International Aid Transparency Initiative
Review of standards

5 May 2009

Contents

1. Executive summary

The International Aid Transparency Initiative (IATI) aims to set a standard for donors to record and report aid information in a more transparent and useful way.

The purpose of this research is to draw on the experience of other standards that have been set up in international aid and other sectors, so that IATI can understand the factors that are likely to make it a success, and which activities it needs to prioritise.

Based on the experience of the six standards reviewed, there are ten recommendations for IATI, which are listed in the final section of the report. In particular:

- There are different models for developing a new standard. IATI should be a 'best practice' set of guidelines rather than a more formally verified standard. This model works best where there is no clear precedent for the standard or where there is no obvious commercial value to the organisation implementing it (both of which are true for IATI).

- In the early stages, IATI should concentrate on building its group of stakeholders and political support among a core group of large donors, rather than the detailed content of the standard.

- The standard must complement, and where appropriate, build on DAC classifications. DAC is established and its members and the contributors to this study feel it is fulfilling a useful function.

The next section of this report provides an overview of standards and offers a generic model for the standard setting process. Section 3 briefly outlines the current situation in reporting of international aid flows. Section 4 looks at six case studies. These are existing standards, and the lessons for IATI are drawn out. Section 5 offers some recommendations.

This report and the recommendations it includes are primarily based on external facing research, rather than close engagement with IATI. As such, some of the recommendations may already be under consideration.

The research behind the report consisted of desk research into standards in the development sector and other sectors, as well as interviews with individuals familiar with each standard featured in the case studies section.

2. What is a 'standard'?

Standards arise where a community has a shared interest in working in a similar way. They range from informal common understandings of how things are done to rigid and formalised sets of rules that are maintained by a secretariat.

Sometimes de-facto standards move along this spectrum over time, being codified as they gain acceptance. IATI is concerned with developing a codified standard, so informal standards are not included in the scope of this work.

This section provides a overview of the types of standard that exist, allowing IATI to understand where in this universe its standard should sit, and the considerations it needs to make during the design process.

What features do all codified standards include?

The core features of all standards are:

- Written guidelines that are designed to help a community work more efficiently, effectively, safely or fairly.

- A documented consultative process to develop the standard. This usually involves technical committees that draft the guidelines.

- A voluntary approach: standards do not coerce users into following them. For some organisations, following a standard might be a requirement for operating effectively in a market (such as using standard sized freight containers), but there is no legal obligation.

- A community of stakeholders that is interested in the standard. This community is usually involved in the design of the guidelines.

What standards are not

- **Legislation.** Standards are not compulsory. UK companies providing financial services are legally required to comply with rules set out by the Financial Services Authority, for example, so these rules do not constitute a standard.

- **Information labels.** Standards show that a product or organisation meets a minimum set of criteria. Product labels such as food nutritional labels or the EC's energy efficiency label show product attributes in defined categories, rather than setting a minimum acceptable level.

How are standards developed?

Standards typically include seven key stages in their development:

Project definition → Drafting → Review and redrafing → Vote → Implementation → Verification → Maintenance and modification

This generic model is based on the review of standards conducted for this report. Different standards put different emphases on each stage. Some, for example, require verification, while others publish the standard as a code of good practice and do not formally monitor implementation.

1. **Project definition**. This stage involves planning the design of the standard and setting timescales. A crucial activity is identifying stakeholders that will be involved in the process. The stakeholders are drawn from two groups: those that are materially affected by the standards (such as organisations that will implement it and consultants that will verify it) and those that have expertise in the subject.

2. **Drafting**. This is normally delegated to a technical committee that conducts its own research and drafts an initial set of guidelines.

3. **Review and redrafting**. Depending on the standard, this stage may be broken into separate parts. Some reviews include both a consultation that is restricted to the stakeholders and a public consultation. The standard may go through successive drafts during this stage or there may only be a single consultation period.

4. **Vote**. The stakeholders or a committee of the stakeholders decide whether to adopt the standard. It is rare for a standard to be rejected at this stage if the consultation process has been inclusive.

5. **Implementation**. Users adopt the standard.

6. **Verification**. Formal standards require users of a standard to be verified by a third party. As outlined below, verification is the key differentiator between types of standard.

7. **Maintenance and modification**. Standards are periodically reviewed and updated. Most standards use a compressed version of this process to make modifications. Some standards also offer ongoing support to users.

What types of standards exist?

The most important differentiator between different types of standard is their approach to verification. Standards fall into three groups: 'best practice' standards, which do not require verification, 'formal kitemark' standards, which are verified by third parties, and 'centrally managed' standards, which are monitored by a single central secretariat.

	Best practice standards: no verification	**Formal kitemark standards:** Verification by third parties	**Centrally managed standards:** Centralised verification
Description	Organisations are free to use the standard as they wish. Third parties may offer verification but there is no requirement.	Organisations must be verified by an accredited third party if they claim they adhere to the standard. Often are based on a preceding less formal standard.	A central secretariat manages the standard and verified the standard.
Examples	- Global Reporting Initiative - GHG Protocol - W3C Recommendations - ISEAL Code of Good Practice	- International Standards Organisation - National Standards Bodies (such as British Standards) - Fairtrade Labelling Organisations - Extractive Industries Transparency Initiative	OECD Development Assistance Committee

		• OASIS standards	
Funding	• Members pay a fee and help to develop the standards • Often supported by grant funding • The standard is freely available.	• Verification costs are paid by the organisations that are being accredited • Membership fees pay the costs of developing the standard • Users sometimes pay a fee to access the standard (e.g. for British Standards).	• Members provide funding
Pros for IATI	• Standards are quickly scalable because there are no capacity issues for verifiers. • Flexibility – users can implement the standard in ways that benefit them • There is a simpler design process.	• Legitimacy – kitemark standards use formalised design processes that can demonstrate rigour. • In the future IATI could earn some revenue from certifying vendors. • Verification ensures consistency of use	• A central secretariat would be able to keep track of all information conforming with the standard.
Cons for IATI	• Users are likely to make some errors. • There is no way of generating revenue from the standard so it must be grant funded. • A central secretariat may find it difficult to maintain a complete picture of the user group.	• Users have little flexibility in how they use the standard. • The design and verification processes can be costly and time consuming. • Accredited verifiers must be available. • Using an existing framework (such as ISO) imposes particular processes on the development of the standard.	• High central costs (the DAC secretariat employs around 90 staff). • Risk that the standard could feel imposed on its users.

Key considerations for IATI

- What type of standard will IATI develop? What will the verification model be?

- How will IATI ensure that materially affected parties are included in the design process for the standard?

- How long should IATI take to develop the standard? How long should be allocated for each phase?

- Which organisations need to use the standard to ensure it is a success?

3. Standards in international aid

The central source of aid flow statistics is the OECD's Development Assistance Committee (DAC). The 23 DAC members report the quantities of aid they have given in the previous year, along with recipient countries and sector codes.

DAC members also separately report project-level information to the Creditor Reporter System (CRS).

In addition, there are a number of databases that track aid and humanitarian grants from a wider range of donor agencies. The largest among these is Accessible Information on Development Activities (AIDA), a database run by the Development Gateway. It aims to collect project-level data more quickly than DAC-CRS, and also has a wider coverage – it includes non-traditional donors including private charitable foundations. AIDA does not aim to provide comprehensive statistical information in a way that DAC does.

Large amounts of information about aid flows already exist in donors' own management information systems. This data is published though various, fragmented report formats and is therefore difficult to analyse for recipient governments and aid analysts.

Some of the contributors to this research discussed the areas in which aid information should be extended. Although these reasons have been explored elsewhere, they are summarised below for completeness.

To allow better budgeting, recipient governments require:

- **Up to date and forward looking information**. There is no reliable way to forecast aid flows. This information is not accurately verified, but reasonable estimates often already exist.

- **Agency level recipient data**. DAC reports the quantity of aid that has been paid by donor country and the intended recipient country, but it doesn't say to which agencies the aid was paid.

- **A functional classification that matches their budget codes.**

- **Detailed geographical information on where the money is being spent**.

- **Better coverage**. DAC only covers its members and some multilateral donors. There are further national, multilateral and private sources of funding that do not report through DAC.

In addition, aid analysts require:

- **Comparability between aid received by recipients.** While DAC shows aid outflows from donors, it doesn't allow for clear comparisons between the quantities of aid received by recipient agencies.

- **More sophisticated sectoral breakdowns**. DAC requires aid to be assigned to a single sector code. Many projects have more than one purpose or cover more than one sector. There are some calls to improve the way sector and purpose spending are accounted for. Others consider an improvement in this type of data to be too complex.

4. Case studies

This section considers the experience of six standards that have achieved different levels of success. They are from a range of sectors and all have useful lessons for IATI. Each case study is based on a review of publicly available documents and interviews with at least one person familiar with each standard. The key contacts are listed in the appendix.
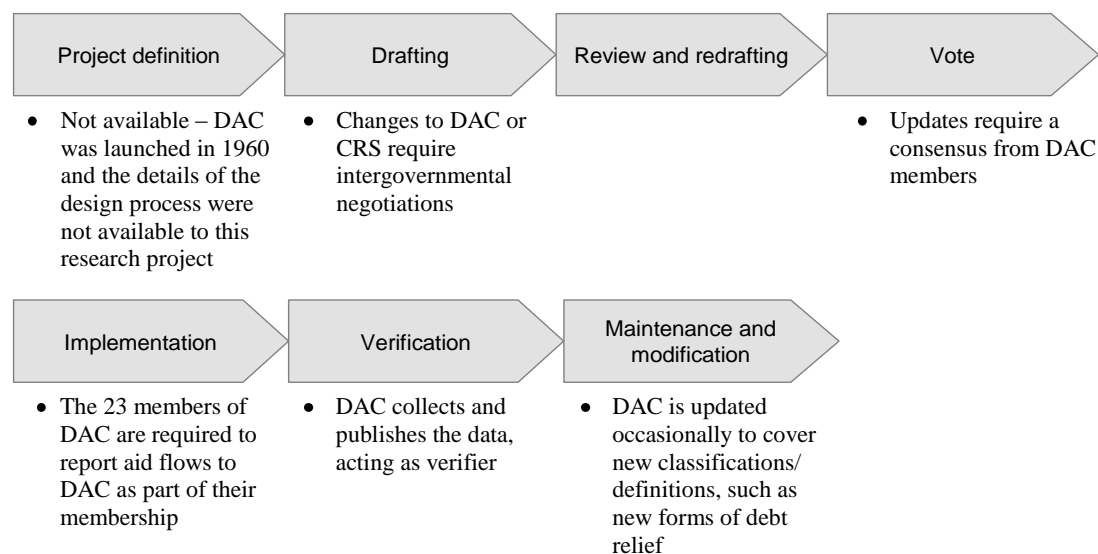
Development Assistance Committee

Introduction

Type: centrally managed

The Development Assistance Committee (DAC) is the OECD body that co-ordinates co-operation with developing countries. It publishes official aid data once per year. DAC's 23 members provide data in a structured format following formal definitions. Some multilateral donors voluntarily report through DAC. DAC was established in 1960. In addition, participants send project level information to the Creditor Reporting System (CRS), which is estimated to cover 90% of projects.

Process of development

Project definition	Drafting	Review and redrafting	Vote
• Not available – DAC was launched in 1960 and the details of the design process were not available to this research project	• Changes to DAC or CRS require intergovernmental negotiations		• Updates require a consensus from DAC members

Implementation	Verification	Maintenance and modification
• The 23 members of DAC are required to report aid flows to DAC as part of their membership	• DAC collects and publishes the data, acting as verifier	• DAC is updated occasionally to cover new classifications/ definitions, such as new forms of debt relief

Time elapsed: Not available

Successes
- DAC is considered the 'gold standard' for aid statistics. The data is widely accepted and used – for example to monitor ODA targets.
- The data is comprehensive – it covers 100% of ODA as defined by DAC.
- The classifications are stable, making the data directly comparable between countries and over time.

Issues
- DAC is explicitly designed to meet the needs of donors (such as monitoring against ODA targets), rather than the needs of recipients (such as public budgeting).
- It is considered inflexible and it takes a long time to update the classifications. This

inflexibility, however, does provide clarity and long term comparability.

- The data is published 11 – 23 months after the payments are made and no forward looking data is available.
- It is difficult to determine the precise amount spent in different sectors because projects must be assigned to a single category to avoid double counting. Policy markers are used, but are not used consistently and they can lead to double counting of aid quantities for different policy purposes.
- There is no detailed information showing the location of the recipient project or the recipient agency.

Content

Common definitions
DAC data is reported by donor, recipient country, sector (such as education, health, transport or agriculture). Project-level data submitted to the CRS includes time period, donor, recipient, narratives, amount, sector and purpose. There are, for example, 52 sector codes and 8 codes for types of aid.

Data format
Members send data to DAC in Unified Standard Interchange Format (USIF) once per year. The accounting systems of the donor agencies tend to be set up to provide information in the correct format.

Code of conduct
DAC members are obliged to report overall statistics (DAC) and activity-level data (CRS) on a regular basis. DAC is a committee of the OECD and its 23 members (those with significant aid programmes) make changes to its definitions through consensus at high level meetings. This process is slow and changes to the DAC process of collecting aid statistics are rare. Non DAC members that report via the DAC mechanism do so voluntarily.

Support provided
The OECD's Development Cooperation Directorate (which is DAC's secretariat) employs 90 staff, who (as well as acting on aid effectiveness generally) provide guidance on reporting, ensure that data is reported consistently and analyse trends in the data. DAC's support model is centralised.

Lessons for IATI

- DAC is the central source of aid statistics and donor agencies are set up to report to it. DAC reporting is also a compulsory requirement for DAC members. IATI must seek to work with this situation rather than replace or duplicate it.
- DAC is designed to generate statistical data. This requires a high degree of consistency between the reporting bodies and over time, so DAC is purposefully inflexible. There will be a trade-off for IATI between generating robust statistics and being adaptable over time to changing situations.
- DAC's model of consensus-driven decision making partly contributes to the slowness of change in the standard's definitions (the other factor is that DAC is a statistical standard and consistency over time is therefore valuable).
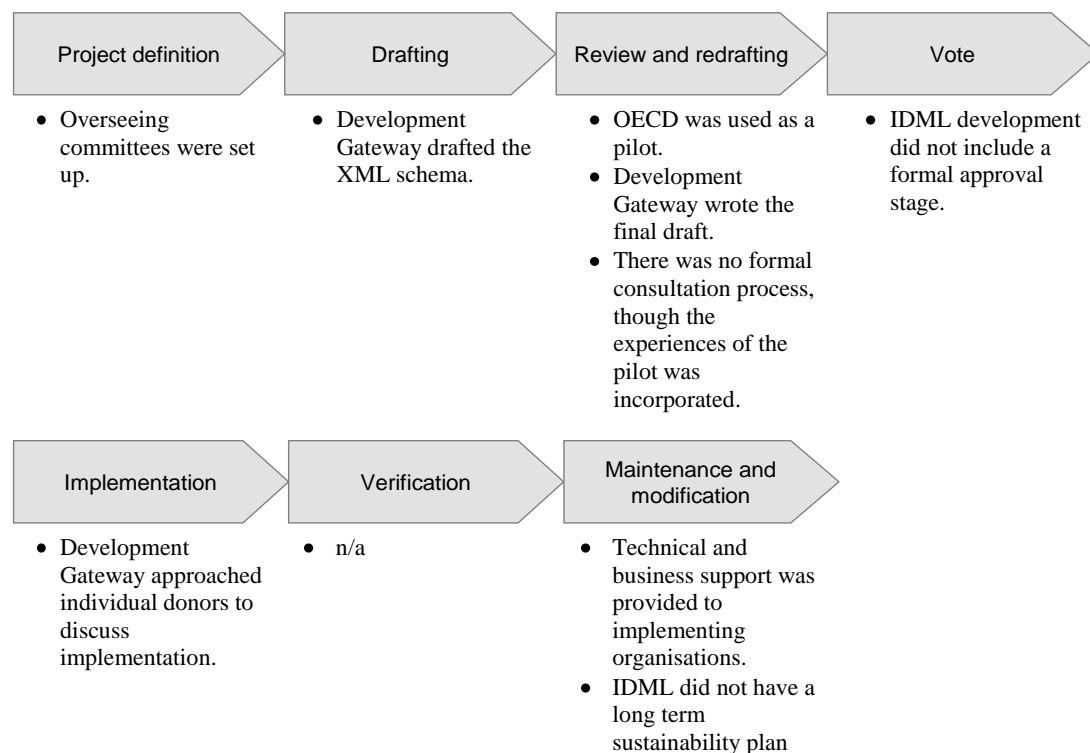
International Development Markup Language

Introduction

Type: best practice

International Development Markup Language (IDML) is an XML standard for sharing development oriented information. Its development was led by Development Gateway, supported by various multilateral institutions. It was set up in 1999 and there is currently an effort to redevelop it with a more detailed set of definitions.

Process of development

Project definition	Drafting	Review and redrafting	Vote
• Overseeing committees were set up.	• Development Gateway drafted the XML schema.	• OECD was used as a pilot. • Development Gateway wrote the final draft. • There was no formal consultation process, though the experiences of the pilot was incorporated.	• IDML development did not include a formal approval stage.

Implementation	Verification	Maintenance and modification
• Development Gateway approached individual donors to discuss implementation.	• n/a	• Technical and business support was provided to implementing organisations. • IDML did not have a long term sustainability plan

Time elapsed: Development of IDML took approximately two years.

Successes
- The project successfully created a standard for sharing basic development information, providing a proof-of-concept for structured data exchange in the sector.
- Development Gateway built collection tools for donors that could generate IDML, allowing agencies with low levels of technical capability to comply. This allowed smaller organisations to use the standard.

Issues
- Difficulties were encountered in agreeing the exact elements in the schema. As there were no pre-existing definitions of the elements of data used in IDML, discussions between the designers took a significant amount of time.
- Many donors and developments agencies did not have the technical skills to report IDML (however, as outlined below, Development Gateway provided individual support to donors).

- Some large potential users were not enthusiastic. This was felt to be because the standard did not have high level support from every donor and agency.
- The schema did not cover all aspects of development data. Development of a more comprehensive version is currently being considered.

Content

Common definitions
IDML includes basic project-level tags for aid and development, such as donor name, project title, amount of money and the recipient agency.

Data format
IDML is an XML standard.

Support provided
Development Gateway provided support to organisations that were willing to report their statistics using IDML. The support consisted of both strategic support (understanding why IDML would be beneficial) and technical support. Tools that reported IDML automatically (meaning that the organisations did not have to have XML coding skills) were also developed.

Lessons for IATI

- If a technical standard for information reporting is aimed at small organisations, it must offer technical support. IDML did offer technical support to small organisations which were able to report using the standard as a result.
- IDML did not have a clearly defined group of stakeholders, which meant that it was difficult to build early implementation into the plan.
- There must be senior support from a core group of users for the implementation to be smooth.
- Developing XML standards can require significant amounts of time and resources when (a) the target users are not already skilled in using XML or (b) the data definitions used in the schema are not already agreed on.
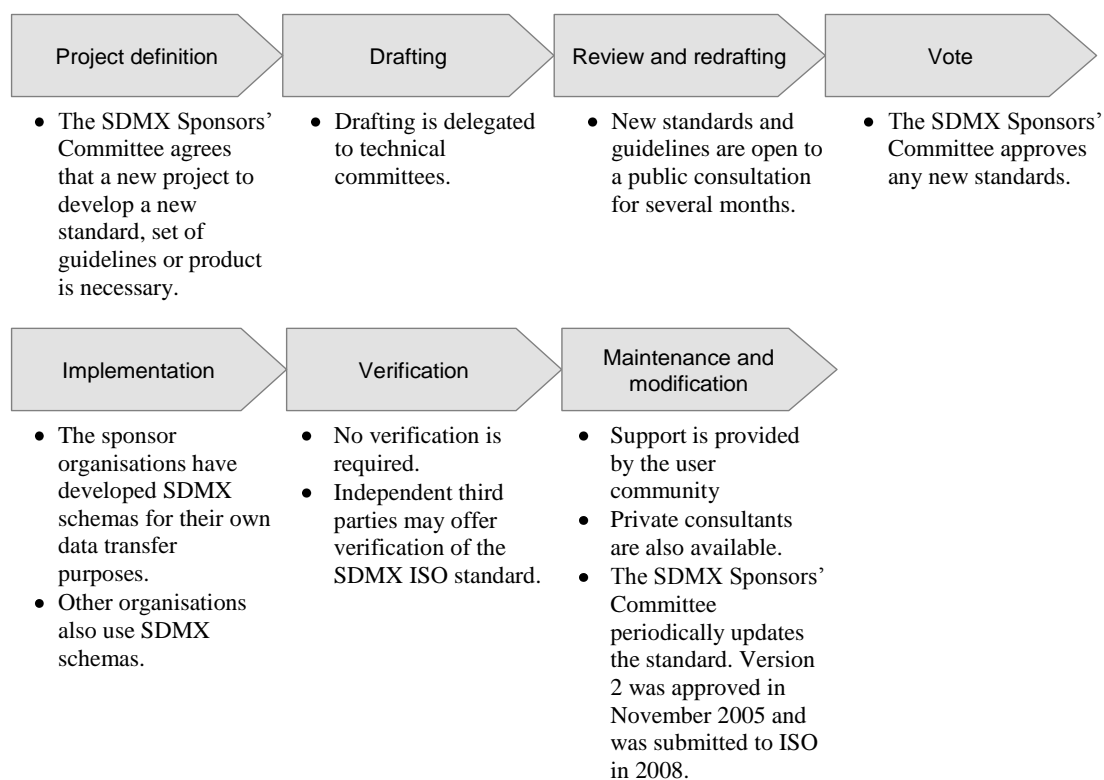
Statistical Data and Metadata Exchange

Introduction

Type: best practice

SDMX is designed to improve the efficiency of data exchange. It is a process and a framework for developing XML transfer protocols, and is supported by seven intergovernmental organisations: the BIS, ECB, Eurostat, IMF, OECD, UN and the World Bank. The project was initiated in 2001 and the first version of SDMX was approved by the seven sponsors in September 2004. The first version is now an ISO standard[1]. The standard itself consists of a range of 'key families' (lists of the metadata used in a particular statistical domain), which must be developed by the user community before SDMX can be used.

Process of development

Project definition
- The SDMX Sponsors' Committee agrees that a new project to develop a new standard, set of guidelines or product is necessary.

Drafting
- Drafting is delegated to technical committees.

Review and redrafting
- New standards and guidelines are open to a public consultation for several months.

Vote
- The SDMX Sponsors' Committee approves any new standards.

Implementation
- The sponsor organisations have developed SDMX schemas for their own data transfer purposes.
- Other organisations also use SDMX schemas.

Verification
- No verification is required.
- Independent third parties may offer verification of the SDMX ISO standard.

Maintenance and modification
- Support is provided by the user community
- Private consultants are also available.
- The SDMX Sponsors' Committee periodically updates the standard. Version 2 was approved in November 2005 and was submitted to ISO in 2008.

Time elapsed: 2 years from initiation of the project to publication of the standard. Gaining ISO approval takes a further 1-2 years.

Successes
- SDMX is mature and implementations continue to grow. Its seven core sponsors use it extensively and various other institutions also use it (the US Federal Reserve, for

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[1] SDMX is ISO 17369:2005. Note that SDMX users are not required to use the ISO version of the standard and ISO does not require verification – hence SDMX is a 'best practice' standard.

example, publishes daily currency exchange rates in an SDMX format).

- Some organisations' data warehouse front-ends (the ECB, for example) offer SDMX outputs.
- The seven partners agreed there was a need for an XML schema for statistics and strongly supported the standard from the start. This meant that resources have been available for ongoing development of the standard.
- SDMX is recognised by the UN Statistical Commission as a 'preferred standard' for sharing of data and metadata.

Issues

- Developing or using an SDMX schema requires technical specialists, and it is most suitable for large organisations with dedicated statistical and technical functions (rather than smaller organisations that may not have this capacity).

Content

Common definitions
The definitions in SDMX schemas are known as 'key families'. For some simple families (for example the currency exchange rate family, where there are 4-5 unambiguous elements), development may take a few days. For complex schema where the definitions of the elements are not already widely agreed, negotiation may take much longer.

Data format
SDMX is a framework for XML transfer protocols.

Code of conduct
SDMX users can implement it however they want. There is no verification mechanism, and organisations use it to realise the common benefits of more efficient data transfer.

Support provided
The secretariat publishes guidance documents, including a set of Content-Oriented Guidelines for developers of SDMX schemas, but does not provide any formal advice. The community of SDMX users provides free support through forums and informal conversations. There are some specialist consultants that can provide more focused advice and technical support for a fee. This is a similar support model to many open source software programmes.

Lessons for IATI

- The development of a structured data transfer protocol for IATI could take a long time because there is no pre-existing comprehensive 'key family' (i.e. IATI stakeholders will need to negotiate on the definitions of the data included).
- IATI could consider using SDMX to develop a data transfer schema for aid statistics. There are a range of possibilities, including edXML[2], IDML and non-XML formats such as publishing statistics on the donors' websites.
- ISO and the UN Statistical Commission are felt to be valuable legitimators. In later stages, IATI may wish to consider seeking similar support.

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[2] An XML standard developed through OASIS, which was mentioned by one of the contributors to this research as a possible structure for an IATI data transfer protocol.
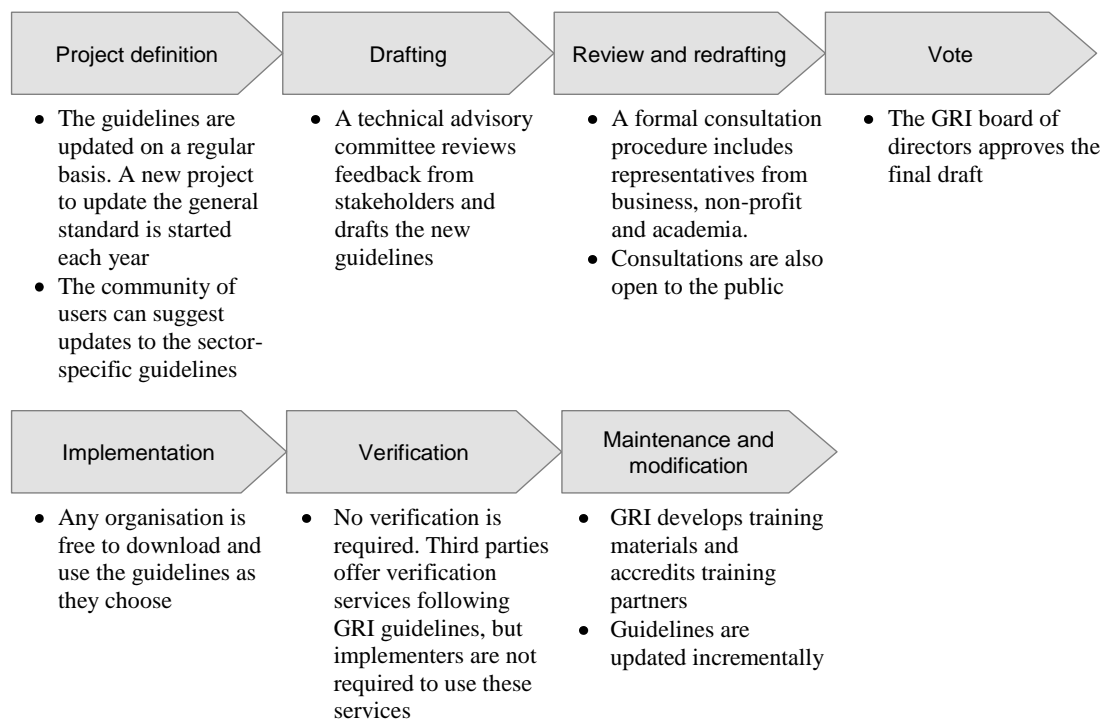
Global Reporting Initiative

Introduction

Type: best practice

The Global Reporting Initiative (GRI) aims to make social responsibility reporting as common and standardised as financial reporting. It publishes and maintains the Sustainability Reporting Framework, which contains guidelines for the structure and content of responsibility reports. It is applicable to any organisation. It was set up in 1997 by the NGO Ceres, and became an independent organisation in 2002.

Process of development

Project definition	Drafting	Review and redrafting	Vote
• The guidelines are updated on a regular basis. A new project to update the general standard is started each year • The community of users can suggest updates to the sector-specific guidelines	• A technical advisory committee reviews feedback from stakeholders and drafts the new guidelines	• A formal consultation procedure includes representatives from business, non-profit and academia. • Consultations are also open to the public	• The GRI board of directors approves the final draft

Implementation	Verification	Maintenance and modification
• Any organisation is free to download and use the guidelines as they choose	• No verification is required. Third parties offer verification services following GRI guidelines, but implementers are not required to use these services	• GRI develops training materials and accredits training partners • Guidelines are updated incrementally

Time elapsed: A project to develop a new set of guidelines takes two years.

Successes
- Currently around 1,500 organisations have declared their voluntary use of GRI, including Alcoa, BP, Coca-Cola, Procter & Gamble and Oxfam GB (in its accountability report).
- GRI's stakeholder group is diverse and representative of its user base. Each project has at least 30% of participants from developing countries, which gives the guidelines credibility.
- GRI feels it is able to manage a large and diverse stakeholder group because it is viewed as independent. In particular, two aspects of GRI support its impartial reputation: (a) its organisational independence and (b) its non-commercial approach to funding.

Issues
- GRI has encountered some challenges in getting companies based in developing countries to participate in the design process for new guidelines. This is partly because many of them do not have specific corporate social responsibility managers, and partly because

participation requires time and money. To involve companies from the developing countries, GRI (a) uses its own networks to identify possible participants; (b) draws attention to the potential of the GRI process for networking; (c) offers travel expenses; and (d) runs workshops as well as written consultation documents.

Content

Common definitions
The GRI framework is comprised of a set of defined indicators. These cover the organisation's overall responsibility strategy, and its performance against economic, environmental, labour, human rights, social and product standard criteria. Many of the indicators are quantitative (greenhouse gas emissions, for example), while others a qualitative (such as descriptions of community projects).

Data format
GRI compliant reports can be published in XBRL (eXtensible Business Reporting Language – an XML language, for which GRI has developed an XBRL taxonomy). XBRL is an independent standard setting consortium that, in particular, manages the XML standard for structured communication of financial reports. Alternatively, GRI compliant reports are simply published as documents.

Code of conduct
Users of the framework are encouraged to report their own 'application level', which indicates the extent to which the framework has been followed. An organisation with a good coverage of the indicators might report an 'A', while a low coverage might report a 'C'.

Support provided
The GRI secretariat does not offer any direct technical support to users of the standard. It does, however:
- Publish guidance documents, which are freely available.
- Accredit training providers.
- Check companies' self-declared 'application levels'.

Lessons for IATI

- GRI has been able to expand in use rapidly because there is no cumbersome verification method. Some do seek external verification, which is provided by third party audit companies independently of the GRI secretariat.
- A key part of GRI's ability to demonstrate its impartiality is the independence and non-commercial approach of the organisation. IATI should consider whether independence would improve its ability to broker negotiations between its stakeholders.
- GRI anticipates that, initially, only large organisation will use XBRL for their responsibility reports. This suggests that IATI may need to offer technical support if it expects smaller organisations to use a technical standard for structured reporting.
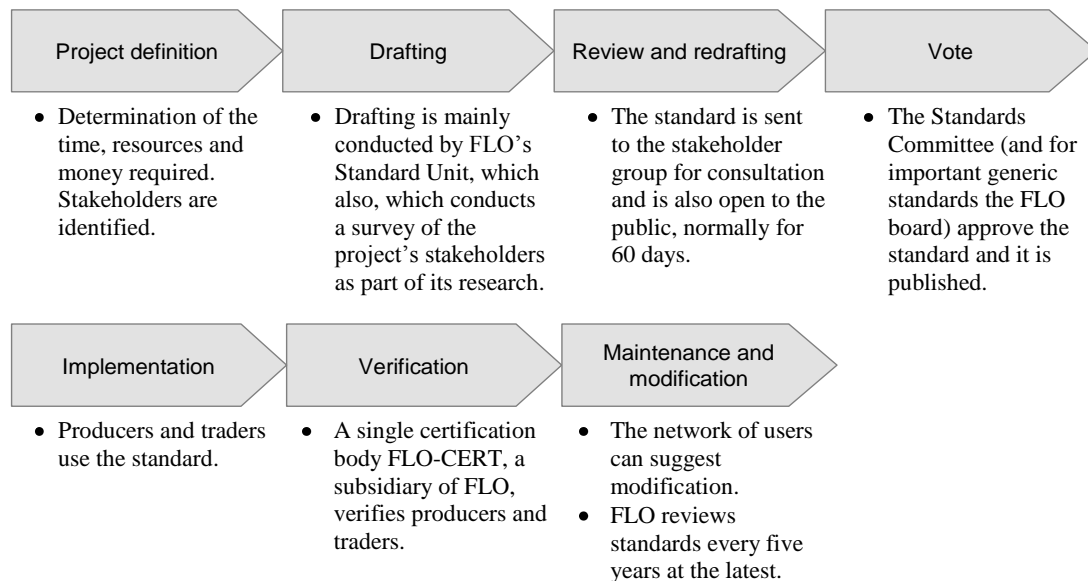
Fairtrade Labelling Organisations International

Introduction

Type: formal kitemark

Fairtrade Labelling Organisations International (FLO) develops and reviews Fairtrade standards. The label is licensed by 'Labelling Initiatives' in countries where Fairtrade products are sold (the Fairtrade Foundation in the UK is an example).

Process of development

Project definition
- Determination of the time, resources and money required. Stakeholders are identified.

Drafting
- Drafting is mainly conducted by FLO's Standard Unit, which also, which conducts a survey of the project's stakeholders as part of its research.

Review and redrafting
- The standard is sent to the stakeholder group for consultation and is also open to the public, normally for 60 days.

Vote
- The Standards Committee (and for important generic standards the FLO board) approve the standard and it is published.

Implementation
- Producers and traders use the standard.

Verification
- A single certification body FLO-CERT, a subsidiary of FLO, verifies producers and traders.

Maintenance and modification
- The network of users can suggest modification.
- FLO reviews standards every five years at the latest.

Time elapsed: developing a new standard takes approximately several months to one year, depending on its complexity.

Successes
- FLO has a comprehensive coverage of materially affected stakeholders because FLO-CERT, the certification body, is able to provide the details of all producers and traders that use the standard.
- FLO has highly engaged and motivated stakeholders.
- There is a very clear process for developing new standards and modifying existing standards.
- FLO is not dominated by one particular group of stakeholders. The secretariat manages the different interests of its stakeholders by (a) asserting that no individual organisation or group of stakeholders has special consideration; (b) taking its own line on certain issues, based on the social and environmental objectives of the charity rather than the interests of particular stakeholders; and (c) keeping the consultation process as transparent as possible.

Issues
- While materially affected organisations have good representation in the stakeholder groups, experts are not always well represented. This is not felt to be critical to the success of a standard, but experts could speed up the research stages of development.
- There is always tension between stakeholders' interests. Producers, for example, tend to want higher prices; traders want lower. Producers often say that environmental standards

present additional costs, while market facing stakeholders feel that environmental standards are a selling point. FLO sometimes introduces its own strategic considerations, as determined by the FLO Board, to these debates.

- Defining the objectives of a project can be difficult. Sometimes stakeholders submit too many objectives, which makes projects complex.

Content

Common definitions
The definitions in Fairtrade standards determine who the standards apply to (for example, there are definitions of 'small producers' and 'labour dependent products'). These definitions have commercial implications for producers and are therefore the subject of significant negotiation.

Code of conduct
Producers and traders do not have to publish data on their activities. They must be certified periodically by FLO-CERT. An auditor visits the producer or trader, who pays the costs of the certification (the Fairtrade mark has commercial value).

Data format
Verification of the standard is managed by one organisation (FLO-CERT), so data is not dispersed. This means that data collection is relatively straightforward and there is not strong demand for a structured format for sharing data.

Lessons for IATI

- A clearly documented development process can make negotiations between stakeholder groups simpler, because all parties understand their respective roles and there are fewer perceptions that one group is dominating the process.
- Communications channels between donors and recipients should be opened as early as possible, with IATI seeking to demonstrate the benefits of additional reporting in terms of increased aid effectiveness. FLO has successfully demonstrated the value of higher social and environmental standards to its producer networks.
- The body that administers a standard and designs the development process must demonstrate that it is not representing any particular interest and is non-profit. FLO's independence and transparency helps it to act as a negotiator between its stakeholder groups.
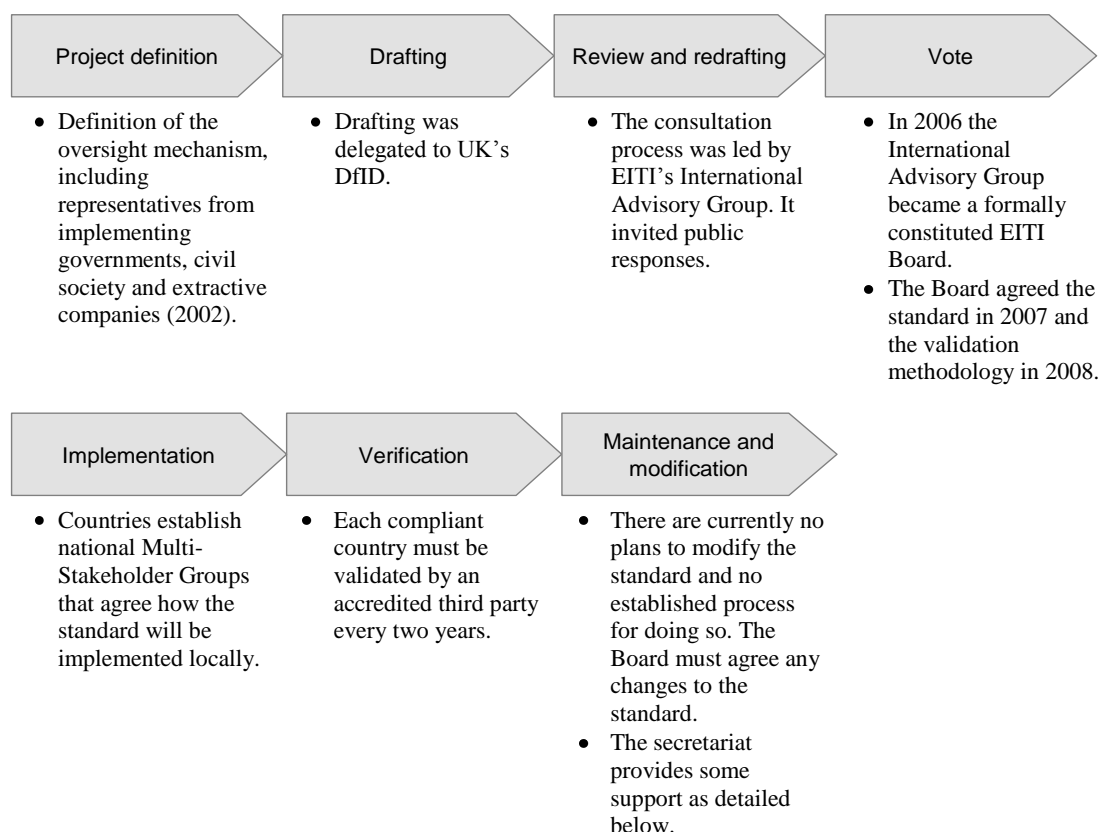
Extractive Industries Transparency Initiative

Introduction

Type: formal kitemark

EITI aims to improving transparency and accountability in the extractive sector. It was set up to ensure that the proceeds from primary resources are used for economic development rather than increasing corruption and conflict. EITI was initially set up in 2002 and the final version was published in 2007.

Process of development

Project definition
- Definition of the oversight mechanism, including representatives from implementing governments, civil society and extractive companies (2002).

Drafting
- Drafting was delegated to UK's DfID.

Review and redrafting
- The consultation process was led by EITI's International Advisory Group. It invited public responses.

Vote
- In 2006 the International Advisory Group became a formally constituted EITI Board.
- The Board agreed the standard in 2007 and the validation methodology in 2008.

Implementation
- Countries establish national Multi-Stakeholder Groups that agree how the standard will be implemented locally.

Verification
- Each compliant country must be validated by an accredited third party every two years.

Maintenance and modification
- There are currently no plans to modify the standard and no established process for doing so. The Board must agree any changes to the standard.
- The secretariat provides some support as detailed below.

Time elapsed: EITI took around five years to move from the set-up of the project to the publication of the standards. However, for two of these years the standard did not have strong political support and around three years were spent on active development.

Successes
- Half of mineral-rich countries are currently implementing the standard. One country, Azerbaijan, has passed validation.
- The standard has support from influential individuals, including George Soros and Tony Blair. In the initial stages, this support meant that EITI got attention from ministers.
- Organisations from all three stakeholder groups have supported the standard from an early stage. The idea was the result of an NGO campaign. Implementing governments and extractive companies both have an interest in reducing corruption.

Issues
- Political will stalled early in the process, meaning that the development of the standard

was held up. New momentum stemmed from the desire of Nigeria and Azerbaijan to implement the standard, leading to development of the final standard and implementation by further mineral rich countries.

Content

Common definitions
Oil, gas and mining companies operating in countries that are EITI-compliant must publish all payments made to governments, and governments must publish all payments received.

Data format
EITI includes a loose framework for publishing the payments. There is no set format for publishing the data. The implementing government must engage an independent administrator that collects and reconciles the data and the format must allow this.

Code of conduct
The code of conduct for EITI is agreed by national Multi-Stakeholder Groups. This ensures that implementing governments and companies own the standard.

Support provided
The EITI publishes guidance documents on the standard and runs training courses for civil servants in the implementing countries. It also encourages and facilitates the development of national Multi-Stakeholder Groups. The secretariat can provide ad-hoc advice during implementation, but does not provide any formal on-the-ground technical assistance.

Lessons for IATI

- Pilots are crucial to the success of a standard. EITI stalled until Azerbaijan and Nigeria decided to implement it.
- The independence of the secretariat shows that the standard is not dominated by any particular stakeholder group.
- Stakeholders need a clear reason to be involved. EITI felt that active communication of the benefits for both implementing countries and extractive companies was essential to the standard's progress. IATI must articulate what the reasons are for both donors and recipients to be involved.
- Incremental development works best. While a fairly loose data format and code of conduct are fine in the standard's early stages, political support is crucial.
- EITI appeared to take a long time to design. This was felt to be a strength because it did not force the implementing countries to rush through the process and potentially lose interest.

5. Recommendations

Based on the review of standards conducted for this report, there are ten recommendations for IATI:

General recommendations

1. The standard should follow the 'best practice' verification model, as outlined in section 2. These standards are simpler to establish and require less precedent than more formal, 'kitemark' type standards. The experience of GRI shows that a best practice standard can be implemented more rapidly because (a) there are fewer barriers to organisations that want to use it; and (b) there are no capacity issues to get past at the verification stage. IATI could consider developing a verification system for its standard in the longer term.

2. Any standard developed by IATI must complement, and where necessary, build on DAC classifications. DAC is an established system that is embedded in its members' reporting systems, and it fulfils its function adequately.

Demonstrating independence and negotiating between stakeholders

It is likely that IATI's stakeholder groups will have competing interests. To be an effective negotiator, IATI will need to show that it is independent and transparent.

3. The secretariat managing the standard must demonstrate its transparency. At minimum, the standard itself should be publicly available (all the standards reviewed published their guidelines). In addition, IATI should consider opening consultation to the public. This is important not only to gain broadest possible input, but also to ensure that the impartiality of the secretariat is demonstrated. Fairtrade Labelling Organisations International reported that an open approach to consultation has helped it to manage its diverse group of stakeholders.

4. IATI should consider the possibility of establishing an independent NGO after developing and piloting the standard. GRI followed this model. EITI and FLO are also managed by independent organisations, and both report that the model allows them to demonstrate their independence from any group of stakeholders. Independence may, however, reduce the secretariat's ability to coerce its stakeholders (a government department may be more influential).

5. The secretariat must be responsible for the process of designing the standard, but remain as neutral as possible toward the content of the standard (allowing the stakeholders to negotiate the content through the drafting process). This is particularly true for early-stage standards, where political support is crucial. EITI, for example, allows national-level stakeholder groups to determine much of the content of the standards. More established standards may be able to give some leadership on particular issues. FLO, which is now stable and mature, sometimes decides that a standard should have more focus on environmental or social quality.

Promoting take-up

6. IATI should concentrate on commitments to implement the standard from a small group of large donors early on, rather than wide coverage. Real-life pilots and support from large donors will pressure others to implement the standard. EITI became successful when Nigeria and Azerbaijan decided to implement it. Take-up of IDML was felt to be low because there were few large organisations that provided real pilots.

7. There must be early, senior-level support in the core group of large donors. IATI should prioritise communication to donors of how aid reporting can increase aid

effectiveness, and gaining pledges of commitment to implement the standard as pilots.

8. As the implementation of the standard broadens and smaller donor agencies start using it, IATI may need to develop a tool that produces IATI format data. SDMX format data is published by large organisations with specialist statistical and technical functions – and formal support is not offered by the secretariat. The experience of GRI shows that it is large companies that tend to use XBRL mark up for accountability reports. The user base for IDML, on the other hand, included smaller organisation and Development Gateway, the secretariat, offered technical support.

Successful design process

9. There must be a clear process and timetable for developing the standard. The experiences of FLO, GRI and EITI suggest that building stakeholder groups, designing a standard and setting up pilots is likely to take around 2-3 years.

10. The technical format for publication of the information should be kept as simple as possible in the short term. A metadata standard for IATI is likely to be beneficial in the long term as take up increases and more data is generated.

Among the next steps in the IATI scoping document, those that relate to identifying the stakeholder group and building buy in should be prioritised over development of the content of the standard.

6. Appendix: contact details

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