratory commitments and their compliance with the IATI in absolute terms. With regards to their position in the Pilot Aid Transparency Index, they are among the top ten performers, an unanticipated performance – the World Bank even leading the ranking. In absolute terms, however, they only reach 78 % and 61 % of the information demanded.

The two actors analysed within the international level show a larger degree of difference with regards to their performance and perceived support of transparency as an international norm. While the HF was founded in 1966, thus, before transparency gained the predominance in the international development discourse it enjoys rather recently, the GFATM was created in 2002 when aid transparency was already a salient concept. It can be assumed that the underlying nature of the HF as a private foundation keeps it from fully complying with the demands, since it is not accountable to anyone outside of its realm. Mitchell's classification proves unsuitable to categorize both actors adequately as they would arguably both fall under the category of *committed conformer*. An actor's behaviour cannot be understood without the consideration of his identity and self-interest which should be addressed in an adequate index (Wendt, 1992; Adler, 1997).

On national level, the UK and Finland generally support transparency as a norm. They differ, however, in their approaches to its application and transmission into internal legal frameworks. The UK follows a results-based approach towards the compliance with the IATI. It focuses on a selected amount of recipient countries and shows particular interest in the outcomes of its projects rather than the evaluation process of the IATI procedures. Furthermore, it shows open support for the initiative. This is in sharp contrast to Finland whose focus is placed rather on the quantity of the money spent and not necessarily on its achievements and outcomes. Given Finland's general image as a strong promoter of transparency, in particular on the European stage, its state of compliance with the IATI is rather disillusioning. Currently, it proves evident that while both actors arguably possess the capacities to adhere to the standard, the UK uses its resources in a more efficient manner and manages to comply better with the IATI.

It is also possible to establish some inter-category synergies. In that light, similarities on the grounds of institutional adaption can be drawn between the UK and the GFATM. They managed to act both as norm entrepreneurs for aid transparency and provide legitimate grounds of doing so thanks to their relatively strong institutional compliance with the IATI. Although Finland and the HF both show an extensive discrepancy between

their images as strong supporters of the norm transparency and their rather disappointing stage of compliance, this similarity might stem from an inefficient use of resources in the case of Finland and an institutionalised double standard within the HF.

Our findings show that the categories chosen for the analysis need to be revised and developed further. First, the apparent differences within the clusters of intergovernmental and supranational, international, and national actors underline that a classification merely on those features is not appropriate. Second, it also proves crucial to revise Mitchell's model on the classification of suppliers of information. Although the application of Mitchell's categorisation has helped us to evaluate the performance of the different actors, it has, nevertheless, proved insufficient to account for the complexity of the factors that underlie the compliance of international development agents. By categorising in the existing manner it is crucial not to underestimate the influence of other important factors such as an actor's reputation and self-interest. Lest these factors are taken into consideration, the double standards that persist, in particular, within the EU and the HF, cannot be sufficiently addressed.

## Conclusion

Having investigated why intergovernmental and supranational, international, and national actors generally differ in their support of and compliance with international aid transparency standards such as the IATI, we can state that the three different categories that have guided our analysis do not produce three coherent sets of actors. In fact, the evaluation showed considerable intra- and inter-category disparities. Thus, the mere classification into supranational and intergovernmental, international, and national cannot be deemed sufficient to draw adequate conclusions about an actor's ability to adapt to rather recent international norm standards alone. Put in more practical terms: a state does not automatically perform poorer simply because it is a state. The analysis of the actors' institutional design has to be accompanied by an examination of their international reputation and their underlying interests, as all these variables determine their behaviour. Only when these factors, i.e. an actor's identity and interests, are combined and kept in mind throughout an assessment of their commitment to transparency, we can understand their compliance to these international standards. The application of Mitchell's model of demand and supply of information can help to draw the appropriate conclusions, but lacks to consider these essential factors. Thus, further research in this field would be necessary to adequately transform and sensibly specify Mitchell's model. Considering that, as Clinton pointed out, transparency is necessary to identify points

of weakness, our present analysis has revealed the institutional shortcomings and underlying ideational dynamics of the IATI. Having used transparency as a lens to assess the degree of commitment to the IATI in terms of demand and supply of information, we have shown that international adherence to aid transparency standards is still in its infancy. While requests for wide access to qualitative information almost enjoy global consensus among development policy agents, coherent institutionalisation is still lagging behind. However, the IATI is a promising example for a global move towards structural change, presumably even implying the emergence of a certain culture of transparency. The upcoming years will be crucial in fostering the international community's commitment to aid transparency – it will be seen to what extent the IATI can contribute to this development.

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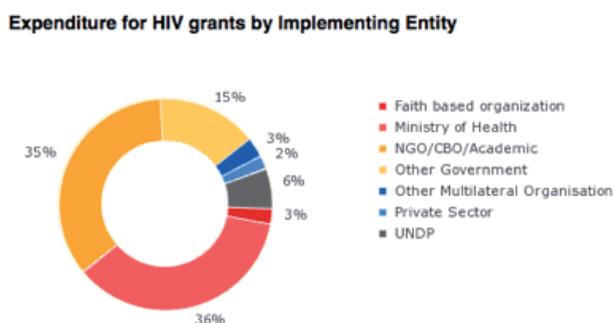
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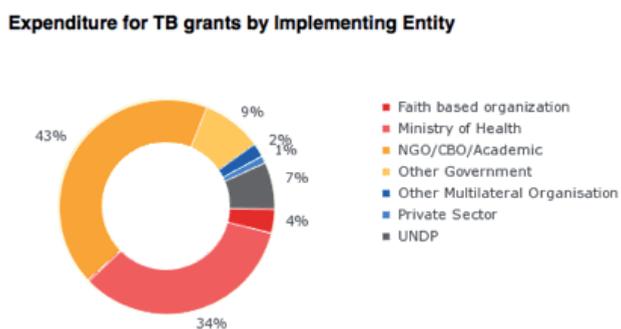
# Annex

Graphic 1:



The Global Fund to Fight AIDS, Tuberculosis and Malaria (2012). Retrieved May 14, 2012, from <http://www.theglobalfund.org/en/performance/grantportfolio/resourceallocation/>

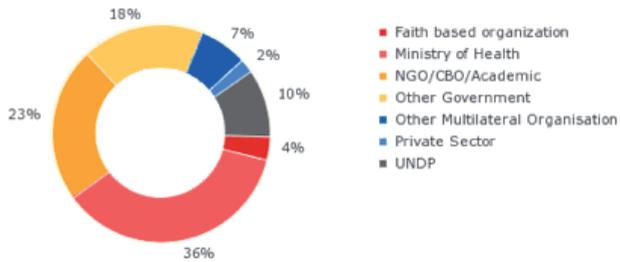
Graphic 2:



The Global Fund to Fight AIDS, Tuberculosis and Malaria (2012). Retrieved May 14, 2012, from <http://www.theglobalfund.org/en/performance/grantportfolio/resourceallocation/>

### Graphic 3:

**Expenditure for Malaria grants by Implementing Entity**



The Global Fund to Fight AIDS, Tuberculosis and Malaria (2012). Retrieved May 14, 2012, from <http://www.theglobalfund.org/en/performance/grantportfolio/resourceallocation/>