Quality of Official Development Assistance Assessment

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Quality of Official Development Assistance Assessment

This report constitutes the first edition of what we hope will be an annual assessment. It is a work in progress, in at least three respects. First, we have made judgments in the selection and omission of indicators and in the methods we have employed in our analysis that others may wish to debate. Second, we have sometimes made necessary compromises in our definitions and methods for lack of data in comparable and thus usable form across funders and agencies. We hope that public scrutiny and discussion will help us improve our methods and contribute to healthy pressure on official and private aid funders to make information on their aid practices and policies better and more accessible. Third, as with all indices, there are inevitable debates about weighting and aggregation procedures. There are no right answers, statistically speaking, in these debates, and sometimes a trade-off between simplicity of explanation and precision is unavoidable.

*In the interest of acquiring better data and methods, and more importantly, to create incentives for meaningful improvements in donor policies and practices, we are making both the underlying data and the computed results publicly available in an easy-to-use website: **http://www.cgdev.org/QuODA**. We welcome your comments and suggestions at QuODA@cgdev.org.*

Introduction

"The true test of aid effectiveness is improvements in people's lives."[1] But, people's lives depend on many things other than aid. Improvements take time, and the lags between aid interventions and improvement in lives are uncertain and different for different kinds of aid. Many donors are likely to be active in a country at any particular time, making it hard to attribute results to aid interventions by specific agencies, except over long periods. Perhaps most important, the effectiveness of aid depends on all those involved in planning and executing aid projects, including the recipient government. When an aid project fails, it may be because of poor performance by the donor or poor performance by the recipient, or both.

Given these difficulties in relating aid to development impact on the ground, the scholarly literature on aid effectiveness has failed to convince or impress those who might otherwise spend more because aid works (as in Sachs 2005) or less because aid doesn't work often enough (Easterly 2003).[2]

[1] 2006 Survey on Monitoring the Paris Declaration, OECD 2007.

[2] There is a huge scholarly literature on aid effectiveness—most of which has focused the effects of aid on economic growth, not on indicators like education and health outcomes. Cohen and Easterly (2009) include essays by more than 20 students of the subject across the ideological spectrum. Tarp (2009) is a more recent contribution

Meanwhile public attention to rich countries' efforts to support development through aid ends up relying mostly, if not entirely, on the *quantity* of aid— despite what on the face of it are likely to be big differences across donors in the *quality* of their aid programs. And rarely has analytic work on aid effectiveness grappled with the actual practices of different donors—those over which they have control and which are likely to affect their long-run effectiveness in terms of development impact.[3] How much of their spending reaches the countries or stays at home? What are the transaction costs recipients face per dollar provided by different funders? Which donors share information on their disbursements with what frequency and in what detail? What is the comparative advantage of aid agency x; What can we learn from the experiences of so many different agencies and approaches? What are the relative strengths and weaknesses of bilateral and multilateral agencies? Are agencies improving over time?

In 2010 these kinds of questions are increasingly being asked by the legislators and taxpayers in donor countries—and in recipient countries too. In donor countries especially, faced with daunting fiscal and debt problems, there is new and healthy emphasis on value for money and on maximizing the impact of their aid spending.[4]

This report addresses these largely neglected questions and helps fill the research gap by focusing on what might be called aid *agency* effectiveness, or what we call the *quality of aid*. In doing so, we concentrate on measures over which the official donor agencies have control—indeed, that is how we define aid "quality." We conduct a Quality of Official Development Assistance assessment (QuODA) by constructing four dimensions or pillars of aid quality built up from 30 separate indicators.[5] The universe to date for our study includes the 23 countries that are members of the Development Assistance Committee (DAC) of the OECD. They provided aid amounting to $120 billion in 2009 through 156 bilateral and 263 multilateral agencies.

The indicators we use are defined bearing in mind the relationships linking certain attributes of aid delivery with its effectiveness in the academic literature, and taking

suggesting aid is good for growth using econometric analysis; but see Roodman (2009) on the problems with such analyses. For a recent summary of the arguments, see Birdsall and Savedoff (2010, chapter 1).

[3] Notable exceptions include the Commitment to Development Index of the Center for Global Development ((http://www.cgdev.org/section/initiatives/_active/cdi/) based on Roodman 2009 (also see Easterly 2008), in which the aid component from the inception of the index included several measures of quality; CGAP (2009), which focused on management issues across aid agencies; and Birdsall (2004a), which defined and discussed seven donor "failings." See also Box 1.

[4] In the Structural Reform Plan released in July 2010, DFID emphasizes "value for money" to make British aid more effective and more accountable to Britain's own citizens; see also Fengler and Kharas, eds. (2010).

[5] We build on and benefit from related recent contributions along these lines including Knack and Rahman (2004); Knack, Rogers, and Eubank (2010); Easterly and Pfutze (2008); and Roodman (2009), who explains the four inputs to the measure of aid quality in the aid component of the CGD Commitment to Development Index. See also Box 1.

advantage of the data available from the OECD DAC's Creditor Reporting System and DAC Annual Aggregates databases as well as other sources. On many indicators there is weak or disputed empirical evidence of an actual link between the aid practices we measure and their long-run effectiveness in supporting development[6]—but there is a consensus in the donor community on their relevance and importance. That consensus is reflected in the Paris Declaration and the Accra agenda. And to see to what extent aid donors are living up to the commitments set out in those statements, we also make use of selected Paris Declaration indicators and the survey results that measure them.[7] Finally we incorporate measures of comparative donor performance that reflect recipient country perceptions and priorities.[8]

Our work adds to the growing body of analysis in five ways. First, we use as wide a range of data sources as possible, including a new publicly available data set (AidData) that allows us to conduct the analysis at the project and agency level—that is, for different agencies within donor countries, as well as at the country level. We also take advantage of a series of new surveys (the Paris Monitoring Surveys and Indicative Forward Spending Plans Survey) conducted by the DAC. Our resulting 30 indicators constitute a much larger set than has been used before. Second, in contrast to most academic studies, we have deliberately tried to design an approach to assessing aid quality that can be updated regularly over time so as to reflect and track the impact of future reforms within aid agencies that we hope this assessment will help trigger. Third, we believe we are the first to incorporate information from recipient countries on their perceptions of aid quality and priorities, drawing on the growing number of recipient aid performance assessments and surveys of their development priorities. Fourth, in addition to the standard approach of ranking relative donor performance, our indicators are cardinal, providing a benchmark against which to assess changes over time. Fifth, by generating rankings for a large number of agencies, we can contrast the performance of different agency types (multilateral vs. bilateral; specialized aid agencies vs. ministries) in a way that has not been systematically done before.

This report has three parts. In Part I we explain our approach and methodology, define our four dimensions or pillars of aid quality and the indicators that make up each of them, and discuss the results at the country level and then at the agency level, where the latter refers

[6] Knack, Rogers, and Eubank (2010) refer to studies that dispute the limited evidence that is available.
[7] The Paris Declaration on Aid Effectiveness is an international agreement endorsed by more than 100 countries and organizations on delivering aid through a set of principles based on a partnership between donors and recipients. The Accra Agenda for Action was developed at the Third High Level Forum on Aid Effectiveness in Accra in 2008 to accelerate progress on the commitments made in the Paris Declaration. These commitments are built around a partnership approach based on the central principle that in the long run what countries do themselves is far more important than what aid donors do on their own projects and programs. The full documents can be found at http://www.oecd.org/dataoecd/11/41/34428351.pdf.
[8] The indicators that reflect recipient country perceptions and priorities are shown in table 3 below.

to analysis in which individual country agencies (for example, the United States Agency for International Development compared with the Millennium Challenge Corporation) are included. In our country analysis we are mostly concerned with asking questions relevant for those who make or influence policy in the donor countries and at the donor country (as opposed to donor agency) level, including civil society advocates for higher quality aid programs. Recipient country policymakers may also find these benchmarks useful when dealing with donor country agencies. In our agency analysis the target audience includes also the senior management of individual aid agencies, looking to benchmark themselves against others. As we go deeper into agencies, we inevitably lose some data, especially on recipient perceptions and from survey results that often focus on donor countries rather than agencies, so the metrics are not comparable to those for aggregate aid quality in the country-level work. Nevertheless, we believe it is useful to do an assessment at the agency level using the same basic framework. One caveat: agencies have different mandates and scope from each other that cannot be captured in a single framework. Nevertheless, we think it is useful to compare agencies using indicators that proxy for the economic development impact they might have.

Following Part I, we include an annex with a short discussion of the data we were not able to incorporate in this round, despite the willingness of many agencies to respond to surveys we designed on aid delivery practices and learning and evaluation efforts. We hoped that responses to our survey questionnaires (which are in the annex) would fill the gaps in the kinds of information available in public reports and websites, for example on donor practices and spending on monitoring and evaluation. However, a relatively limited number of responses and other problems made it difficult to incorporate the additional information. We include the annex in the hope our effort will encourage the building of more consistent, comparable, and transparent reporting practices in the next few years on the part of donors.

In Part II we set out each of our 30 individual indicators, page by page, including the rationale for the indicator, the formula for its construction, and the source of data on each. Our purpose is to be as clear as possible on the data and the methodology behind our formulation of each indicator, as an input to improving the data and methods in next year's report. We hope this detail will also help contribute to the academic debate on the attributes of good development assistance, and will make more clear to the larger community the areas where data weaknesses are a constraint to fair and useful comparisons across donors.

Part One

Overall approach

There have been two approaches to aid quality, one qualitative and the other quantitative. The qualitative approach is typified by the DAC in its peer review process, monitoring each member country's development cooperation program. The reviews cover such topics as parliamentary engagement, building public awareness, policy coherence, organization, and management, managing human resources, and putting into practice the principles behind the Paris Declaration and the Accra Agenda for Action.[9] But they are largely descriptive, and it is difficult to compare them across agencies as they are conducted at different times (each member is usually assessed once in four years). Multilateral agencies are not considered.

Several other peer review mechanisms promote accountability and mutual learning. The Multilateral Operational Performance Assessment Network is a group of 16 like-minded donors that uses a survey of perceptions along with document reviews to assess the operations of specific multilateral organizations in selected aid-recipient countries. The Danish International Development Agency (DANIDA) has a Performance Management Framework based in part on perceptions of cooperation. The five largest multilateral development banks have a Common Performance Assessment System that seeks to promote mutual learning. Each of these approaches is based on qualitative judgments about how agencies are doing, and none is focused on permitting comparisons across donors or agencies—indeed, to some extent comparisons are explicitly disavowed.

The interest of donors in trying to measure bilateral and multilateral agency effectiveness suggests that there is demand for such information, stemming perhaps from budgetary and accountability pressures. But there is considerable duplication of effort with a large number of reviews, and there is no real consensus about the approach, standards, and indicators to use.

With our alternative quantitative approach we hope to complement these other efforts and to add value, building on but extending earlier quantitative efforts (box 1). Our approach is to assess the quality of aid by benchmarking countries and agencies against each other in each year—in this first report our base data are for 2008.[10] Each country score is determined both by how it behaves and by how others behave in a particular year on comparable and measurable attributes of effective aid, as a way to establish "best in class" rankings on various dimensions of aid quality.

[9] OECD's "Better Aid" series of publications.
[10] Lags in data imply that the indicators are about 18 months out of date.

With our quantitative approach we reduce judgments inherent in peer reviews and can more accurately gauge changes over time. Inevitably we lose some of the richness of institutional detail that peer reviews provide. But by developing indices that measure change over time, we hope to provide an empirical basis for linking changes in management decisions and strategy to changes in aid agency performance.

BOX 1: Previous Work on Aid Quality Indices

The first effort to quantify aid quality seems to have been Mosley (1985) who looked at several criteria including selectivity across and within aid recipient countries, degree of concessionality and conditionalities. McGillivray (1989) and McGillivray and White (1994) focused on different ways of using the per capita incomes of aid recipients as a measure of donor selectivity. Since then, others such as Collier and Dollar (2002) have developed methodologies for maximizing the poverty-reduction effects of aid, based on selectivity measures. Governance (Kaufmann, Kraay and Zoido 1999), bureaucracy (Knack and Rahman, 2004), and other attributes have also been highlighted. Most recently, Easterly and Pfutze (2008) characterize and measure four dimensions of an ideal aid agency. Roodman (2009) discounts the volume of aid according to certain quality measures to arrive at a quality-adjusted metric. Knack et al. (2010) use 18 indicators of donor practice. Among official agencies, the Paris Declaration Monitoring Survey carried out by the OECD DAC measures how countries are doing in applying the principles and indicator targets agreed to under the Paris Declaration (OECD 2008).

Why not just look at independent evaluations to judge how well aid agencies are doing? Because few agencies have independent evaluation offices, and the findings of these bodies cannot be compared. Standard development evaluation methods consist of an assessment against the targets set by the agency, not an assessment of results against an absolute yardstick.[11] Thus, evaluation results are a combination of the ambition of development agencies and their actual performance. There is no reason to believe that ambition is constant across donors.

Four partial rankings

It has become customary for work on indices to develop overall rankings, and this requires assumptions on a set of weights to do the aggregation across indicators. In this paper we develop cardinal scores to rank countries and agencies on four major dimensions of aid quality and confine ourselves to those partial rankings. We chose the four dimensions to

[11] IFAD is one agency that provides qualitative benchmarks from other aid agencies.

represent what can be interpreted as four major objectives of good aid, taking into account the ongoing discourse on the issue and as noted below the kinds of objectives outlined in the Paris Declaration and related commitments of the donor community. The dimensions are:

- Maximizing efficiency
- Fostering institutions
- Reducing the burden on recipients
- Transparency and learning

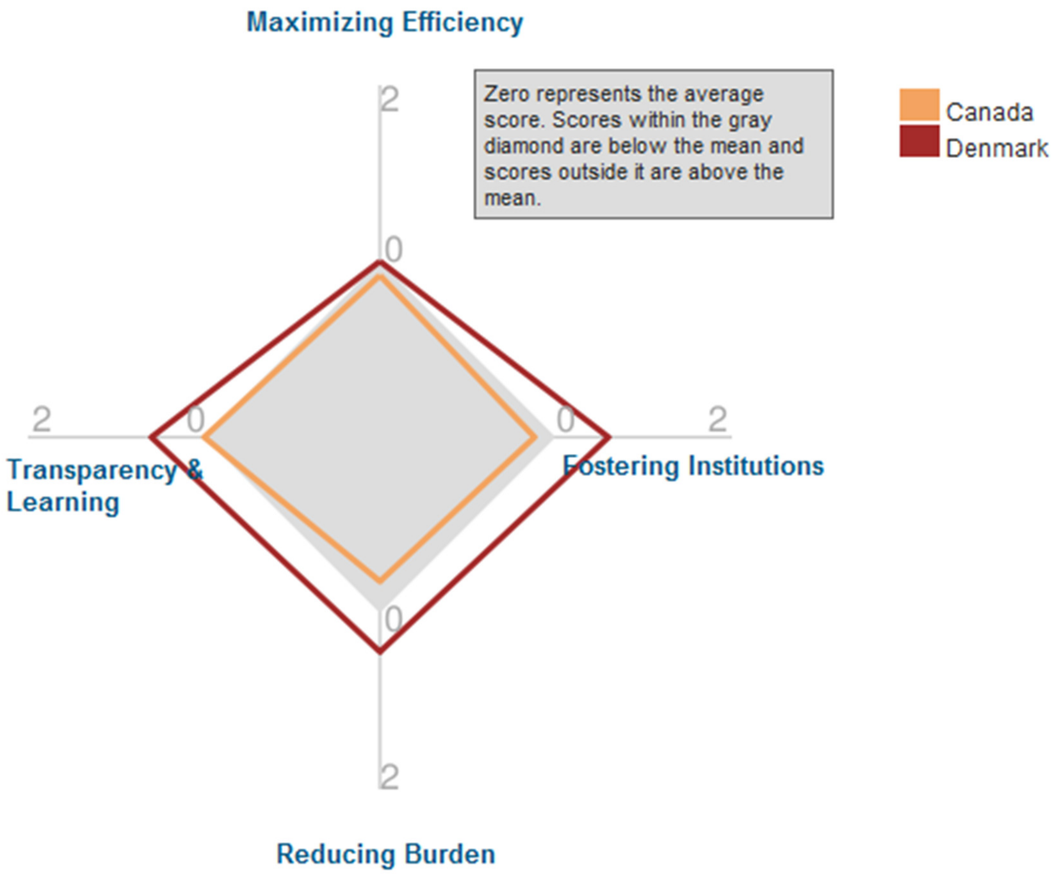
Within each of the four categories we have between seven and eight indicators (a total of 30) that we aggregate to form a composite score.[12] We do not aggregate across the four categories, in part because the correlations among the four are low, so that overall country and agency rankings would be highly sensitive to any choice of weights among them.[13] What is more, our purpose is not to rank countries and agencies on some overall abstract notion of aid quality, but to identify their strengths and weaknesses so that priority areas for change can be identified for each country or agency.

Indeed, our results show that no country or agency dominates others across all four categories. Each has its strengths and weaknesses. (Interested readers can apply weights of their choosing using the data on our website, http://www.cgdev.org/QuODA, should they be curious about an aggregate "score.") Although it is possible that countries and agencies strong in one dimension would naturally be weak in another (for example, strength in *maximizing efficiency* might be negatively correlated with strength in *fostering institutions*), our results, which we discuss in more detail below, suggest that is not necessarily the case.

Figure 1 illustrates our results in the form of a Quality of Aid Diamond, showing the outcome on each of the four dimensions for Denmark, one of the better-performing countries in aid quality, compared with Canada, one of the less well-performing countries, with both compared with the "average" performance in the shaded background area.

[12] We discuss our approach to weighting within categories in the section below on aggregation strategy.
[13] See Appendix Table 9 for the bivariate correlations among each of our 30 indicators in the country-level analysis.

Figure 1: Quality of Aid Diamond



Building on the Paris Declaration

With our four dimensions of aid quality we attempt to capture donor adherence to international standards outlined in the Paris Declaration and the Accra Action Agenda, and their commitment to transparency and learning through the provision of data in a comparable format and with sufficient detail. Our four dimensions have some correspondence with the core principles of the Paris Declaration but are not identical; the overlap is shown in table 1. Where we deviate from the Paris principles we do so to exploit a well-established methodology for measuring progress toward the Paris indicators, through the biennial Paris Monitoring Survey, and to reflect where possible different but conceptually useful approaches from the academic literature. The one missing component of the Paris principles is harmonization. We do use indicators such as joint donor missions and avoiding use of project implementation units in our Reducing Burden pillar; these are categorized as "harmonization" in the Paris Declaration context.

Table 1: Correspondence between QuODA and Paris Declaration Principles

Paris Declaration Principle	QuODA Dimension
Results	Maximizing Efficiency
Ownership	Fostering Institutions
Alignment	Reducing Burden
Mutual Accountability	Transparency and Learning

We are comparing quality across countries and agencies of vastly different size. For example, the United States provided $27 billion in net ODA in 2008 compared with $348 million by New Zealand (table 2). The United States operated across 152 countries and in our data had 15,509 new projects in 2008, designed by 16 U.S. aid-providing agencies.[14] New Zealand provides aid to 93 countries, has one aid agency, and had 688 aid projects in 2008. Given the size of these differences, comparison requires constructing indicators that are size-neutral. We do this by constructing most measures on a per dollar basis or in some cases another scale-adjusted basis.

Table 2: Donors Differ by Size and Scope – Basic Data for 2008[15]

Donor	Net ODA (USD mil)	Number of projects	Number of recipients	Number of agencies
Australia	2,954.13	2,876	84	1
Austria	1,713.47	1,224	125	10
Belgium	2,385.64	3,615	122	7
Canada	4,784.74	2,049	128	6
Denmark	2,803.28	601	64	2
Finland	1,165.71	1,283	127	2
France	10,907.67	3,569	151	6

[14] There are in fact as many as 31 aid-providing agencies (Brainard 2007.)

[15] We use the OECD-DAC definition of net ODA to mean official grants or loans, including financial flows and technical cooperation, provided to developing countries for the purpose of promoting economic development and welfare (Benn et al 2010).

Project numbers are from AidData, which counts distinct projects and adjustments to existing projects committed in 2008; project and recipient numbers for AfDF, AsDF, IDB Special Fund, IFAD, Korea, and the UN are from 2007. Agency numbers are from the DAC CRS, and exclude agencies whose gross disbursements are less than $1 million.

*Our UN Select measure, used in the country-level analysis primarily for comparison, is an aggregation of five UN agencies: UNAIDS, UNDP, UNFPA, UNICEF and WFP. In the agency-level analysis below, these five UN agencies are included separately.

Germany	13,980.87	9,238	151	7
Greece	703.16	989	122	7
Ireland	1,327.84	3,025	106	2
Italy	4,860.66	2,792	131	6
Japan	9,579.15	6,669	159	8
Korea	802.33	3,536	148	1
Luxembourg	414.94	1,585	93	1
Netherlands	6,992.64	1,207	98	2
New Zealand	348.01	688	93	1
Norway	3,963.45	4,208	117	4
Portugal	620.18	879	68	2
Spain	6,866.80	9,159	124	13
Sweden	4,731.71	2,793	117	3
Switzerland	2,037.63	4,249	129	7
United Kingdom	11,499.89	2,444	140	4
United States	26,842.10	15,509	152	16
AfDF	1,625.02	50	29	1
AsDF	1,653.53	52	21	1
EC	14,756.67	1,511	151	3
Global Fund	2,167.61	88	58	1
IDA	6,689.24	222	71	1
IDB Spec. Fund	309.75	25	13	1
IFAD	347.15	55	43	1
UN SELECT*	2,278.19	15,264	147	5

Country programmable aid

We are concerned with how aid contributes to development. But not all aid is designed to bolster long-term development. For example, humanitarian aid is a response to a specific crisis—of enormous value to individuals but not necessarily a contribution to long-term development (though the lines distinguishing humanitarian and development assistance on the ground are justifiably viewed as blurred, as in Haiti today). We exclude consideration of humanitarian aid because it serves a different purpose from development assistance and because an index of Humanitarian Response already measures how countries do against a set of agreed-upon principles.[16]

[16] The Humanitarian Response Index has been published by DARA (Development Assistance Research Associates) since 2007. Many of our indicators are of course also relevant to the quality of humanitarian assistance.

The core concept of aid that we use is country programmable aid (CPA).[17] As defined by the DAC, CPA reflects the amount of aid that can be programmed by the donor at the partner country level. It is defined by exclusion. That is, starting from gross aid disbursements the DAC subtracts out aid flows that are not programmable and are not intended for development projects and programs. Humanitarian aid (emergency response and reconstruction relief) and debt forgiveness and reorganization are netted out. So are administrative costs of donor aid agencies, awareness-raising programs about development in donor countries, refugee support in donor countries, the imputed cost of student scholarships in donor countries, food aid and core funding to NGOs (but not funds for implementing actual development projects). The CPA is what is then left over for development programs. It is a more relevant concept than total aid for measuring things like division of labor by agency, or aid selectivity.

For four of our 30 indicators we use a stricter definition of CPA (strict gross CPA), aiming to capture even better the amount of new money donors are making available in a given year to recipients. Our definition of strict gross CPA also deducts in-kind technical cooperation and interest payments from recipient countries to donor creditors to reflect the budgetary contribution that is available to the recipient.[18] (Roodman 2006; Kharas 2007). For country data on gross ODA, CPA by the DAC's definition, and our strict gross CPA by our definition for 2008, see appendix table 1.

The 30 indicators

We developed our 30 indicators bearing in mind the commitments of donors, the demands of their constituents at home, and the availability of comparable data needed for their construction. We also sought to ensure sufficient information to adequately represent each of our four dimensions of aid quality; this was more difficult for transparency and learning than for the other dimensions, where DAC data collection and organization have been impressive in recent years.

We also took into account the trade-off between the number of indicators and the usefulness of the indicator approach. Kraay and Tawara (2010) analyze the indicators of two popular datasets—the Global Integrity Index and the Doing Business Index. They conclude that econometric tests can find a statistically significant relationship between an aggregate index and particular outcomes (say, between an index of corruption and the quality of the regulatory environment). But they also find that there is little robustness in terms of which indicators are most significant and really matter. In other words, they find a trade-off between trying to identify actionable items represented by the indicators (which requires

[17] 2009 DAC Report on Aid Predictability. For discussion on the current DAC definition of CPA, and useful comments on issues involved, see Benn, Rogerson, and Steensen (2010).

[18] The DAC's measure of gross CPA, as well as our strict measure, do not net out loan principal repayments.

reasonably disaggregated indicators) and trying to assess which of these multiple indicators are relevant and important. The Global Integrity Index has more than 300 indicators of public sector accountability, while the Doing Business Index has 41 indicators of the regulatory environment.

In this report we steer a middle ground by choosing 30 indicators.[19] The individual indicators permit us to unpack broad concepts, such as efficiency and transparency, into actionable items. The four dimensions into which they are aggregated suggest broad areas of strengths and weaknesses. Our objective has been to choose indicators that provide a good basis for constructive scrutiny of donor operations, both by managers of those operations and by external advocates of increased quality of aid.

The 30 indicators are of three types. First, we have some indicators where the literature (or common sense) suggests that they are an *intrinsic good* in and of themselves. For example, there is now a large literature and consensus on the superiority of untied aid. Therefore, an indicator measuring the amount of aid that is tied can be a direct measure of quality.

Second, we have indicators that are proxies for some *latent variable* that we believe to be important but that is not directly observable. For example, we think that transparency is an important attribute for an aid agency, at the least because it makes the agency more accountable, but it cannot be directly measured—so we need proxies. In this case we are not concerned about the indicator itself, but about the broad culture that it represents.

Third, we have indicators that we believe are *inputs* into some desired outcome. For example, we may think that giving more aid to poor countries is a good thing because the chances are that more poor people will benefit. These indicators are included when we have some empirical academic results that link the indicator with an outcome (poverty reduction per dollar of aid, for example) in a reasonably robust way.

For each of the three types, there is a direct link between the value of the indicator and our concept of the quality of aid. In contrast to other quantitative assessments, we do not transform our indicators using regression analysis or other methods. This permits more straightforward and accessible comparisons across donor countries and agencies on each indicator. At the same time it means that the exactness of any one indicator in comparing donors should not be exaggerated; it is the set of indicators within a dimension that we hope provides a good measure of a donor quality in that dimension.

[19] In the literature on indices there is some debate on the trade-off between being comprehensive and adding more indicators, versus being simple and focused on selected indicators considered crucial for aid quality. We have tried to balance relevance and comprehensiveness.

Our indicators are cardinal. This allows for a direct comparison across donors as well as for measuring changes over time. But each indicator is on a different scale, so to aggregate them into our four composite categories we transform each indicator into a standard normal variable with the mean equal to zero and the variance equal to one.[20] Countries/agencies are then given a score that measures how many standard deviations they are from the mean. The indicators in each category are averaged to produce a score and a ranking across donor countries and agencies in each category or dimension of aid quality.

Table 3 summarizes the indicators classified by our four dimensions. Of the 30 indicators 14 have been used by recipient country aid quality reports, and 9 were specifically developed for the Paris Declaration and are monitored in the biennial surveys. Sixteen are indicators that have been discussed in the academic literature. Four are introduced here for the first time; these are in the transparency area where, until the release of AidData in April 2010, quantitative measures were hard to find.[21] The indicators are discussed in more detail below where we outline our country and agency results, and in part II where we provide a full description of each indicator and how we calculated each donor's score.

Information on aid has improved significantly over the past few years, making it possible to construct a much larger and more robust set of indicators. That allows us to construct indicators that are more granular and specific at a level that invites aid officials and managers to tackle specific possible fixes. We also expect that others will have their own ideas about the indicators to be used in our quality of aid index, and we hope to stimulate a debate on this issue. Indeed, we present some ideas about indicators that would be useful to construct, but where data are currently lacking (in our description of data sources below as well as in our Annex). Finally, we hope that we can give impetus to the growing consensus on the need to improve aid data quality by identifying areas where the lack of high quality data precludes construction of an appropriate indicator. We hope this first assessment helps inspire improvements in the collection and reporting of data, which we can exploit in the future as we expect to update this assessment annually.

[20] This normalization provides a score for the indicator using the simplifying assumption that the indicator is indeed normally distributed. That assumption may not be appropriate for all indicators, but is used in the interest of simplicity and transparency. Where the assumption is violated, alternative assumptions would result in different weights for aggregating the indicators.

[21] Some indicators have multiple sources, so the numbers do not add to 30.

Table 3: Thirty Indicators/Four Dimensions

Maximizing Efficiency	Fostering Institutions	Reducing Burden	Transparency and Learning
Share of allocation to poor countries‡	Share of aid to recipients' top development priorities*‡	Significance of aid relationships‡	Member of IATI‡
Share of allocation to well-governed countries	Avoidance of PIUs (Project Implementation Units)*†	Fragmentation among agencies within a given donor country.	Recording of project title and descriptions
Low administrative unit costs‡	Share of aid recorded in recipient budgets*†	Median project size*‡	Detail of project descriptions
High country programmable aid share‡	Share of aid to partners with good operational strategies‡	Contribution to multilaterals‡	Reporting of aid delivery channel
Focus/specialization by recipient country‡	Use of recipient country systems*†	Coordinated missions*†	Share of projects reporting disbursements
Focus/specialization by sector‡	Coordination of technical cooperation*†	Coordinated analytical work*†	Completeness of project-level commitment data*
Support of select global public good facilities ‡	Share of scheduled aid recorded as received by recipients*†	Use of programmatic aid*†	Aid to partners with good M&E frameworks‡
Share of untied aid*†	Coverage of forward spending plans/Aid predictability*‡		

The 30 indicators are flagged by the type of source that advocates for use as a benchmark:
* Recipient governments
† Paris Declaration
‡ Academic literature

Data and aggregation strategy

We use data from a wide variety of sources in order to generate as robust a list of indicators as possible. Our index is based on 2008 data, for the most part, though in some instances survey results may reflect 2007 perceptions. Our data come largely from the OECD Creditor Reporting System and the aggregate tables 1 and 2a in the DAC online datasets. Other data sources are:

- AidData—a project level database that consists of 924,633 projects covering 327 donor agencies from 86 countries and multilateral institutions, providing aid to 205 recipient countries since 1947. AidData also records the sector supported by each project.[22]
- 2008 Paris Monitoring Survey—this survey covers 55 recipient countries receiving about one-third of total aid[23]
- World Bank Aid Effectiveness Review[24]
- DAC Report on Aid Predictability[25]
- World Bank/Gallup poll of aid recipients
- World Values Survey[26]
- Latino-, Euro-, Asian- and Afro-Barometer Surveys
- Index of Governance Vulnerability (Kaufmann and Penciakova 2010)[27]
- The UN National Accounts Main Aggregate Database
- International Monetary Fund (IMF) *World Economic Outlook*

The data are drawn from annual, biennial and ad hoc sources. In some cases, such as administrative costs for multilateral agencies, we obtained data from annual reports. All the variables are quantitative and continuous (except for one, membership in IATI, which is binary). Because of this variety of sources, we hope that at least some of the indicators can be updated annually and that all the indicators can be updated every two years.[28]

Our base year, 2008, is the most recent with available data in the DAC CRS, as well as the period covered by the most recent Paris Monitoring Survey. [29] (We find it problematic that

[22] AidData provides information at the project level, sometimes aggregating DAC CRS information at the activity level. AidData uses the OECD Creditor Reporting System, but complements data available from the CRS online and the non-downloadable CRS CD-ROM with data from donor annual reports, project documents, and databases, including documents and data AidData obtains directly from donor agencies.
[23] OECD 2008.
[24] World Bank, 2007.
[25] OECD 2009a.
[26] http://www.worldvaluessurvey.org
[27] Kaufman and Penciakova 2010.
[28] 2011 is the last planned year of the Paris Monitoring Survey, but we are hopeful it will be continued after that.
[29] We did not try to do assessments for earlier years, which would have provided insights on trends for various countries and agencies, in part because data for earlier years from some of our sources are not available or not

aid data at a disaggregated level are only available two years after the fact. This limits its usefulness for decision-making within aid agencies and in recipient countries, and makes it too easy for aid agencies to continually report that past shortcomings are being or have been addressed.)

Some data on aid are notoriously poor, although the quality of data has improved significantly over the last five years. Easterly and Pfutze (2008) conclude: "obviously, missing or unreliable data is a serious flaw in our comparative exercise—as well as being a serious complaint against the aid agencies." We concur. Many data we would have liked to use are simply not available. For example, disbursements by project are spottily recorded, and as there are upward of 80,000 new development projects a year, it is impossible to generate these data by going to primary sources. We are also struck by how limited are the data available from recipients themselves. The Paris Monitoring Survey, for example, which we use extensively, asks only three questions to recipients. Yet, if such principles as ownership are to be taken seriously, recipient-based information should be the principal ingredient of an index—quality is at least in part in the eye of the beholder.

There are no comparable data available across agencies on the development success of projects as defined by independent evaluation offices. We would have liked to see more comprehensive measures of how donors use monitoring and evaluation to inform themselves about development impact and become true learning organizations.[30] Furthermore, there are no data on leverage or scaling up. Many projects are innovative and can have significant impact if taken to scale by recipient governments. We have only anecdotes of such successes. Scaling up can be achieved by many routes, one of which is financing. Some types of aid, such as guarantees, leverage other resources for development. Their contribution can best be measured in terms of the overall impact on other resources, not the amount of the guarantee. For now we cannot measure these kinds of nuances.

It is also worth noting that our indicators of development effectiveness are not adjusted by recipient country circumstances. It is well known that development is far harder to promote in fragile states, yet many aid agencies are tasked to do precisely that. Agencies that do the hard and expensive work of creating conditions for development, that others can later build upon, may be unfairly penalized by our indicators. At this stage, we do not see an easy way to address this problem, but it does point to the fact that an indicator approach—regardless of how sophisticated its design—has limitations that must be kept in mind, and that the

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comparable. But we do expect that going forward it will be possible to develop information on progress (or not), using 2008 as the base year.

[30] As noted above we sent out two surveys to donors to solicit information on this and other critical questions on aid delivery, but the responses were too incomplete to incorporate into our indicators. The annex includes the questionnaires and a list of agencies that responded.

relevance of scores on any single indicator to the overall quality of any single agency should not be exaggerated.

As noted above all of our 30 indicators are converted into standard normal variables with the mean equal to zero and the variance equal to one—creating what is known as a z-score.[31] The means and variances are computed for the countries and agencies. By taking the means and distributions from 2008 (the current exercise) as our base year, we will be able to show changes in the indicators in the future; next year's assessment could see all donors improve (or become worse) relative to 2008 depending on changes to the mean values of the indicators.

The standardized indicators within each of our four quality dimensions are arithmetically averaged, with equal weighting for each indicator, to generate the score for each country/agency for each of the four dimensions.[32] For each dimension the country/agency is ranked according to its average z-score (based on the number of standard deviations of that country or agency's score from the mean) for the indicators in that dimension. Z-score values greater (less) than zero for a particular country or agency indicate that the average indicator value is above (below) the mean for all countries/agencies.

Our approach gives equal weight to each indicator within each dimension—the most transparent and "neutral" approach, though we recognize that it does represent an implicit judgment. To ensure that it is not patently unsuitable, we did a principal components analysis (PCA) (see appendix table 2). If much of the variance for any of the four dimensions could be explained by one or two indicators (or principal components), then in principle we might have chosen to infer a set of weights directly from the data. In practice, however, the PCA did not produce a strong concentration of the variance. For each of the four dimensions of quality, either five or six principal components are required to explain 90 percent of the variance. This suggests that the indicators we have chosen are not highly correlated with each other, so that our method of equal weights does not result in giving some indicators of aid quality undue emphasis. (At our website, readers can download the data and impose alternative weights for indicators within and across each dimension.)

Weighting indicators equally means that we need to take care not to "double count" by including indicators that reflect similar issues. For example, it could be the case that the share of aid allocated to poor countries is negatively correlated with the share allocated to countries that are well governed (since poor countries tend to be less well governed). If that were true, introducing both indicators would give twice the weight to the per capita income

[31] We assume a normal distribution. In some cases, where there are large outliers across countries, the natural log of the indicator is standardized.

[32] Readers can apply their own weights using our full dataset, downloadable from our website (http://www.cgdev.org/QuODA).

of aid-recipient countries compared with the case where we only included one of the indicators.[33] Actually, we find virtually zero correlation between the two indicators. Similarly, it might be the case that project implementation units (PIUs) are used only where governance is poor. But again, the actual correlation between these two indicators is only 0.26—not negligible, but small enough to suggest that new information is conveyed in each of the indicators. There are some instances where correlations are high: donors with a large median project size tend to record their aid in recipient budgets; donors that contribute most to our small set of select global public goods facilities are also those that channel the most aid through multilaterals. In our judgment these are choices by donors, not structural characteristics, so it is reasonable to include both indicators.[34]

Our transparency and learning dimension is probably the least well captured by the indicators we developed, as the data in this area are relatively limited. For example, three of our six measures of donor transparency are based on apparent willingness of donors to provide to the DAC good clear information on the projects and programs they are financing. The bivariate correlations among the three variables suggest that there is value added in including all of them (appendix table 9)—but as with most indicators there is no revealed wisdom or empirical evidence on which of them is the best proxy for actual effectiveness.

In some cases data are missing for some agencies (for example, multilateral agencies do not contribute to funding global public goods). Averaging allows us to treat this as a missing observation rather than a zero score, so these agencies are not penalized.

The aggregation process does give greater weight to outlier performances on indicators that have low variance. In a few cases these outliers have large values. In our sample of 30 indicators there are 43 cases (out of a possible 930 country-indicator values) of a z-score greater than two in absolute value. For example, the variance in administrative costs per dollar is not that large across all donors. But Switzerland has particularly high administrative costs, while Portugal has particularly low administrative costs. Their z-scores on this indicator are correspondingly large in absolute value.

[33] Actually, none of the indicators like the share of aid allocated to countries with good operational strategies or those with good M&E capabilities are highly correlated with the share of aid allocated to poor countries.
[34] We present the full correlation matrix of the 30 indicators for the country-level analysis in appendix table 9.

Country analysis: results

The main results for our country analysis are presented in the figures below that show the ranking of countries (and multilateral agencies) on each of the four dimensions of aid quality. We include multilateral agencies in both the donor country and the agency analyses. In the case of the country analysis, we are assessing the multilaterals (compared to each other as well as to the bilaterals) from the perspective of their member country contributors in terms of what might be called their external efficiency – without reference to the limited number of eligible country recipients of some multilaterals, and of the limited sectors of engagement of others. The assessment provides information to the United States, the United Kingdom, Japan, and other donor countries about how much and what type of quality they "buy" when they contribute to one or another multilateral. In the case of the agency level analysis, below, we are assessing the multilaterals from the perspective of their management, in terms of what might be considered their "internal efficiency" given their specific mandates.

The fact is that multilaterals' mandates provide them with an inherent advantage for some of our indicators (e.g. specialization in its comparative advantage in the case of the Global Fund; or likelihood of poor country orientation in the case of the African Development Fund) or inherent disadvantages (e.g. good governance orientation in the case of the Asian Development Fund and of IDA with its special allocations for post-conflict and other fragile states [box 2]).

Maximizing efficiency

Maximizing efficiency is our shorthand way of emphasizing the link between development assistance and poverty-reducing growth. We understand that donors have several different objectives when giving aid, but our measure of quality does not try to assess each donor's aid against that donor's stated objective, but against a global standard of how to best achieve sustainable growth and poverty reduction—in essence, we are trying to measure the likely "development bang-for-the-buck" of each donor at the global level (Box 3).

Box 2: The special case of fragile states

One difficulty with measuring the efficiency of donors is that they operate in different sets of countries, sometimes by choice or the urging of shareholders but sometimes by mandate. Those donors that operate in fragile states are faced with a more costly and complex task than those that operate only in countries with relatively good economic development performance.

Donors that work in fragile states or post-conflict situations must often start from scratch in building relationships, developing an on-the-ground presence, generating sufficient knowledge to inform development, clearing arrears through complex negotiations and other tasks. Fragile states, by definition, have weak states and poor governance (at least initially), and they need help in constructing the foundations for development before actual projects can even begin. Those foundations are the building blocks upon which other development partners can construct assistance programs. Many multilateral agencies, such as IDA and UNICEF are active in fragile and post-conflict situations. Some bilateral donors commit large sums to fragile states for security as well as development reasons – for example the U.S. in Afghanistan; others such as Norway and Sweden target a limited number of small, poor, and fragile states as a central focus of their long-term development strategy.

We use the concept of strict CPA to avoid penalizing donors for providing technical assistance to fragile and post-conflict states that may have poor governance. We also tried to construct a variable rewarding donor for working in post-conflict environments using a dataset from the Uppsala Conflict Data Program, but concluded that the results were too sensitive to arbitrary choices on how to define "post-conflict" (see appendix table 8).

Fragile and post-conflict states, in common with other recipient countries, also face significant volatility in aid receipts that lowers the value of this aid (Kharas 2008). We tried constructing a variable to penalize donors for volatile behavior, but were unable to satisfactorily disentangle "good" volatility for counter-cyclical reasons and in response to improper recipient actions from "bad" volatility stemming from arbitrary donor behavior and procedures.

Adjusting for both fragile and post-conflict states and for volatility are important areas where we intend to do more work (appendix table 8).

Box 3. Value for money through *maximizing efficiency* indicators

If donors optimized aid practices and policies in terms of the *maximizing efficiency* indicators, they could potentially save billions of dollars. We cannot be precise about the magnitudes, but a few references from the academic literature illustrate the potential.

Collier and Dollar (2002) suggested the effectiveness of aid on poverty could **double** if selectivity in terms of governance and pro-poor orientation were optimized. Although this study has been challenged, the broad conclusion that selectivity in aid allocations can improve aid efficiency is broadly accepted.

Tying aid is believed to add anywhere from 10 to 30percent of costs (Jepma 1991). More than 10 percent of all DAC donor aid is still tied, or $12 billion, so the costs of tying are in the range of **$1.2–$3.6 billion**. And non-DAC donors tie considerably higher portions of their aid. For some types of aid, tying costs are more precisely estimated: AidWatch reports that "buying food locally in sub-Saharan Africa… costs 34 percent less than shipping it from the US, and gets there on average more than 100 days more quickly" (Freschi 2010).

Volatility also has significant costs, estimated at $6.8 billion (Desai and Kharas 2010). One-fifth of the explained volatility is associated with donor behavior (as opposed to such recipient issues as conflict or elections), or **$1.3 billion**. We were unable to include a robust indicator of volatility in this version but report on preliminary work in appendix table 8.

We use eight indicators, largely designed to measure efficiency through aid allocation decisions (abstracting from changes in institutions and other aspects of long-term change). Except as stated, we reward these characteristics:[35]

- **ME 1: Share of allocation to poor countries.** Building on work by others (Collier and Dollar 2002; Dollar and Levin 2004) we give greater weight to aid that goes to poor countries.
- **ME 2: Share of allocation to well-governed countries.** This provides a measure of selectivity by governance. Following Kaufmann and Penciakova (2010) we give greater weight to aid that goes to better governed countries. (For this indicator, we use our strict definition of CPA [see appendix table 1]; technical assistance, debt relief, and other types of aid are excluded from our strict definition so that those types of aid to fragile states are not penalized.) It is possible in principle that some donors that score well on allocation to poor countries would score badly on allocation

[35] See Part II for details and rationales.

to well-governed countries, and vice versa. But probably because of our appropriate use of strict gross CPA in computing this indicator, the two indicators are uncorrelated with each other.

- **ME 3: Low administrative unit costs.** Countries are rewarded for low administrative costs per dollar of gross CPA. High administrative costs as a percentage of money that can be programmed at the country level for development activities are taken as a sign of inefficiency (Easterly and Pfutze 2008); of course it is possible that some administrative spending is effective and worthwhile, particularly for knowledge generation in poorer and more fragile states. This is another area where the evidence base linking administrative costs and actual efficiency is weak. Certainly, however, for any given level of effectiveness or impact, lower costs imply greater value for money.
- **ME 4: High country programmable aid share.** Strict CPA (defined in the discussion of country programmable aid above) as a share of gross ODA measures the cash flow for development projects and programs from a donor to all recipient countries as a share of total aid.
- **ME 5: Focus/specialization by recipient country.** Donors that provide more aid to countries in which they are specialized (have a revealed comparative advantage -- defined in Part II -- greater than one) score better. The European Union, for example, has emphasized the importance of a better division of labor, by recipient country and sector.[36]
- **ME 6: Focus/specialization by sector.** Following the same logic and definition of revealed comparative advantage used in ME*5*, we also measure donors' specialization in terms of aid allocation by sector.
- **ME 7: Support of select global public good facilities** measures the proportion of aid to nine global public good facilities, including the Extractive Industries Transparency Initiative Multi-Donor Trust Fund (EITI), the Consultative Group for International Agricultural Research and the International Initiative for Impact Evaluation. These nine do not include several large vertical funds (such as the Global Fund to Fight Aids, Tuberculosis, and Malaria) which finance primarily country programs and projects. We believe that at the moment, global public goods are sharply underfunded. Donors trying to address this need score more highly (International Task Force on Global Public Goods 2006).[37]

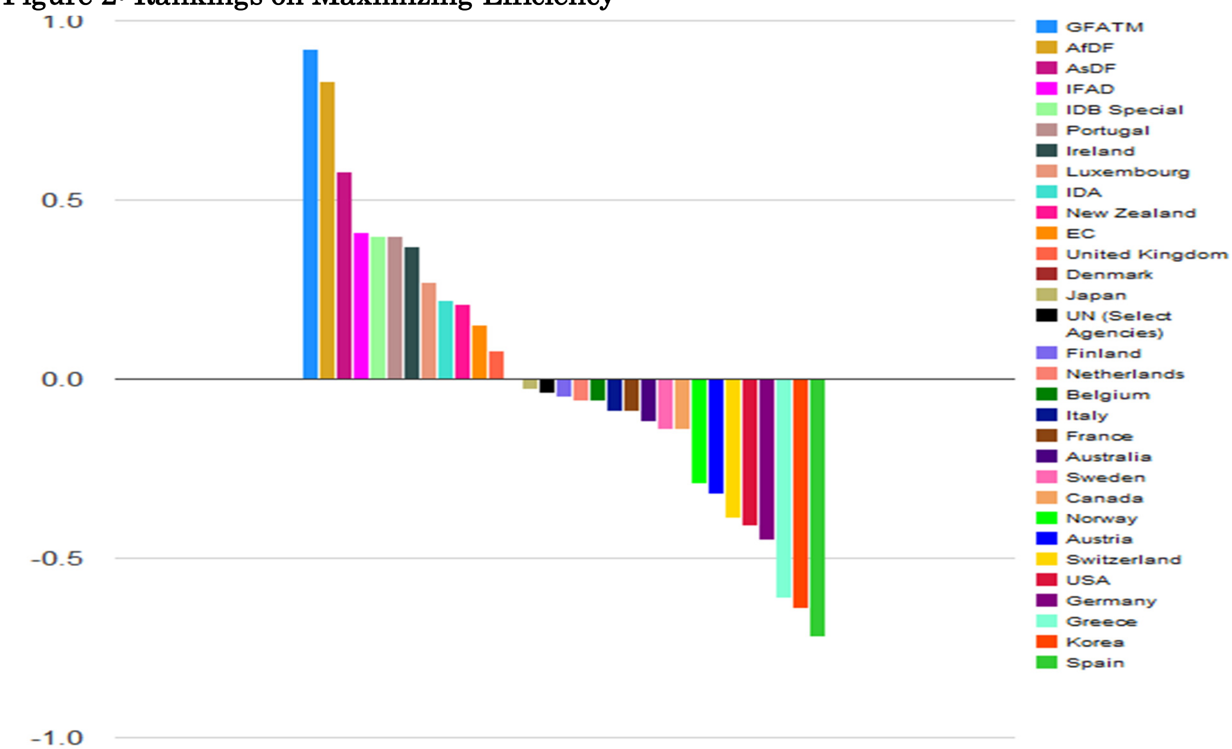
[36] See the EU Code of Conduct on Division of Labor in Development Policy, Brussels, 2007.

[37] This indicator is not monotonic. We know that there is likely to be a ceiling on the optimal amount of money devoted to global public goods, but we feel we are so far short of this level at present that donors who give more to funding public goods should be rewarded in their scores. See also Birdsall and Subramanian (2009). Birdsall (2004b) compiles the limited data on funding of regional public goods relevant to Africa and concludes that the reality and the reporting are both terrible.

- **ME 8: Share of untied aid** in total aid.[38] It is well documented that tying aid increases the costs of goods and services and constrains the development of partnerships with recipient countries (Jepma 1991, Clay et al. 2008). Donors score better for providing greater shares of untied aid.

We would have liked to include two other indicators of efficiency: stability of aid disbursements and the right amount and timing of aid to post-conflict and other fragile states. Useful new measures of aid volatility are being developed (Desai and Kharas, 2010) but seem too sensitive at the donor level to differences in timing and responsiveness to changed circumstances at the recipient level – in some cases likely to be reflecting, in our view, greater but in other cases less efficiency. We developed a measure of donors' disbursements to post-conflict states in an effort to recognize the "efficiency" of risky but potentially high-return early engagement. But there is debate about the optimal time path of donor funding in such situations (Collier and Hoeffler, 2002), and even about the definition of "post-conflict", so we did not include this indicator either. (Our preliminary computed results for these two indicators are shown in appendix table 8 so readers can get a partial sense of how various donors score with the imperfect measures we have developed so far. See also Box 2 on fragile states)

Figure 2: Rankings on Maximizing Efficiency

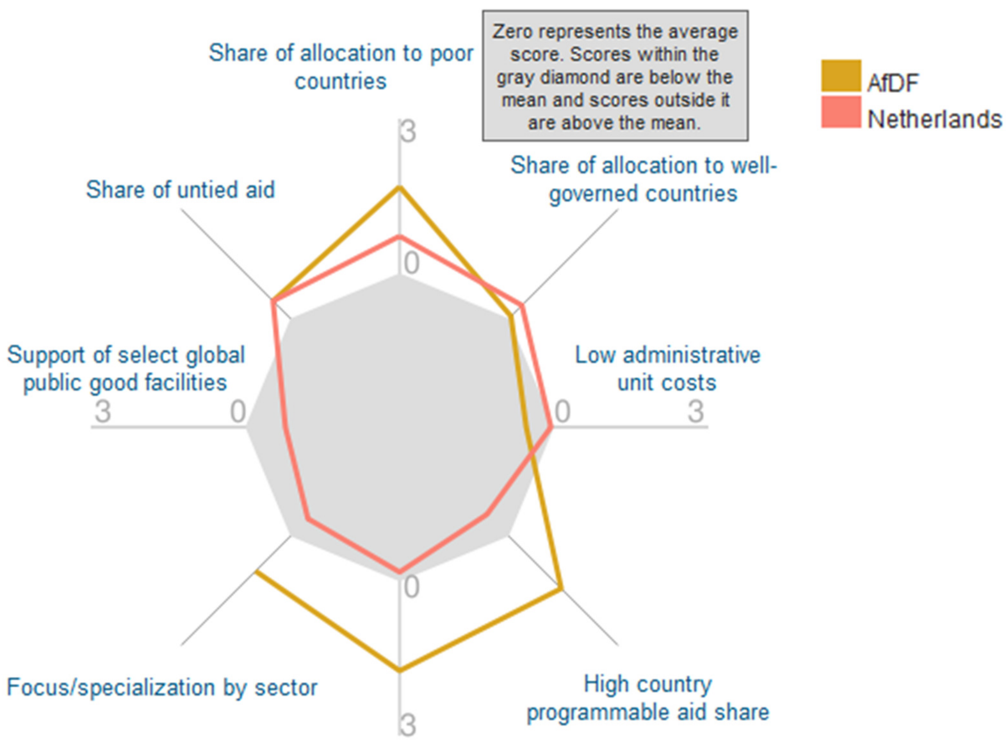


[38] The denominator is total bilateral aid as defined in the Paris Monitoring Survey.

Figure 2 show the ranking for *maximizing efficiency* across our group of country (and multilateral) donors. In general the multilaterals do better than bilaterals on this dimension of quality, with six of the top nine performers. All the multilateral agencies tend to have good focus or specialization, meaning that they allocate most of their aid to sectors and/or countries where they have a revealed comparative advantage. The Global Fund does well across the indicators and, along with the IDB Special Fund, is best in class on specialization by sector.[39] The IDB does well because it has a comparative advantage where it operates, that is it is a major player in most sectors. The African Development Fund is a good example of a donor that scores well on both components of selectivity—with high shares of transfers going to poor countries and to well-governed countries. IDA, IFAD, and the Global Fund are best in class on the share of transfers that are programmable at the country level. IDA also does well on share of allocations to poor countries (see also box 4).The multilateral agencies also tend to give a far higher share of their aid in country programmable cash-flow terms to recipients.

The performance of the African Development Fund and the Netherlands, a middle-tier performer, are compared in Figure 3.[40]

Figure 3: African Development Fund and the Netherlands on Maximizing Efficiency



[39] It is important to recognize that this does not bias our findings unfairly toward vertical funds. While these funds do better on the indicator of specialization, they do worse on indicators of responsiveness to recipient country priorities (included under fostering institutions).

[40] Multilateral organizations were not scored on the indicator for support of select global public good facilities.

Box 4. Is IDA special?
IDA is the only multilateral (and Ireland the only bilateral) that score in the top 10 on all four dimensions of aid quality. However, some would argue that it makes little sense to compare IDA to other aid providers.

It is true that IDA is special. Among other things, in 2008 and for many years prior to 2008, IDA was the largest of all multilateral agencies (and second only to the U.S. Agency for International Development among all official funders) measured in terms of gross disbursements to low-income countries. In that role it often provides the underlying infrastructure of country dialogue and analytic work that helps shape and support the design and implementation of other funders' country programs. In addition, because IDA is part of the World Bank, it shares in the costs of World Bank engagement in the development and deployment of new financial instruments, of knowledge itself and of other services in the nature of global public goods that matter for development and global prosperity but are not directly related to lending and grant operations. IDA also shares in the costs the World Bank takes on associated with providing fiduciary and other services to other funders – not all of which are fully reimbursed. Of course some of these contributions of IDA and of the World Bank are also true, though to a lesser extent, of the other multilateral banks, of specialized agencies in their areas of specialization, and of several large bilateral agencies which have become leaders in certain types of analytic work and have shaped best practice with certain innovations in aid delivery. Still these "global" functions within the official donor community have become distinctly a World Bank/IDA responsibility. It is possible, based on alternative approaches to estimating these non-operational costs on the part of Bank staff, that the total administrative cost of IDA operations absent these other services could be as much as 20 percent lower than those published in the World Bank 2008 Annual Report and used by us in our measure of administrative costs.

Beyond administrative costs, as the largest multilateral, IDA may be at a disadvantage on other indicators. It has a special allocation for fragile states (see box 2) which probably reduces its score on the indicator for allocation to well-governed countries relative to what it would otherwise be (this of course is also the case for other funders though often due to special security or cultural ties not as an outcome of a development mandate per se). Its broad sectoral mandate (from infrastructure to tax analysis to health systems) may be reducing its (reasonably good) score on sectoral specialization. On the other hand, IDA scores very well on median project size, and better than other multilaterals on transparency and learning – possibly reflecting the greater pressure it has been under for many years as a large and visible funder.

Among the large bilaterals, the UK does best, with its highest score in allocation share to poor countries, and well above the average score in low administrative costs. Korea and Spain do especially poorly on tied aid. Korea provides a considerable portion of its total aid to middle-income Asian countries—Vietnam, Philippines, Indonesia, and Sri Lanka. Spain also does poorly on poor-country selectivity, with Algeria, Morocco, Central America, and Peru among the principal beneficiaries of Spanish aid. These examples illustrate an obvious point: neighborhood, past history, and cultural ties are as much a determinant of choices bilateral governments make for where to concentrate their aid as poverty and governance. While it is legitimate for donor countries to have such preferences, they detract from the poverty bang-for-the-buck criterion of aid efficiency.

Bilaterals also tend to perform badly compared with multilaterals on focus/specialization, on administrative unit costs, and on providing aid in the form of country programmable net resource transfers.

Size and scope do not appear to be significant determinants of scores. The EC, UK, and IDA are relatively large donors with substantial scope in terms of sectors and recipient countries that do relatively well, while Japan and the United States do relatively poorly. Some small new donors like Ireland do very well, while others like Austria and Greece do poorly.

Fostering institutions

There is a saying in the aid world that if you want to do something fast, do it yourself. But if you want to go far, foster institutions and partnerships. Fostering institutions, including those of civil society, is central to long-term development.[41] When aid passes through recipient country institutions it is more likely to be "owned" by the recipient. Aid can also then lead to stronger domestic institutions that affect the quality of all public spending, including domestic resources (box 5). Most of the indicators used below are also monitored by developing countries that have their own aid assessment framework.[42]

[41] One major omission in our work is the absence of any indicator describing engagement with civil society. We recognize that civil society has a major role in monitoring and evaluating official aid, as well as in participating in development program formulation. We do include civil society opinions on development priorities as part of indicator FI1. But because there is no evidence to suggest that the share of official aid passing through civil society implementation channels is a good proxy for civil society engagement, we did not have a good rationale for using that information.

[42] We reviewed assessments by Ghana, Mozambique, Rwanda, and Tanzania.

Box 5. Potential gains from improving on *fostering institutions* indicators

The importance of institutions in development should not be underestimated. Acemoglu, Johnson, and Robinson (2001) famously find that differences in institutions explain more than 50 percent of income variation across countries. They suggest that "improving Nigeria's institutions to the level of Chile could, in the long run, lead to as much as a seven-fold increase in Nigeria's income." Carefully planned development assistance can be harmonized with recipient systems, while go-it-alone or parallel approaches to aid delivery risk substituting for local institutions and stunting their growth.

Kampeta Sayinzoga, Director of Rwanda's Macroeconomic Policy Unit, complains, "because we do not know the value of project support given to Rwanda, we had to use a guestimate in Rwanda's macroeconomic framework—a meaningless number."

Knack and Rahman (2004) and Selaya and Thiele (2009) find that higher aid levels tend to reduce institutional quality significantly. The latter find that this effect is larger for grants—the dominant form of aid—than for loans, perhaps because grants and loans are often administered by different donor agencies. The key point is that the way in which aid is provided can affect the impact of aid depending on whether domestic institutions are strengthened or weakened in the process.

We use eight indicators to reflect the contribution to local institutions:

- **FI 1: Share of aid to recipients' top development priorities.** Most recipient countries express their own views about development priorities. We take survey data on these priorities (from Gallup polls and various regional Barometer surveys) and for each donor-recipient pair calculate the share of aid devoted to purposes identified by the recipient as one of their top five development priorities. General budget support is also added on the grounds that recipient countries can use that support for their own priorities as expressed through their budgets.
- **FI 2: Avoidance of PIUs.** We reward donors for avoiding the use of project implementation units (PIUs). Many donors use separate PIUs to expedite the implementation of projects and minimize risks of waste and corruption. But PIUs have become controversial on the grounds that they are parallel to local institutions and undermine rather than support them. Donors often recruit high-quality civil servants for these units to work on their own projects, without regard to the negative implications for implementation of other development programs and projects. Under the Paris Declaration there was general consensus that PIUs should be avoided where possible, but several donor agencies still use them because they are a convenient mechanism for ensuring that the "donor's" project stays on track. (Paris Declaration indicator 6.)
- **FI 3: Share of aid recorded in recipient budgets.** This is the proportion of aid that flows through the government budget. Program aid is more likely to pass through

the budget than project aid, but in theory it would be good practice for all donor-funded projects to be included in the budget as well. Even donor support that goes to local non-government organizations to provide services ideally is reflected in the government budget. Data from recipient country governments on how much aid passes through their budget is compared with donor estimates of total aid to the government sector to estimate how much aid is on-budget and how much is off-budget. (Paris Declaration indicator 3.)

- **FI 4: Share of aid to partners with good operational strategies.**[43] Increasingly, recipient countries are being asked to develop country strategies that donors can fund. We account for the proportion of aid going to recipient countries with high-quality strategies. The quality of these operational strategies has been assessed by World Bank staff.[44] If more aid went to countries that had good operating strategies, it would be a powerful incentive to develop local capabilities.
- **FI 5: Use of recipient country systems.** This is measured as the share of aid provided to government that relies on recipient country financial management and procurement systems. Donors prefer to use their own systems rather than the recipient country system because they can more easily control and report on expenditures. But it is preferable for donors to use country systems and help countries develop these systems to acceptable international standards. Even when country systems are judged adequate, they are often not used. (Paris Declaration indicators 5a and 5b.)
- **FI 6: Coordination of technical cooperation.** This is the share of technical cooperation that donors align with the capacity development objectives and strategies of partner countries. Technical cooperation used to be notoriously poorly managed, with considerable waste resulting from overlap among donors on its provision. Many aid recipient countries have tried to reduce this waste by coordinating technical cooperation, but they need the cooperation of aid providers to do this well. Under the Paris Declaration countries committed to improve technical cooperation by increasing their cooperation with partner countries. (Paris Declaration indicator 4.)
- **FI 7: Share of scheduled aid recorded as received by recipients.** This captures the share of aid recorded by the recipient as a proportion of the total disbursements scheduled by the donor in a given year. Many aid recipients cannot predict aid flows because aid is not disbursed in the fiscal year for which it was scheduled. Under the Paris Declaration countries committed to making aid more predictable.[45] (Paris Declaration indicator 7.)

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[43] The bivariate correlation of this indicator with the share of allocation to poor countries is 0.07.

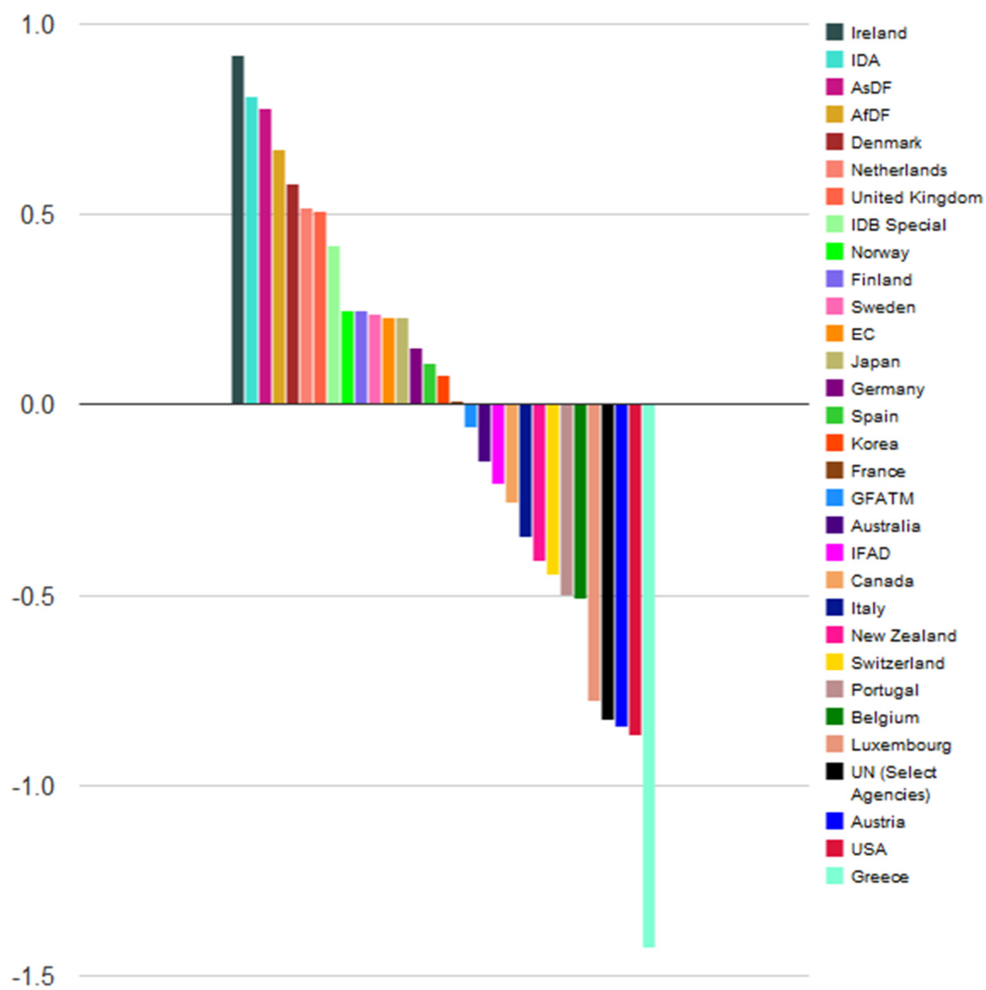
[44] We recognize the possibility that World Bank staff are heavily engaged in developing strategies that they then judge adequate. But as it turns out on this indicator, IDA (the concessional arm of the World Bank) ranks only 11th of 31, and below several other multilateral institutions.

[45] This indicator is based on the Paris Monitoring Survey, in which the aid under consideration is not the DAC-defined CPA.

- **FI 8: Coverage of forward spending plans** as a measure of aid predictability. We incorporate these measures from the DAC, which calculated the share of CPA for which donors provide spending information three years into the future. When donors provide forward-looking information on their likely aid, it helps recipients develop sound projects and use funds more effectively. The share of their aid covered by such projections is a good indicator of their willingness to support recipient planning.

Figure 4 shows the results on *fostering institutions.* Ireland, IDA, and the Asian Development Fund stand out as the best performers, while Luxembourg, UN Agencies, Austria, the United States,[46] and Greece are the least focused on fostering institutions in their partner countries.

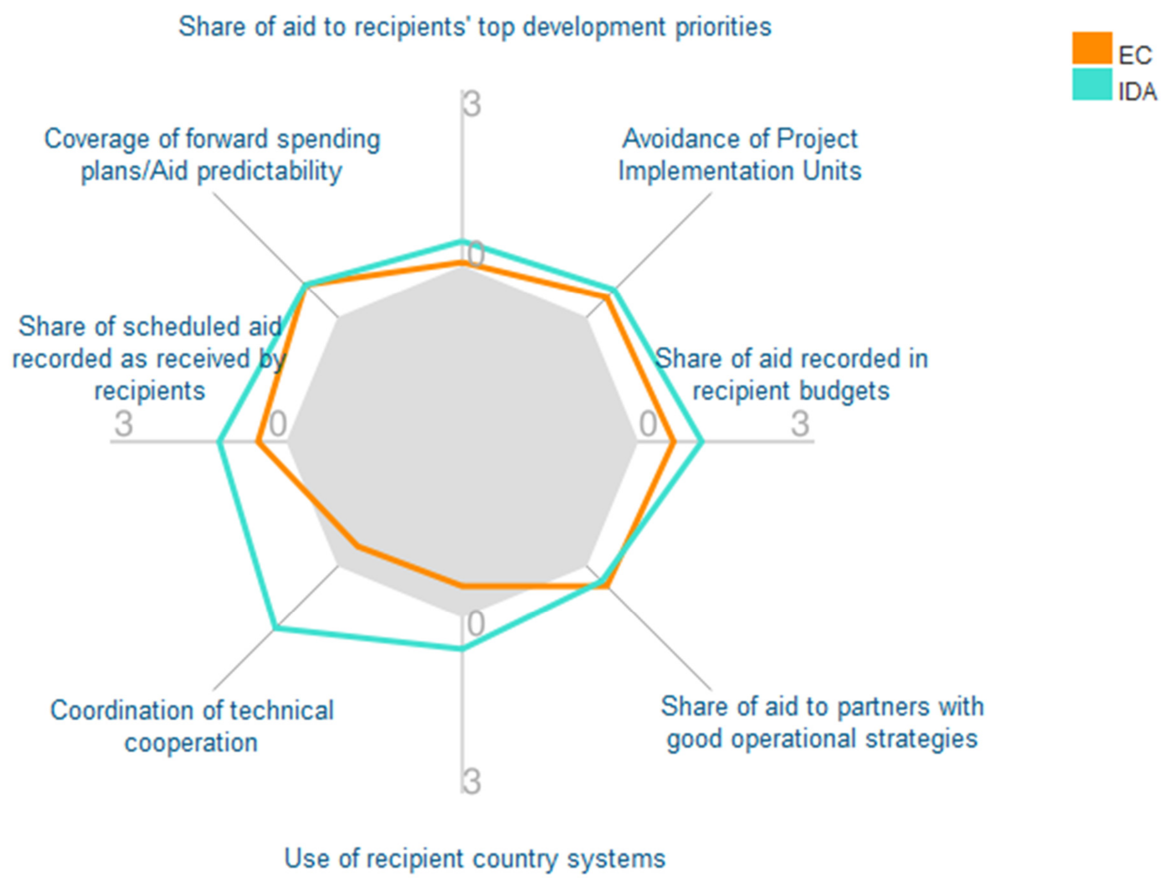
Figure 4: Rankings on Fostering Institutions



[46] Natsios (2010) explains in painful detail how the counter-bureaucracy of inspection and auditing adds to the administrative costs (and undermines the effectiveness of) U.S. aid programs.

One feature of the three best performers is that they systematically score above the mean on every indicator on this dimension.[47] They tend not to be over-reliant on separate project implementation units, score well in helping their partners develop good operational strategies,[48] and coordinate their technical assistance. Countries or agencies that do poorly in fostering institutions fail to use country financial and procurement systems, often appear to pursue their own priorities rather than respond to recipient priorities, and do not channel their aid through recipient country budgets. Two multilaterals, IDA and the EC, are compared on fostering institutions in figure 5.

Figure 5: IDA and EC on Fostering Institutions



[47] The exception is Ireland, which scores fractionally below the mean for the share of its aid recorded in recipient budgets.
[48] The identification of good recipient-country operational strategies is done by the World Bank, so it is perhaps not surprising that IDA scores well on this indicator.

There does not seem to be any systematic pattern in terms of size of donor, bilaterals versus multilaterals, or Europeans versus others in how countries/agencies fare in fostering institutions. Among the bilaterals those known for relatively large aid budgets given their overall economic size (CGD/Commitment to Development Index, 2009)—Denmark, the Netherlands, Norway, and Sweden—do relatively well, as does the UK.

Reducing the administrative burden

With upward of 80,000 aid projects annually, the administrative cost burden on recipient governments can be huge (box 6). Case studies suggest that senior officials in recipient countries can spend half or more of their time dealing with donors and their concerns.[49] Some aid recipients, like Kenya, have taken the drastic step of limiting missions during certain times of the year (usually around budget preparation time) and others have organized units within their ministries to be a focal point in dealing with donors. In its Development Cooperation Report for 2009, the DAC concludes that the ever-growing number of donors and aid agencies and mechanisms across the world is making "aid increasingly fragmented and reducing its effectiveness."

Box 6. Potential gains from improving on *reducing burden* indicators

The fragmentation of official development assistance has created a huge burden on recipient country administration, a dizzying cost that isn't fully accounted for in many aid administrators' decision-making. With many bilateral and multilateral relationships to manage, recipient administrators are spending an increasing share of their time and resources receiving donor missions. The OECD estimates that the deadweight losses associated with an average of 263 missions annually to aid-recipient countries could be as high as **$5 billion** (Killen and Rogerson 2010).

Sundberg and Gelb (2006) suggest that "as much as half of senior bureaucrats' time in African countries is taken up in dealing with requirements of the aid system and visiting bilateral and multilateral delegations." The opportunity cost of these officials is very large, so much so that several countries including Ghana, Kenya, Mozambique, and Tanzania have taken to imposing a "quiet time" when they ask donors to avoid missions so that officials can focus on daily tasks like budget preparation.

But the burdens on recipients go far beyond meeting with foreign delegations. According to Aidharmonization.org, an NGO, some countries must prepare more than 800 new foreign-assisted aid projects annually and present 2,400 quarterly reports on progress.

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[49] Fengler and Kharas 2010.

We use seven indicators of administrative burden:

- **RB 1: Significance of aid relationships.** We calculate this as the (negative of) the marginal contribution of each donor to the recipients' likely administrative burden. Each recipient country deals with a large number of donors. We measure the contribution of each donor to the resulting administrative burden per dollar received by that recipient as inversely proportional to the concentration of aid across all donors in that country. We then take a weighted average of the donor's contribution to all recipients. The smaller that contribution, the higher the donor's score on this measure. In other words we reward countries for being significant aid donors in a particular country. For small donors the implication is that they should concentrate their aid in small countries where they can make a difference (as New Zealand does).
- **RB 2: Fragmentation across donor agencies.** We measure the concentration of aid delivery across donor agencies in each donor country. Some donors deliver aid through multiple agencies, adding to the number of contacts recipient governments deal with (over and above that captured in the preceding indicator). Our indicator rewards donors that have a higher concentration of their aid across their agencies.
- **RB 3: Median project size.** There is no optimal size of a project—size depends on the development objectives at hand. We believe, however, that fewer and larger projects, all other things the same, are likely to reduce the administrative burden on the recipient of having to identify, appraise, negotiate, approve, implement, and monitor each project. So our indicator is the median project size in dollars committed.[50]
- **RB 4: Contribution to multilaterals.** This is the proportion of total aid a donor country channels through multilateral institutions in core contributions.[51] We assume that the administrative burden a recipient bears is greater, the greater the number of donor agencies it deals with per dollar of aid received. In this case using multilateral agencies as intermediaries can be a good way of reducing that burden.[52] Donors vary widely in the degree to which they channel their funds through multilateral agencies.
- **RB 5: Coordinated missions.** We include a measure for the share of missions a donor coordinates with other donors. The Paris Declaration calls on donors to coordinate their missions in an effort to reduce the time claim on senior recipient government officials. This is one of the Paris Declaration targets.

[50] Aid projects are quite varied, ranging from very small commitments, like an individual consultant contract, to very large commitments, like debt relief or a major budget support operation. By taking the natural log of the median project commitment value, we hope to exclude both of these tails from the calculation.

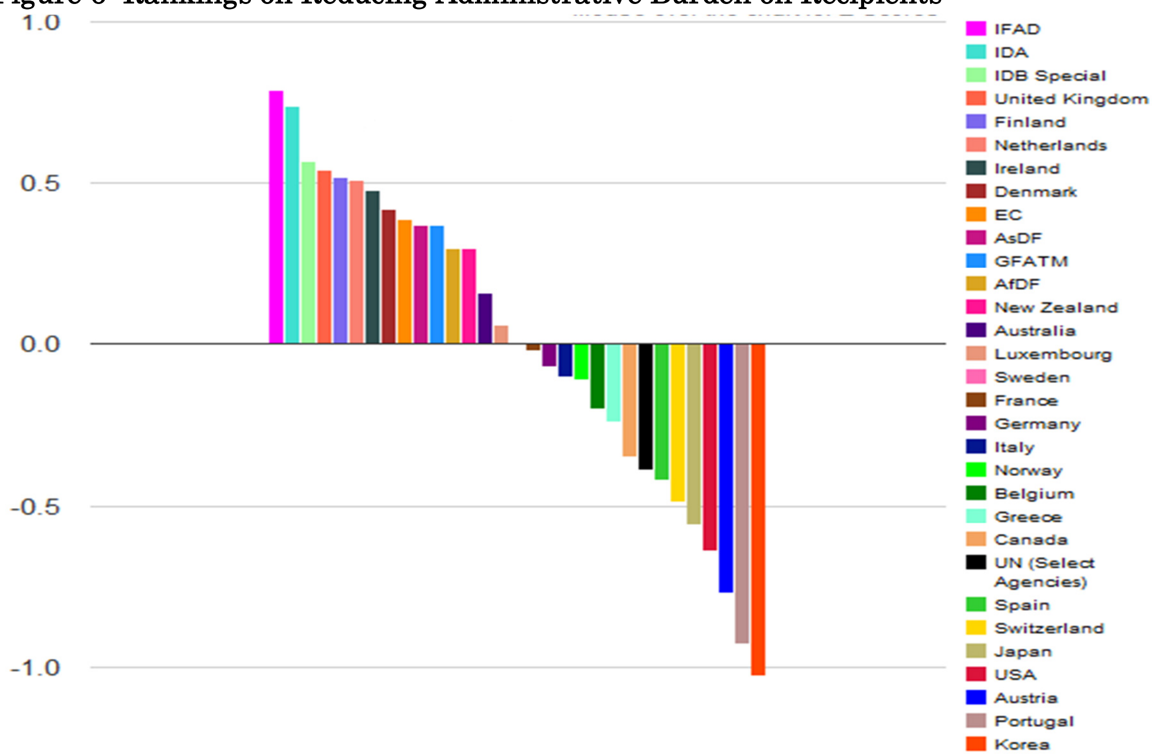
[51] We do not consider noncore contributions to multilaterals, even though these have become increasingly popular.

[52] Kharas (2007) defines transaction costs between *d* donors and *r* recipients as proportional to $r*d$. If there are *m* multilateral intermediaries, the transaction costs become proportional to $m(d+r)$. When *m* is small and *d* and *r* are high, multilaterals become an efficient way of reducing transaction costs.

- **RB 6: Coordinated analytical work.** We also include a measure for the share of analytic studies and reports a donor coordinates with other donors. Similarly, recipients can be faced with an overwhelming number of donor reports and recommendations. The Paris Declaration calls for donors to coordinate and share analytical work.
- **RB 7: Use of programmatic aid.** This is the share of a donor's total aid that goes to programs vs. projects. We assume that programmatic aid, either for a sector or for multisector budget support, entails lower administrative costs for the recipient per dollar disbursed than project aid, since the fixed costs of the "program" are spread over a large number of projects and activities, often including the recipient's own budgeted programs.[53]

Figure 6 shows the rankings across countries/agencies. The best performers are IFAD, IDA, and the IDB Special Fund, while Korea, Portugal, Austria and the United States trail in the rankings. Most multilateral agencies do well on this index, except the UN agencies. Conversely, most bilaterals do quite poorly.

Figure 6: Rankings on Reducing Administrative Burden on Recipients



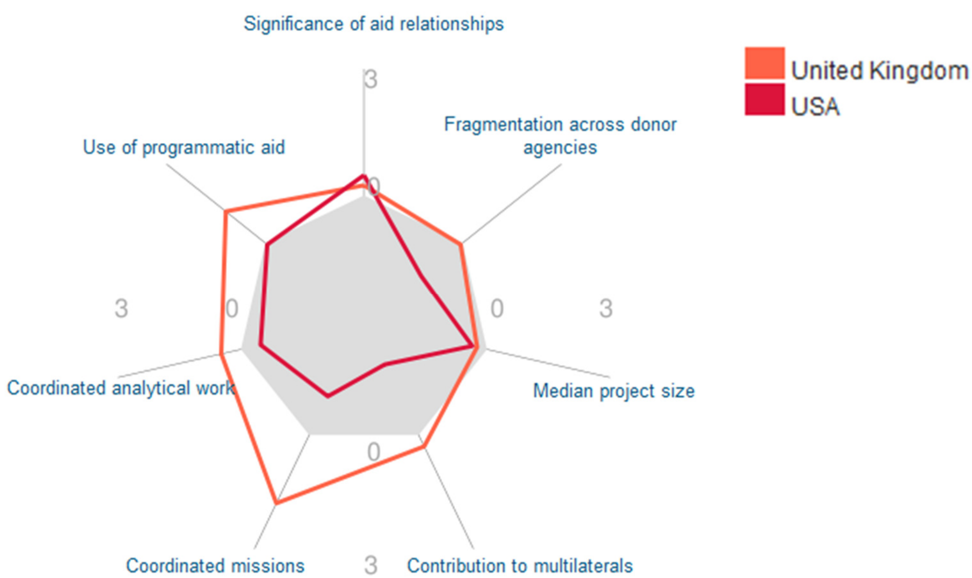
[53] Killick (1998) among others argues that the costs of negotiating budget support and debt relief may be just as high as for projects. See also Birdsall and Savedoff (2010, p.37) on this point. With this indicator we accept the generally assumed relationship based on the apparent preferences of recipient government officials, pending collection of better evidence.

One reason is the sharp difference in project size between multilaterals and bilaterals. The median project size is $22.7 million for IDA and $27.9 million for the African Development Fund, while only $116,000 for the United States[54] and $65,000 for Japan. Bilaterals have many small technical cooperation grants and other project adjustments that keep their median project size low. This tendency is not due to smaller overall aid programs. In fact, some small donors like Denmark ($744,000) and the Netherlands ($476,000) have higher median size projects than large donors. But the figures point to a defining characteristic of aid today—a very long tail of small projects with little aggregate resource transfers, coupled with a few large projects that account for the bulk of resource transfers. This structure is associated with a high administrative burden for aid recipients.

Multilaterals also tend to provide more of their aid programmatically, either in general budget support or in sector-wide programs. Across all donors almost 40 percent of aid is delivered using programmatic approaches. Agencies such as the Global Fund and the AsDF have a programmatic share of around 60 percent. Some bilaterals also are committed to this form of aid—Ireland provides 79 percent of its aid through programmatic funds, the United Kingdom (Department for International Development, DFID) 62 percent, and the Netherlands 63 percent. But other bilaterals, including some of the larger donors like the United States and Japan, are much more cautious about programmatic support, providing just 39 percent and 36 percent of their aid in this form.

Two of the largest bilaterals, the U.S. and UK, are compared in figure 7.

Figure 7: The United Kingdom and the United States on Reducing Burden



[54] The average size of projects is much higher, especially for USAID. But even for USAID the median project size is slightly below the global median.

Transparency and learning

Transparency and a commitment to learning are hypothesized as key building blocks for mutual accountability. More clarity on transparency in donor operations permits civil society organizations and other independent bodies to comment on agency performance—what is termed the "independent spotlight" category among accountability instruments.[55] Research shows that developing countries face major challenges in accessing aid data and that there are often significant differences in data available in the recipient country and data available in the large cross-country data sets maintained by the DAC. Of course, transparency is also a principal ingredient of harmonization. Donors cannot work together if they do not share what they are doing. Recipient governments, in turn, benefit most from aid when they know what their donor partners are doing (Box 7).

Box 7. Potential gains from improving on *transparency and learning* indicators

Accessible, standardized, timely information has the potential to dramatically enhance effectiveness. At the simplest level, that could eliminate the need for filling out ad hoc requests for data. The Aidinfo group has published an estimate suggesting that donors implementing the IATI standards could save $7 million annually; at a discount rate of 3 percent the savings in administrative costs would amount to a net present value of **$200 to 600 million** (Collin et al. 2009).

But the real benefits of transparency come from the improvements in development effectiveness that can result from better information within partner countries, which empirical studies indicate is associated with reduced diversion of aid-funded government expenditures to other purposes . The Aidinfo report includes an estimate of the benefits of this greater transparency within countries on the order of $1 billion a year—though with a very large range of estimates between $100 million and $3.8 billion (suggesting the limits of current knowledge of this link).

As noted in our introduction the indicators for this dimension of aid quality are the least well developed in a form that is comparable across donors. Publish What You Fund is one organization that is drawing attention to the need for thorough, accessible, and comparable information about foreign aid spending.[56] On transparency the AidData set provides a good start, but on innovation and learning about alternative delivery methods, such as linking payments to results on the ground, and on monitoring and evaluation, there has been little systematic effort in the official or research community to agree on definitions and reporting

[55] Droop et al.2008.

[56] PWYF has also defined indicators to measure various aspects of aid transparency in its Aid Transparency Assessment to be released in 2010.

protocols. An example of a question on which there has not been agreement on how to define effort in the interests of transparency is the number or value of aid transfers that are results-based—and spending on evaluation of results- or incentives-based approaches.[57]

The annex describes our effort over more than two years to develop and distribute a reasonably clear and brief set of questions to donors dealing with some aspects of aid delivery and with learning and evaluation programs. The lack of response from many donors, and in some cases the refusal to respond, the apparent discrepancies across responding donors in definitions of key concepts, and the lack of information available internally on some questions to willing responders made it difficult to exploit the information provided.[58] In contrast to Easterly and Pfutze (2008), whose measure of transparency is based on whether donors responded to a survey they distributed, we do not reward or penalize agencies for responding to our survey or not; we fear adding to the fragmentation of demands for data from donors, and hope instead that this report and others will help donor agencies, academics, and civil society work collectively to define and collect useful data and ensure its availability to all.

We use seven indicators of transparency and learning:

- **TL 1: Member of the International Aid Transparency Initiative (IATI).** Some but not all countries and agencies are signatories to the IATI, a voluntary grouping of donors committed to "working towards better matching the demand for aid information with the supply of that information and to establishing a common format for publishing information on aid by 2010."[59] The basic goals of developing common definitions and a common format for the publication of aid information is a minimum standard to which all donors should subscribe.
- **TL 2: Recording of project title and descriptions.** The share of aid to donor projects on which the donor country/agency has submitted a description of the project to the OECD DAC is recorded by AidData. We use this information to credit a donor for a higher proportion of reported projects with completed titles as well as a long and a short description.
- **TL 3: Detail of project descriptions.** From the same source the number of characters used in the long description of the project is a proxy for the degree of detail provided. Often the devil is in the details, so we reward apparently greater effort to explain

[57] DFID is now planning to develop and evaluate systematically various forms of "results-based aid," including the GAVI bonuses, EU bonus tranche, and Cash on Delivery Aid (see DFID Structural Reform Plan, released in 2010, http://www.dfid.gov.uk/Documents/DFID_SRP.pdf) and "results-based financing," including conditional cash transfers, output-based aid, and incentive payments to service providers. All of these are described in Birdsall and Savedoff (2010).

[58] Some of the donors surveyed indicated they were initiating efforts to capture and track similar information through their own surveys, and have proposed additional questions for future surveys. We believe this indicates increasing interest in the collection and analysis of data to improve aid quality.

[59] International Aid Transparency Initiative www.aidtransparency.net.

what a project is about. We count the number of characters used in the long description of the project as a proxy for the degree of detail provided.[60]

- **TL 4: Reporting of aid delivery channel.** Using donors' reports to the CRS, we measure the share of projects on which the donor included information on how its aid is channeled—for example, through the public sector, an NGO, or a multilateral agency.[61]
- **TL 5: Share of projects reporting disbursements.** All projects should have disbursement data to reflect implementation progress. We reward the share of projects for which disbursement data are provided by donors.[62]
- **TL 6: Completeness of project-level commitment data.** Donors are requested to report both project amounts and aggregate totals to the DAC. These do not match. The aggregates are systematically larger than the project amounts, suggesting a considerable degree of underreporting on projects. Although this has improved significantly over time, there are still important differences between donors in their project reporting coverage. We develop an indicator to measure this.
- **TL 7: Aid to partners with good M&E frameworks.** When aid goes to countries with good monitoring and evaluation frameworks, there is learning that applies to all development activities. The World Bank has developed a classification of country M&E frameworks, and we construct an indicator that measures the share of a donor's aid going to recipients with "good" or better frameworks in place.

Figure 8 shows the rankings on transparency and learning. Australia, the EC, Ireland, Denmark, and IDA have the best scores while the IDB Special Fund, Korea, and the Asian Development Fund have the worst.[63] The top performer on transparency and learning, Australia, is compared with Germany, which ranks 11th in this dimension in figure 9.

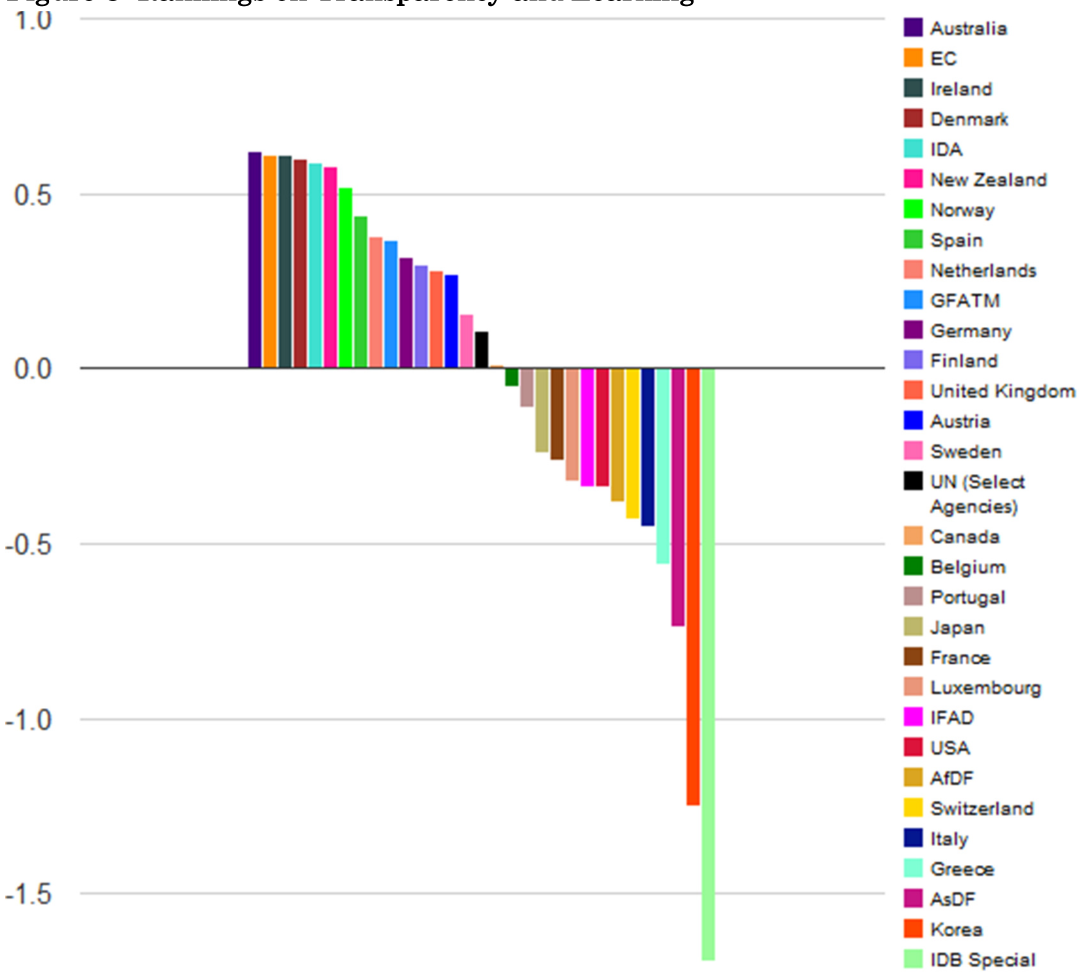
[60] There could be a problem over time with this indicator if funders provide long but vague descriptions in order to improve their score. Major differences across donors (some are as short as 64 characters and some are thousands of characters—a tweet is a maximum of 140 characters) suggest the indicator is useful, and reading some suggests to us that longer is generally better. In the future it may make sense for the AidData team to review descriptions comparing length and substance and score descriptions in several categories for their clarity and usefulness.

[61] The bivariate correlation of this indicator with the indicator on the detail of project descriptions is a low 0.16.

[62] As noted below, some donors, like IDA, report disbursements on their projects using a different format and sectoral detail than the DAC. This makes it difficult to aggregate their disbursements with those of other development partners to understand clearly aid flows to a given sector and country. Our indicator only measures whether disbursements are reported to the DAC.

[63] Multilateral agencies are not DAC members and therefore are not required to submit project-level information to the DAC CRS. For the multilaterals the data source is AidData.

Figure 8: Rankings on Transparency and Learning



Several multilaterals, including the Asian Development Fund and IDA,[64] provide a considerable amount of information on their websites, but do not organize their data and information over time or in a manner that makes it accessible and comparable to other donors, so they do poorly on this dimension. Several also fail to report to the DAC simple details about their projects; in many cases, even project titles are missing. The IDB Special Fund and the Asian Development Fund are careless in this regard, as is the Global Fund.

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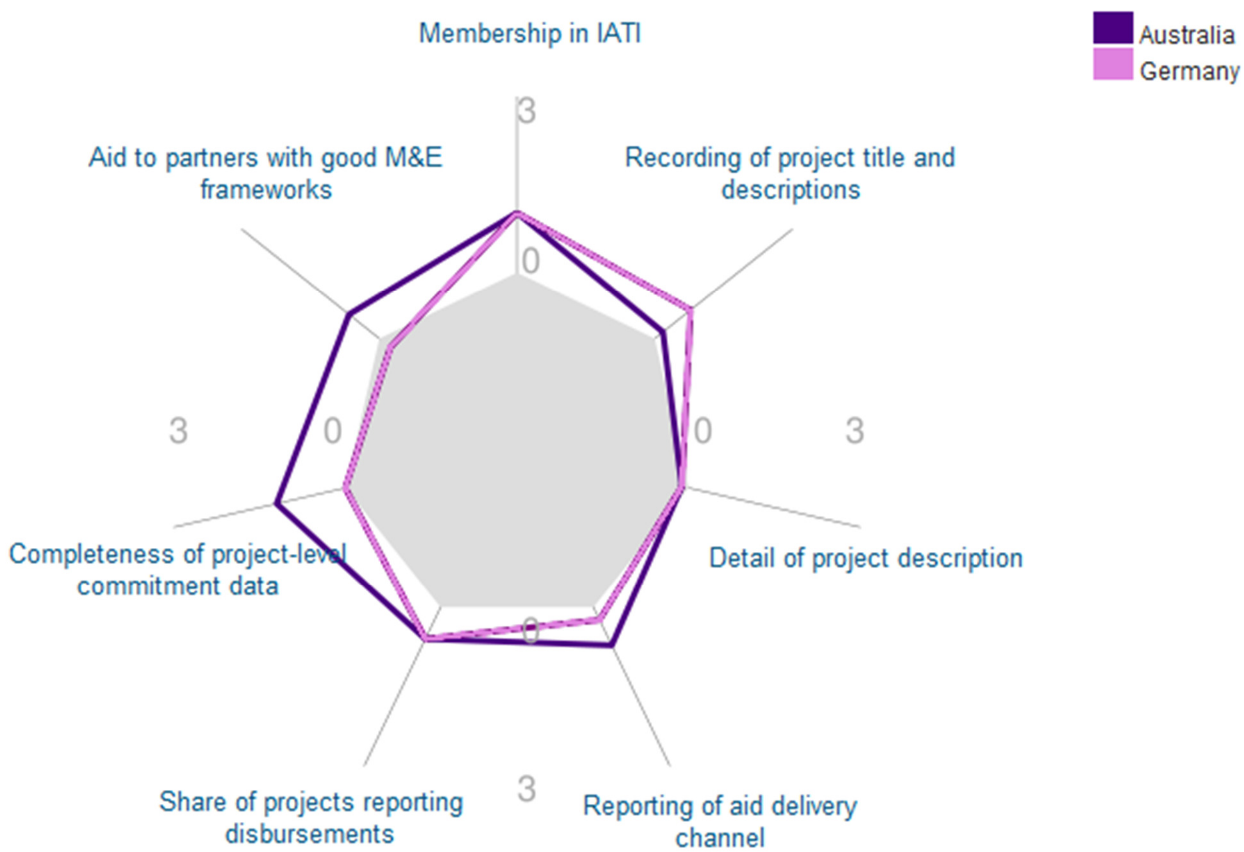
[64] IDA has recently launched a far-reaching transparency initiative, publishing a wide range of previously restricted material. This reform is not yet reflected in our indicators.

Figure 9: Germany and Australia on Transparency and Learning



Another reason for some multilaterals' low scores is their failure to provide adequate information on disbursements.[65] It is common to hear of the "commitment culture" within multilaterals—a set of incentives that galvanize staff and management to take projects to the Board for approval (the commitment phase) but to then pay less attention to projects during implementation (when disbursements happen). The failure to report project level disbursements may be a symptom of this culture. It also reflects the rather different sector definitions that some multilaterals have compared with the DAC standard, which apparently make it difficult for them to provide standardized data on disbursements.

Transparency is the one index where we have a bivariate indicator—membership in the International Aid Transparency Initiative. With transparency we are trying to measure a latent, unobservable variable, and our indicators are proxies. Empirically the correlation between membership in IATI and the overall transparency index is quite high at 0.59, suggesting that those organizations that commit to the principles and standards behind

[65] Most multilaterals do report on disbursements at the aggregate level, but not at the project level, making it difficult to identify what funds are actually being used for.

IATI also take care to practice what they preach and do in fact provide better data on aid activities to the broad development community.

Summary rankings: discussion

Table 4 shows the overall rankings of countries and agencies on each of our four main indices of aid quality. Of the 31 countries and multilateral agencies only one bilateral, Ireland, and one multilateral, IDA, are in the top 10 in all four dimensions of aid quality, with another four (the Netherlands, Denmark, the Asian Development Fund and the IDB Special Fund) in the top ten in three of the four categories. But for most countries and agencies, strengths in some areas are offset by weaknesses in others. A total of 18 are among the top ten in at least one category of aid quality. Conversely, 20 are in the bottom 10 in at least one category. Greece, Switzerland and the United States are the only ones in the bottom 10 rankings in all four categories. (For more on the United States, see box 8 in the section on agency results below.)

Table 4: Rankings of Donors by Aid Quality Dimension[66]

Donor	Maximizing Efficiency	Fostering Institutions	Reducing Burden	Transparency and Learning
Australia	21	19	14	1
Austria	25	29	29	14
Belgium	18	26	21	18
Canada	23	21	23	17
Denmark	13	5	10	4
Finland	16	10	5	12
France	20	17	17	21
Germany	28	14	18	11
Greece	29	31	22	28
Ireland	7	1	7	3
Italy	19	22	19	27
Japan	14	13	27	20
Korea	30	16	31	30
Luxembourg	8	27	15	22
Netherlands	17	6	6	9
New Zealand	10	23	13	6
Norway	24	9	20	7

[66] We provide rankings for each dimension here but purposely do not total these to provide an overall ranking because, as noted above, our purpose is not to rank agencies on overall aid quality, but rather to identify strengths and weaknesses in specific areas.

Portugal	6	25	30	19
Spain	31	15	25	8
Sweden	22	11	16	15
Switzerland	26	24	26	26
United Kingdom	12	7	4	13
USA	27	30	28	24
AfDF	2	4	12	25
AsDF	3	3	10	29
EC	11	12	9	2
GFATM	1	18	11	10
IDA	9	2	2	5
IDB Special	5	8	3	31
IFAD	4	20	1	23
UN Select	15	28	24	16

(The information in this table can be represented in the form of diamond diagrams; these are on the accompanying website, www.cgdev.org/QuODA, where visitors can easily compare the diamond for one donor with that for another.)

Why does the United Kingdom do so well and the United States so poorly on these metrics? Part of the answer is doing well on multiple indicators. For the 30 indicators that we collect the United Kingdom is above the mean in 21 of them; the United States is below the mean in 21. The United States ranks at the low end among all countries on nine indicators: share of allocation to well-governed countries, share of untied aid, aid to partners with good operational strategies, use of recipient country financial systems, coverage of expected future spending, minimizing fragmentation across multiple U.S. donor agencies, contribution to multilaterals, membership in IATI, and reporting of aid delivery channels. The United States ranks particularly low compared with the United Kingdom on the *fostering institutions* dimension, on indicators such as the use of recipient country financial systems and coverage of expected future spending, and on the *reducing burdens* dimension, on indicators such as contribution to multilaterals and coordinated missions.

What about Ireland, which does better even than the UK? It ranks among the best in the world in its: share of allocation to poor countries, use of recipient systems, coordination of technical cooperation, having a single aid agency, coordinating its analytical work, using programmatic aid, and delivering aid to partners with good M&E frameworks.

Ireland shows that there are no required trade-offs between share of allocation to poor countries (one indicator in the maximizing efficiency dimension) and other selectivity measures. It is incorrect to argue that a focus on poor countries implies giving aid to countries with poor governance, the necessary use of PIUs, avoidance of country systems, or the need for project-based approaches. Poor scores on these appear to reflect at least in part choices by donor countries and agencies, not a necessary response to weak recipient country characteristics.

Countries that do well are not always those with the minimum variance across all their indicator scores. The most consistent donor is Sweden—it has the least variation in its z-scores across the 30 indicators. Next come the Netherlands, the UK, France, Norway, Denmark, Canada, and the EC. These donors have the characteristic of performing equally well or badly compared with their peers on most indicators—rather well for the UK and Netherlands, and rather poorly for Canada.[67]

Among our poor performers, Switzerland has a moderate variance in its indicator scores, meaning it does poorly compared with its peers across most indicators, while Korea has a relatively high variance. Korea does some things very well, such as maintaining low administrative costs and coordinating technical cooperation, but many other things quite badly.

Our four indices can be used to analyze the differences between multilateral and bilateral donors. An understanding of the characteristics of these agencies can help identify an appropriate division of labor in the international aid architecture. Table 5 shows the average rankings for multilaterals compared with bilaterals. (In the table the Global Fund to Fight AIDS, Tuberculosis and Malaria [GFATM] and the International Fund for Agricultural Development [IFAD] are in the vertical fund category; the remaining multilaterals, excluding the UN, are in the country-based category.)

Multilaterals do better (higher average rankings) on three of the four quality dimensions. On maximizing efficiency, the top five are multilaterals; on fostering institutions, 4 of the top 8 are multilaterals; on reducing burden, the top 3. The weakness of the multilaterals is in transparency, with the exceptions of IDA and the EC.

[67] A table showing the mean and standard deviation across all 30 indicators for each country/agency is available from the authors. It is not meant to provide an overall measure though it does clarify the issue of variance noted in the text.

Table 5: Index Performance by Donor Type (average rankings)

Average Ranks:	Maximizing Efficiency	Fostering Institutions	Reducing Burden	Transparency and Learning
Multilateral Donors	6.25	11.88	9.00	17.63
Bilateral Donors	19.39	17.43	18.43	15.43
Vertical Funds[68]	2.50	19.00	6.00	16.50
Country-based Multilateral Funds	6.00	5.80	7.20	18.40

The table also shows the difference within multilateral agencies between the two vertical funds in our sample and agencies that operate with a country focus, including IDA and the regional bank development funds. (We exclude the UN here because some of their agencies like the UNDP are more like country funds, while others such as UNICEF and UNAIDS are closer in spirit to vertical funds.) The results are clear: vertical funds do much better in maximizing efficiency, largely because of their specialized division of labor and the stability of their disbursements. Country-based multilateral funds do much better in fostering institutions, largely because they can respond better to recipients' priority needs, operate through recipient budgets, and are better in programming of aid to each recipient country. In the other indicators of reducing burden and transparency, there is little difference in how the two categories of funds score.

Agency analysis: results

In this section, we analyze individual aid agencies, including both various bilateral agencies of donor governments, and multilateral agencies, using the same general framework as for our country analysis. Some changes to the methodology are needed. Several of the concepts that we use for countries are not relevant for individual agencies—for example, the indicator penalizing fragmentation of a country's aid across its development agencies. In other cases the data sources are not sufficiently detailed to capture individual aid agencies, but only donor countries in the aggregate. This is true for the indicators that make use of the Paris Declaration Survey, such as the degree of coordination of analytical work or the use of country systems. Because of these two problems we lose about half our indicators when moving to the aid agency level.

Yet there is still value to measuring agency performance. We have a far richer sample, with 152 agencies in the AidData database. The agency analysis reveals significant

[68] The vertical funds in our analysis are the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) and the International Fund for Agricultural Development (IFAD).

heterogeneity among agencies that cannot be explained away by country characteristics. It may be more relevant to compare USAID and the Millennium Challenge Corporation, to take one example, where the MCC has been able to achieve much more freedom from the constraint of detailed Congressional earmarking than has USAID, than to compare USAID with, say, the UK's DFID. The within-country variance in aid agency performance is sometimes, as in the case of USAID and MCC, more closely linked to factors under the control of each donor country than to each agency. In other cases, it may reflect differences in administrative efficiency for given mandates.

We maintain the broad framework of our four dimensions of aid quality: maximizing efficiency, fostering institutions, reducing burden, and transparency and learning. In each thematic index at least three indicators are available. We have a total of 17 indicators, compared with the 30 indicators at the country level largely because data from the Paris Monitoring Surveys do not disaggregate by agency but only by donor.

At the agency level, the main data sources are AidData and the DAC CRS that report by project rather than aggregate aid. These data sources provide more granular data, but not all of the aggregate country data on commitments and disbursements are fully captured by the sum of the reporting agencies for all countries. For some large donors this is problematic. Germany, the United Kingdom, and France (the second through fourth largest bilateral donors in net ODA) all have greater than 30 percent of aggregate ODA commitments unaccounted for in their project-level reporting.

Agency indicators are averaged to arrive at an index score in the same way as for countries. Each indicator is standardized, and the agencies are given a z-score. The simple average of the agency z-scores on each indicator is the z-score for the index. As in our country analysis, if an indicator cannot be measured for an agency, it is treated as a missing variable (as opposed to a zero variable) in computing the index average.

There are gains to revealing the differences in quality across agencies within countries. Legislators, civil society, and others with influence on the mandates and constraints of individual agencies are one of the two key target audiences for this analysis. The other is aid agency managers themselves, who have or can push for more flexibility within those mandates and constraints. Policymakers may find the level of detail useful, as policy actions must typically be targeted at individual agencies rather than at the broad average of all agencies. Finally, other stakeholders, from recipient governments to aid researchers, can observe that a national flag does not uniformly characterize the behavior of all of its constituent ODA disbursers.

Maximizing efficiency

- **ME 1: Share of allocation to poor countries.** Calculated in the same way as for a country.
- **ME 2: Share of allocation to well-governed countries.** Calculated in the same way as for a country, except it is calculated using the standard DAC definition of Country Programmable Aid because the details required for the stricter definition of CPA are not available at the agency level.
- **ME 4: High country programmable aid share.** Calculated in the same way as for a country.
- **ME 5: Focus/specialization by recipient country.** Calculated in the same way as for a country.
- **ME 6: Focus/specialization by recipient sector.** Calculated in the same way as for a country.
- **ME 8: Share of untied aid.** Calculated with tied aid figures taken from AidData, rather than from the Paris Declaration survey (which we use for this indicator at the country level).

Fostering institutions

- **FI 1: Share of aid to recipients' top development priorities.** Calculated in the same way as for a country.
- **FI 4: Share of aid to recipient countries with good operational strategies.** Calculated in the same way as for a country.
- **FI 5:Budget openness of aid recipients.** Measures the fraction of government sector aid that goes through recipient financial management and procurement systems, and is calculated for agencies as the average going to countries with good budgets, using the quality of budgets from the Open Budget Initiative.[69] The method used for a country relied on the Paris Declaration Survey that is not applicable to individual agencies.

Reducing the administrative burden

- **RB 1: Significance of aid relationships.** Calculated in the same way as for a country.
- **RB 2:Specialization within parent country.** For the agency-level analysis, we create a proxy for fragmentation by calculating the share of an agency's ODA that goes to recipient-sector pairs in which it constitutes more than 90% of the parent donor's presence. We call this indicator "Specialization within parent country."

[69] Average recipient budget rating per agency commitment dollar, limited to recipients that receive a rating from the Open Budget Initiative.

- **RB 3: Median project size.** A proxy for low fixed administrative costs imposed on recipient countries and is calculated in the same way as for a country.

Transparency and learning

- **TL2: Recording of project title and descriptions.** Calculated in the same way as for a country.
- **TL3: Detail of project descriptions.** Calculated in the same way as for a country.
- **TL4: Reporting of the aid delivery channel.** Calculated in the same way as for a country.
- **TL5: Share of projects reporting disbursements.** Calculated in the same way as for a country.
- **TL7: Aid to partners with good M&E frameworks.** Calculated in the same way as for a country.

Summary rankings: discussion

Indicators are calculated for 152 different donor agencies, 130 of which have sufficient data to generate indices for all four dimensions.[70]. Multilateral agencies are included primarily for comparative purposes, and except as noted their indicators are calculated in the same fashion as for other agencies.[71] Summary statistics and ranking results for a subset of 31 agencies, the largest 20 percent of all the agencies by gross disbursements for which we are able to calculate scores for all four indices, are in table 6. The scores of these 31 agencies on one of the four dimensions, maximizing efficiency, are shown in figure 10. (Complete agency results are illustrated on our website, www.cgdev.org/QuODA, using diamond diagrams, as for the country results.)

[70] Detailed scores for all agencies are available on our website, www.cgdev.org/QuODA.
[71] This means that the index scores for multilaterals in this agency calculation will necessarily differ from those generated in the country calculations.

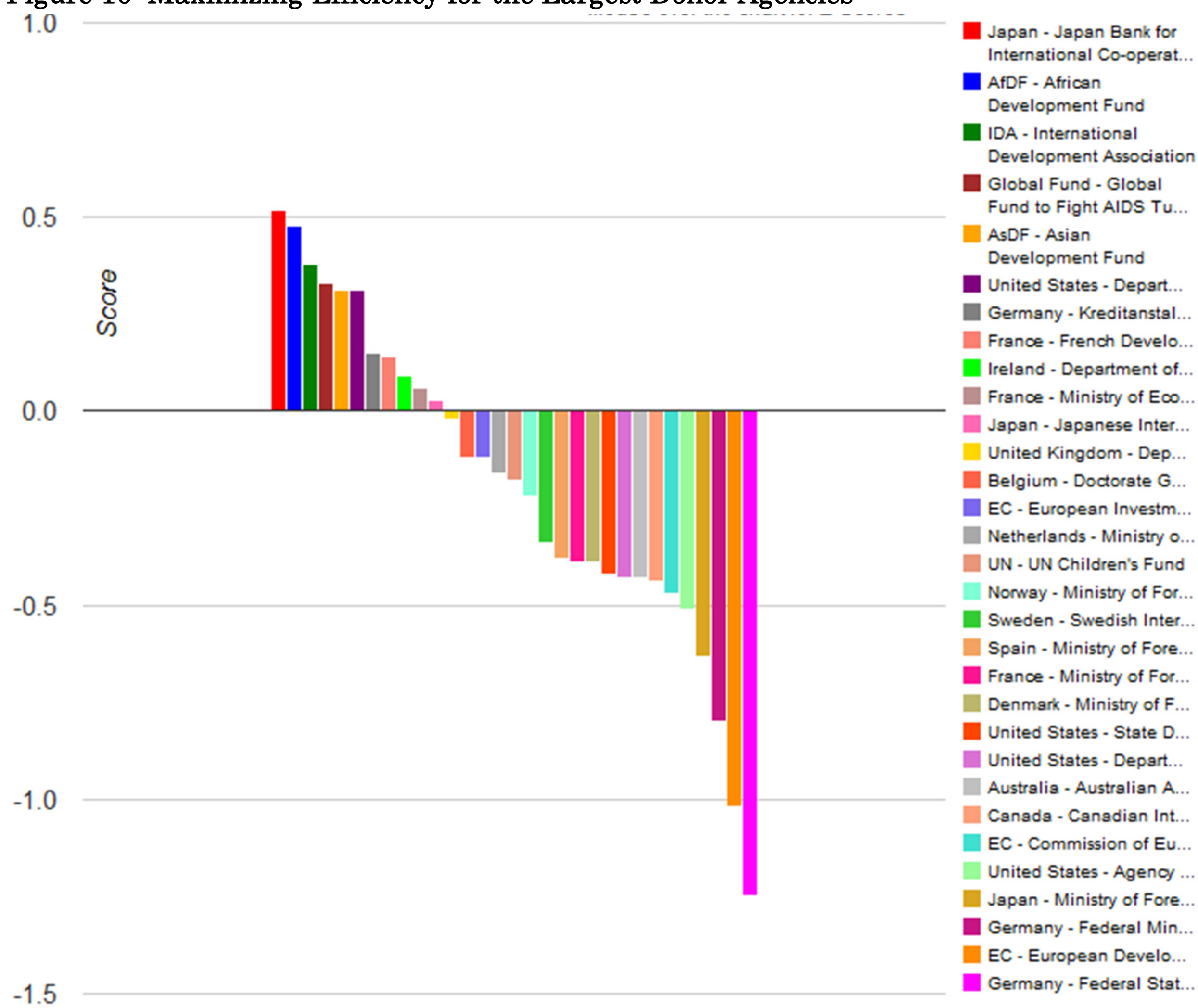
Table 6: Largest 20 percent of donor agencies (in terms of disbursements)

Donor	Agency	Disb (mil$)	Country disb. share	ME Rank	FI Rank	RB Rank	TL Rank
United States	Agency for International Development	13478.0	0.54	126	87	57	110
IDA	International Development Association	9268.5	1	29	30	5	98
EC	European Development Fund	8302.7	0.56	135	42	6	71
Japan	Japanese International Co-operation Agency	8078.9	0.55	69	17	59	112
United Kingdom	Department for International Development	6069.5	0.77	73	38	21	62
Germany	Federal Ministry for Economic Development Cooperation	5423.6	0.49	74	37	83	57
Netherlands	Ministry of Foreign Affairs	5394.6	0.98	88	64	23	67
EC	Commission of European Communities	4512.5	0.31	124	52	13	61
United States	State Department	3594.1	0.15	118	127	107	117
Japan	Ministry of Foreign Affairs	3092.3	0.21	129	105	29	122
Spain	Ministry of Foreign Affairs	3066.2	0.57	113	65	46	35
United States	Department of Health and Human Services	2909.7	0.12	41	71	117	102
France	French Development Agency	2712.1	0.34	58	35	11	76
Australia	Australian Agency for International Development	2632.9	1	121	36	14	66
United States	Department of Defense	2599.1	0.11	120	131	74	120
Norway	Ministry of Foreign Affairs	2477.4	0.82	98	68	60	41
Canada	Canadian International Development Agency	2409.7	0.84	123	94	41	23
Sweden	Swedish International Development Authority	2389.3	0.77	109	53	65	116
AsDF	Asian Development Fund	2330.4	1	39	25	12	145
Global Fund	Global Fund to Fight AIDS Tuberculosis and Malaria	2165.4	1	33	57	15	63
EC	European Investment Bank	1910.0	0.13	86	8	8	40
AfDF	African Development Fund	1791.3	1	19	26	10	127
France	Ministry of Economy, Finance, and Industry	1345.5	0.17	65	106	84	33
France	Ministry of Foreign Affairs	1220.1	0.15	115	100	44	137

Japan	Japan Bank for International Co-operation	1098.4	0.07	16	1	38	105
Germany	Federal States & Local Governments	1062.5	0.10	136	24	112	74
Denmark	Ministry of Foreign Affairs	998.0	0.68	116	40	45	20
Belgium	Doctorate General for Cooperation and Development	994.8	0.68	85	95	56	43
UN	UN Children's Fund	965.1	0.43	91	111	118	83
Germany	Kreditanstalt fur Wiederaufbau	915.3	0.08	57	2	25	107
Ireland	Department of Foreign Affairs	907.1	0.99	60	46	69	17

Disbursement information is for 2008 and extracted from the DAC CRS, except in the case of the Asian Development Fund (which doesn't report project level disbursements,) where it's taken from DAC Table 2a

Figure 10: Maximizing Efficiency for the Largest Donor Agencies



The 31 agencies collectively disbursed $106 billion in 2008, just short of 80 percent of total ODA. The aid architecture is highly fragmented because of a long tail of donor agencies disbursing small amounts of aid. In some cases this is because donors themselves are small. Luxembourg disbursed $415 million in 2008 but did it all through a single agency. But in other cases donors simply have small agencies. Greece disbursed $703 million in 2008 in aid through 10 different agencies. It has the most fragmented donor structure in the world, using the Hirschmann-Herfindahl Index (HHI) as the measure of concentration (table 7). Spain, the seventh largest bilateral by gross disbursements ($5.4 billion), has 16 different agencies disbursing ODA and an HHI of 0.36.[72] The United States also has an HHI of 0.36 and has 16 agencies identified in the DAC CRS, though other U.S. sources reveal 31 agencies engaged in development cooperation (Brainard 2007). The largest U.S. donor, USAID, barely accounts for half of the nation's gross disbursements.

But not all major aid-providing countries have a proliferation of agencies. The United Kingdom is the world's fifth largest bilateral by gross disbursements ($7.9 billion) and has a Hirschmann-Herfindahl Index of 0.69. Its largest donor, DFID, makes up more than three-quarters of the UK's total ODA. The sixth largest bilateral, the Netherlands, has an HHI of 1, because the Dutch Ministry of Foreign Affairs provides 100 percent of its gross aid (or country programmable aid), of about $2 billion in 2008.

[72] The actual number of disbursing agencies is even higher than this because all of Spain's multiple local governments, municipalities, and autonomous governments are placed into a single category by the DAC.

Table 7: Number of analyzed agencies by donor

Donor	Number of agencies	Fragmentation across agencies (HHI from Part I)
Australia	1	1.00
Austria	12	0.37
Belgium	9	0.81
Canada	6	0.81
Denmark	2	0.50
Finland	3	0.98
France	6	0.40
Germany	7	0.55
Greece	10	0.26
Ireland	2	1.00
Italy	6	0.40
Japan	12	0.56
Luxembourg	1	1.00
Netherlands	3	1.00
New Zealand	2	1.00
Norway	4	0.66
Portugal	2	0.50
Spain	16	0.36
Sweden	3	0.89
Switzerland	9	0.43
United Kingdom	4	0.69
USA	16	0.36
AfDF	1	1.00
AsDF	1	1.00
EC	3	0.38
GAVI	1	1.00
GEF	1	1.00
GFATM	1	1.00
IDA	1	1.00
IDB Special	1	1.00
IFAD	1	1.00
UN Select Agencies	5	0.28

Agency performance can vary wildly for a single bilateral donor. Consider France, a large donor with six major development agencies (table 8). At the country level the quality of French aid is middling compared with other countries. It is ranked nineteenth in maximizing efficiency, seventeenth in fostering institutions, seventeenth in reducing burden, and twenty-first in transparency and learning. But there are significant differences in the performance of individual French agencies. Agence France de Developpement does well on fostering institutions and reducing burden. The Ministry of Economy, Finance, and Industry does poorly (well below the mean—a negative z-score) on fostering institutions, but is the best large French agency on transparency and learning. The Ministry of Foreign Affairs does poorly on maximizing efficiency and on fostering institutions and transparency, but scores above average on reducing the burden on recipients.

Table 8: Aid Quality z-scores Within Countries: the case of France

Agency	Disb (mil$)	Maximizing Efficiency	Fostering Institutions	Reducing Burden	Transparency and Learning
French Development Agency (AFD)	2712.1	0.14	0.44	0.99	0.19
Miscellaneous	1648.7	0.76	-0.49	0.86	0.07
Ministry of Economy, Finance, and Industry	1345.5	0.06	-0.40	-0.23	0.39
Ministry of Foreign Affairs	1220.1	-0.39	-0.29	0.30	-1.02
Ministry of Education, Higher Education and	918.8	--	0.27	--	0.21

Large differences also emerge among U.S. agencies (see box 8). The Millennium Challenge Corporation is the only one of the large U.S. agencies to score in the top third of all agencies in three of the four dimensions. The MCC explicitly considers governance and poverty among its criteria for selectivity. Our indicators suggest that in practice the MCC does well on governance selectivity) but not on its orientation toward poor countries. The MCC develops its programs in close consultation with recipient governments and so scores well on fostering institutions.

In contrast the Department of Defense (DOD) scores below average on all dimensions of aid quality. This reflects the fact that the DOD allocates its funds not to maximize development efficiency but to maximize national security. The heavy focus on Afghanistan, Iraq, and Pakistan, with poor governance, means the DOD scores poorly on maximizing efficiency. And it does not try to implement aid through country systems, but typically through U.S. contractors, a practice that has generated considerable debate because the avowed aim of "nation-building" requires strengthening sustainable national systems.

USAID, the largest of the U.S. aid agencies, does moderately on reducing the burden in recipient countries, but scores much less well in other categories. Reforming USAID would be the fastest way to improve the quality of U.S. foreign assistance.

Table 9: Aid Quality z-scores Within Countries: the case of the United States

Agency	Disb (mil$)	Maximizing Efficiency	Fostering Institutions	Reducing Burden	Transparency and Learning
Agency for International Development (USAID)	13478.0	-0.51	-0.17	0.08	-0.23
State Department	3594.1	-0.42	-1.17	-0.49	-0.30
Department of Health and Human Services	2909.7	0.31	-0.02	-0.66	-0.12
Department of Defense	2599.1	-0.43	-1.44	-0.13	-0.43
Millennium Challenge Corporation	587.7	0.22	0.46	0.32	0.06
Department of Agriculture	472.7	0.19	-0.25	-0.57	0.29

Figures 11 and 12 compare the cases of the two largest agencies of the United States and France, for two of the dimensions, fostering institutions and transparency and learning.

Figure 11: USAID and AFD on Fostering Institutions

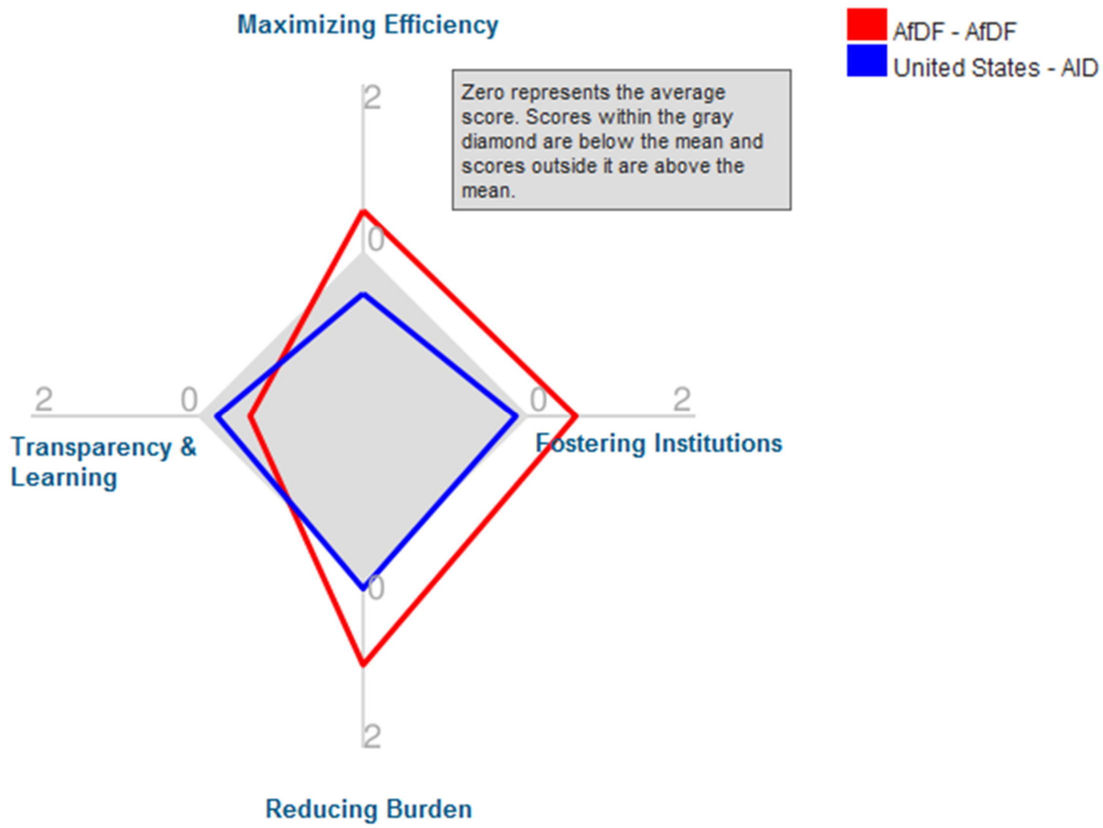
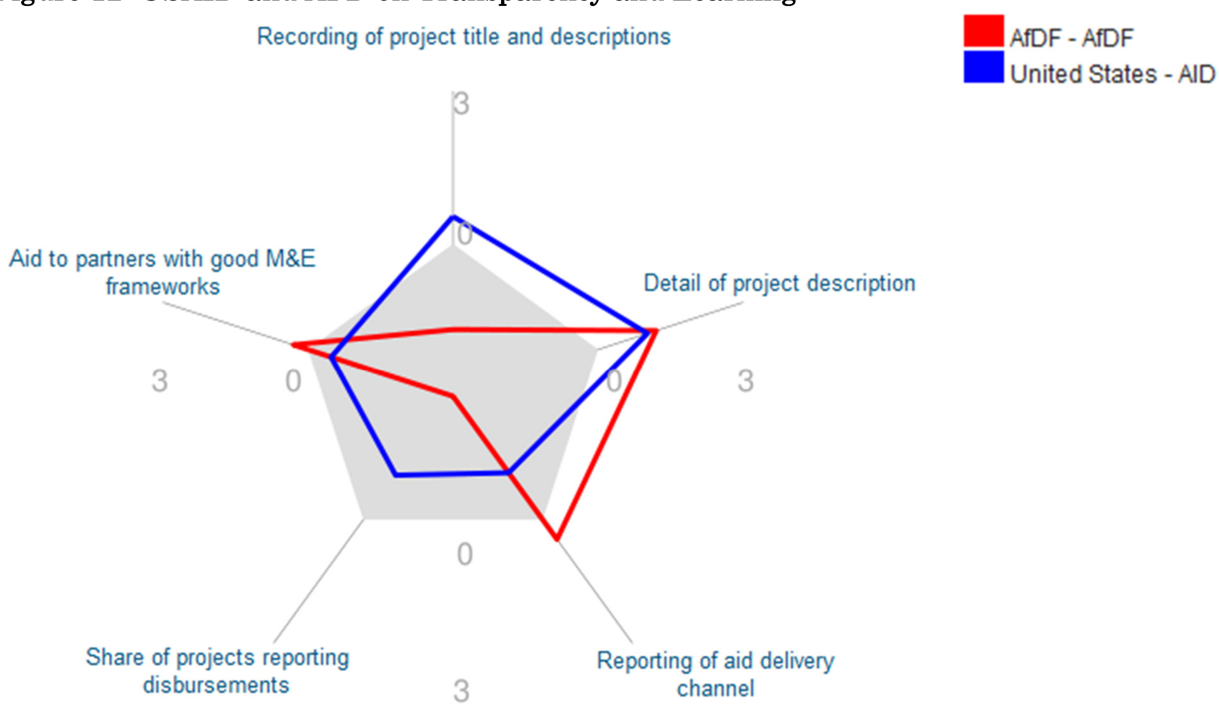


Figure 12: USAID and AFD on Transparency and Learning



Box 8: Is the U.S. Special?

As a funder of development aid (among other things), yes. The United States is the single largest donor, among all bilateral and multilateral funders, with gross disbursements of $24.8 billion in 2008. It is one of the oldest donors; its principal aid agency USAID was created in 1961, under the banner of John F. Kennedy's Alliance for Progress. A predecessor agency called the International Cooperation Administration was established in 1954. From the creation and support for the Bretton Woods institutions, to the protection of sea lanes to undergird the liberal trading system and the leadership of NATO and other security institutions, it is not surprising that development aid in the U.S. has had multiple domestic sponsors, multiple objectives (commercial, security, diplomatic and development), and over time multiple problems.

Perhaps history explains the low scores of the United States on the quality of its aid. Among the 31 bilateral and multilateral funders included in our country analysis, the United States is in the bottom third on all four dimensions of aid quality, including lowest but one on fostering institutions (see text in section on country results above). Though the United States spends a large portion of its total aid resources in just a few countries (Afghanistan, Egypt), it does poorly among other reasons because it is a very small player in a large number of other aid-recipient countries– reducing the overall efficiency of the aid system and adding to the reporting and other administrative burden of recipients. Its long tail of small programs all over the world possibly reflect its diplomatic objectives at some cost to the development effectiveness of its aid spending.

At the same time, it should be said that the U.S. is a major contributor to humanitarian assistance worldwide. This QuODA assessment is about development assistance; the low scores of the U.S. on many indicators are not an indictment of all U.S. foreign assistance.

The individual U.S. agencies (16 are included among the 152 agencies whose assessment we discuss below -- there are as many as 31: see text) do somewhat better than the United States as a single donor; that reflects among other things that the fragmentation across agencies in the United States reduced the U.S. score in the country-based assessment. The Millennium Challenge Corporation, a new agency created by the Bush administration in 2004, scores well in three of the four dimensions of aid. But it is small ($588 million disbursed in 2008 out of the U.S. total of $24.8 billion) compared to USAID, the State Department and the Department of Defense; in 2008, the aid spending of the State and Defense Departments combined exceeded the aid disbursed by such other major donor countries as Australia, Canada, Denmark, Norway, and Sweden. The State Department fares particularly badly on the quality of its aid – and among the worst on fostering institutions. The bulk of funds reflected in the State Department spending are those of PEPFAR (the President's Emergency Plan for AIDS Relief), another Bush Administration initiative which in its early years operated as an emergency program reasonably and heavily targeted to the immediate saving of lives through treatment of HIV/AIDS. In recent years PEPFAR has moved in the direction of ensuring the institutional and infrastructural foundation of its programs by working more with and through recipient country institutions.

Box 8 continued

The U.S. Congress and the Obama Administration are aware of the challenge of reforming U.S. aid. The Millennium Challenge Corporation has provided an example of some ways to do better, especially with respect to fostering country institutions and ensuring country ownership of programs. The new U.S. food security initiative is targeted to a limited number of poor countries performing well on governance, and has a heavy emphasis on country-led programming. Major reform programs are underway at USAID, including on procurement (reform of which can greatly enhance USAID's performance on use of country systems, for example), and evaluation, transparency and learning. All these bode well for an improvement in the performance and the ranking of the United States and its major aid agencies in the next few years.

Our agency level data allow us to test some hypotheses about aid quality. In table 10 we compare agencies grouped into alternative categories. The first set of comparisons is between multilateral and bilateral agencies. Multilaterals perform far better than bilaterals, on average, on fostering institutions and reducing the burden on recipients. They do worse on transparency and learning (perhaps because they have little need to be accountable to taxpayers or parliamentarians who demand transparency from bilateral agencies and have not yet felt sufficient pressure from their stakeholders, including civil society organizations, to become more transparent. Between multilateral and bilateral agencies directly compared there is no visible difference on efficiency.

The second comparison is between the primary agency in each country (the largest in terms of disbursements) and other agencies that disburse aid in that country. Primary agencies tend to perform better than secondary agencies, with the exception of the maximizing efficiency dimension. Primary agencies do significantly better on reducing the burden on recipients (not surprisingly as they are selected as the largest agency in that country). Within the category of maximizing efficiency, primary agencies do better in terms of their share of allocation to poor countries (average z-score of 0.38 compared with -0.14 for secondary agencies), but worse in terms of focus/specialization by recipient country as well as by sector (primary agency average z-scores for these indicators are -0.91 and -1.18 respectively; secondary agency average z-scores are 0.20 and 0.31) (not shown in table 10). These differences are to be expected as larger agencies tend to work in a larger range of countries and sectors.

The third comparison in Table 10 is between the quality of aid disbursed by economy or finance ministries and that disbursed by ministries of foreign affairs. We compare the seven countries where both these ministries disburse aid funds. Finance ministries outperform foreign affairs ministries on each dimension with the biggest difference in the area of fostering institutions. Recall that this index is heavily oriented toward the use of recipient country systems and the incorporation of aid into recipient budgets. Finance ministries are clearly more sympathetic toward their colleagues in recipient countries in their aid disbursements.

The final comparison is between the 24 specialized development agencies (like DFID or AFD) and the rest of the agencies in our sample that are not economy/finance ministries, foreign affairs ministries, or specialized development agencies. Specialized agencies outperform others on the fostering institutions and reducing burdens dimensions, but perform slightly worse on maximizing efficiency and transparency and learning. (Development agencies perform better than finance or foreign affairs ministries on transparency and learning, with mixed results on maximizing efficiency.) The quality gaps are particularly large on reducing burdens. This suggests that when aid is delivered through line ministries, it imposes a greater administrative burden on recipients. We think these numbers provide a warning against mixing aid too closely with other ministry functions, such as diplomacy or defense, in an effort to secure greater coherence between aid and other policy instruments.

Table 10: Index Performance by Agency Type (z-scores)[73]

Average Scores:	Maximizing Efficiency	Fostering Institutions	Reducing Burden	Transparency and Learning	Number of agencies
Multilateral agencies	.04	.15	.49	-.28	16
Bilateral agencies	.02	.01	-.07	.03	136
Primary agencies	-.23	.08	.34	.07	22
Secondary agencies	.09	.01	-.18	.02	114
Finance ministries	.19	.47	.14	-.09	7
Foreign affairs ministries	-.15	-.50	-.15	-.31	7

[73] Comparisons of finance ministries versus foreign affairs ministries are restricted to those countries in which both disburse ODA. Similarly, comparisons of specialized development agencies versus other agencies are restricted to those that have both.

Development agencies	-.12	.13	.19	.01	24
Other agencies	.09	.02	-.19	.05	87

Primary agencies are the largest agency in each country in terms of gross disbursements. Secondary agencies are all other bilateral agencies.
Finance ministries include ministries or departments of the economy and the U.S. Department of the Treasury. Foreign affairs ministries include the U.S. Department of State. Averages for finance and foreign affairs ministries are only calculated for countries in which both agencies disburse aid.
Development agencies include bilateral specialized development agencies. Other agencies are all other bilateral agencies or organizations that are not finance, foreign affairs, or development agencies.

Ta
ble 11 shows the five best and five worst agencies in each category.

Table 11: Top and Bottom Performers by Index[74]

	Maximizing Efficiency	Fostering Institutions	Reducing Burden	Transparency and Learning
Top performers	Portugal – Portuguese Government U.S. –Department of the Interior Japan– Office for Overseas Fishery Cooperation Japan– Ministry of Agriculture, Forestry and Fisheries Greece–Ministry of National Economy	Japan – Japan Bank for International Cooperation Germany – Kreditanstalt fur Wiederaufbau Bankengruppe France–Natexis Banque Populaire EC–European Investment Bank UK– CDC Capital Partners PLC	New Zealand – International Aid and Development Agency U.S.– Department of Interior Japan–Office for Overseas Fishery Cooperation U.S. – Department of Energy IDA	Spain –Ministry of Defense Norway – Norwegian Agency for Development Cooperation Spain –Ministry of Health United States – Department of Labor Austria – Oesterreichische Kontrollbank

[74] Donor agencies with 2008 gross disbursements of less than $10 million are not included in this table.

Bottom performers	Germany–Federal States & Local Government EC – European Development Fund Germany – Federal Ministry of Economic Development Cooperation Austria–Federal Chancellery United States–Trade and Development Agency	Canada–Department of National Defense Canada–Royal Canadian Mounted Police Sweden – Ministry of Foreign Affairs U.S.–Department of Defense Canada–Department of Foreign Affairs and International Trade	UN –Joint United Nations Program on HIV/AIDS Spain–Universities[75] Spain–Ministry of Education and Science Japan–Other ministries Belgium–Walloon Official Regional Ministries	Switzerland – Federal Office for Migration IDB Special Fund Asian Development Fund Canada – Department of Finance Canada–Department of National Defense

[75] Inclusion of Spanish universities on our list of donor agencies that report to the DAC Creditor Reporting System reflects university scholarships that are counted as development aid.

Part I Annex: QuODA Donor Agency Surveys

One of our objectives in creating QuODA was to identify the types of data that would be useful for decision-makers and civil society to better assess the quality of aid disbursed by donors but not publicly available. We hoped that by highlighting these important information gaps donor agencies would increasingly collect and publicly report this data. We consulted with aid experts and compiled a list of such data and planned to collect this information and include it in our QuODA indices.

To collect this information we designed and disseminated two surveys with questions on aid delivery and evaluation practices to several of the donor agencies included in QuODA. We sent both surveys to the multilateral agencies included in QuODA and to several of the largest aid disbursing government agencies in each of the DAC donor countries. We received valuable feedback on pilot versions of the surveys and input on the final surveys from staff at approximately 21 donor agencies for the evaluation survey and 18 donor agencies for the aid delivery survey. Eight donors declined to participate in the evaluation survey and nine declined participation in the aid delivery survey. We received no completed aid delivery surveys from 14 of the donors, and no evaluation surveys from 11 donors. One of the donor agencies we planned to include in QuODA, the United Nations Transitional Authority, posed a mystery for us. We were unable to find contact information for anyone in the agency despite requesting this information several times from the UN Information Center and from many individuals in different UN agencies.

We received survey responses from the following agencies[76]:

Aid Delivery Survey:

- Canadian International Development Agency
- Denmark Ministry of Foreign Affairs
- Finland Ministry of Foreign Affairs
- French Ministry of Foreign Affairs
- French Ministry of Economy, Finance, and Industry
- French Development Agency
- Ireland Department of Foreign Affairs (Irish Aid)
- Netherlands Ministry of Foreign Affairs
- Portuguese Ministry of Foreign Affairs (Portuguese Institute for Development Assistance)
- United Kingdom Department for International Development
- United States Millennium Challenge Corporation
- Asian Development Bank

[76] Some small agencies did not receive our surveys.

- European Commission
- Global Fund to Fight AIDS, Tuberculosis, and Malaria
- Inter-American Development Bank
- International Fund for Agricultural Development
- United Nations Children's Fund
- United Nations Development Program

Evaluation Survey:

- Austrian Development Agency
- Canadian International Development Agency
- Denmark Ministry of Foreign Affairs
- Finland Ministry of Foreign Affairs
- French Ministry of Foreign Affairs
- French Ministry of Economy, Finance, and Industry
- French Development Agency
- German Federal Ministry for Economic Development Cooperation
- Germany, Kreditanstalt fur Wiederaufbau Bankengruppe
- Ireland Department of Foreign Affairs (Irish Aid)
- Netherlands Ministry of Foreign Affairs
- Portuguese Ministry of Foreign Affairs (Portuguese Institute for Development Assistance)
- Swedish International Development Authority
- United Kingdom Department for International Development
- United States Millennium Challenge Corporation
- Asian Development Bank
- European Commission
- Global Fund to Fight AIDS, Tuberculosis, and Malaria
- United Nations Children's Fund
- United Nations Development Program
- World Food Program

Although we collected valuable information through these surveys and gained insights into both demands for and resistance to public dissemination of aid activity details within and across donor agencies, the challenges associated with incorporating this information into an index were substantial, and we chose to exclude the survey data from the pilot QuODA assessment.

One of the major challenges involved in incorporating data from the QuODA surveys related to the noncomparability of some of the data. We stated in the survey directions that individuals should adhere to DAC definitions of key terms, but the vague definitions of some of those terms led to slightly different reporting on the surveys. Across donors, it was clear that donors applied slightly different definitions of key terms associated with questions. For example, some donors reported that they offered performance-based incentives to partner countries through their use of general budget support while other donors that used general budget support extensively reported that they did not offer performance-based incentives to partner countries. Definitional issues arose not only across donor agencies but within agencies. For instance, one donor agency reported that the term 'delegated support' had a different definition at headquarters than in the field offices, thus limiting the agency's ability to aggregate and report comparable information on delegated support across its agency.

In addition to definitional issues, data comparability was limited because the responses to our questions were more qualitative and less straightforward than the data we included from existing databases. For example, one of the donors included in QuODA reported that it did not have a central evaluation unit but instead had an aid effectiveness unit that was responsible for major evaluations and was uncertain how it would fare on our central evaluation department indicator. Another example involved the difficulty of comparing donor responses to the question on the share of donor evaluations that report whether or not objectives have been reached. Evaluations rarely offer clear-cut endorsements or condemnation of the development partners' achievement on a project or program, therefore asking donors to quantify the share of evaluations that conclude that a project or program's objectives have not been reached is a formidable challenge.

The decentralized nature of operations for many donors limited their ability to provide comprehensive responses. In decentralized agencies staff members in the donor's field offices have more discretion over programming, their engagements with partner governments and other donors on the ground, and whether and how to evaluate projects and programs. There appeared to be variation in the amount of this information relayed back to headquarters, compromising the ability of some respondents to accurately and comprehensively supply agency-wide information.

While some donors welcomed this exercise and mentioned the benefits that would accrue to them of having this information, other donors had concerns about the inclusion of specific indicators. Some took issue with rewarding or penalizing donors for using certain aid modalities, such as general budget support, because their agencies did not believe that those modalities were more effective forms of aid. This demonstrated that some signatories to international aid effectiveness agreements did not necessarily endorse all the elements of those agreements. In some cases this seemed to reflect the level of familiarity of the individual survey respondents with the international discourse on certain topics; for instance, the survey respondent from one of the donors that recently introduced a policy to limit its tax avoidance in partner countries asked whether it would be desirable for a donor to make more or less use of recipient country tax exemptions.

While these challenges restricted our ability to incorporate this data into our indices, the exercise both demonstrated the challenges associated with accessing information on aid and revealed the traction the aid transparency movement has made over the past few years. Several of the questions we included in these surveys over a year ago can be answered using data from new databases and initiatives.[77] Some of the donors we surveyed informed us that they had recently initiated internal efforts to capture and track similar information through surveys. Finally, over the last few months, several donors that had participated in the survey component of QuODA contacted us to share additional questions they hoped we would incorporate into future surveys, revealing the increased demand and incorporation of such information into the decision making processes of donor agencies.

Aid Delivery Survey Questions:

If your agency makes specific aid commitments for longer than one year, such as through compacts or framework agreements with recipients, what proportion of aid is disbursed through these mechanisms, and what is the length of the commitments? Please explain for each type of multiyear commitment your agency has made during the past fiscal year (budget support, program support, etc.).

Compact/Framework	Length of time	Budget	Total aid	Explanation

Does your agency delegate aid to other donors (“delegated cooperation”)? Yes No
If so, how much and in what sectors?

Does your agency make use of an exemption on recipient countries’ taxation of donors’ aid activities? Yes No

Does your agency allocate aid across partner countries according to established criteria? Yes No If so, are the criteria made public? Yes No
If so, please describe the criteria.

Does your agency provide any incentives to aid recipients for good performance? Yes No
If so, please describe the criteria.

[77] We incorporated several of these existing datasets into QuODA.

Does your agency disburse any aid upon the achievement of preagreed outcomes? Yes No
If so, please list the sectors in which this is done and briefly explain the system your agency has in place to administer this type of aid.

Please list the five largest recipients of aid from your agency. For each of these, please indicate whether your agency reports disbursements to the recipient government, and if so, how often (yearly, quarterly, etc.), and in what classification (your agency's budget categories, DAC categories, recipient categories).

Recipient	Report disbursements (Yes/No)	Frequency of reports	Classification

For each of the five largest recipients (in terms of amount disbursed), please give the number of locally-based agency staff and the amount disbursed during the previous fiscal year.

Recipient	Number of locally-based agency staff	Amount disbursed

For the five largest contracts for technical assistance contracted by your agency during the previous fiscal year, please list the names of the contractors (optional) and the countries in which they are based.

Contractor (optional)	Country

Please list any other agencies in your country that finance or manage official development assistance programs.

Evaluation survey questions:

Coverage and resources
Does your agency have a central evaluation department? Yes No
If so, please indicate the budget allocated for the central evaluation department, and if possible, the total agency budget.

Are evaluations conducted within your agency that are not covered within the evaluation budget (for example, decentralized spending by country offices)? Yes No
If so, please estimate spending on these evaluations during the previous fiscal year.

How many staff members are employed at your agency?

How many full-time regular staff members are dedicated primarily to evaluation within your agency? How many additional staff year equivalents were employed in an evaluation capacity? (Please include part-time staff and consultants.)

Quality
Are there institutional structures to ensure the quality of evaluations (for example, a committee to review methodology)? Yes No
If so, please provide a list of any such institutional structures.

What percentage of central evaluations, project evaluations, and other evaluation activities (policy, sector, regional, etc.) are subjected to quality assurance?

What proportion of evaluations involved the collection of baseline data (for example, a study to assess the impact of an education project on school enrollment that begins by collecting existing information on school enrollment)?

Does your agency sponsor or undertake any impact evaluations using randomized trials, statistical matching, or other techniques? Yes No

Independence
To whom does the head of evaluation report? Please clarify level if appropriate.

Are there any institutional structures to ensure the independence of the evaluation function (for example, the nature of the reporting relationship of the head of evaluation)?
Yes No
If so, please explain.

Is there a policy regarding the subsequent job prospects of the head of the evaluation department, such as a clause guaranteeing job security or prohibiting subsequent employment in the agency? Yes No If so, please explain.

If your agency has a central evaluation department, are the staff members employed in this department career staff or do they rotate through different divisions in your agency?
Career Rotate

Is the decision to publish an evaluation made before it is complete? Yes No

Are there any mechanisms to ensure publication and editorial independence? Yes No
If so, please explain.

Does your agency provide financial support for any third-party evaluations of any development investments, including those funded by other aid agencies or governments, in developing countries? Yes No
If so, approximately what percentage of projects and/or spending is evaluated in this way?

Transparency, use, and impact
Is there a system for tracking the recommendations from central evaluations? Yes No
If so, who follows up the recommendation?

Does your agency have any incentives to promote the use of evaluation (for example, staff is required to report the results of evaluations in project completion reports, can build evaluation into budgets with a separate line item, receive career incentives for evaluation)?
Yes No
If so, please explain.

Approximately what proportion of evaluations concluded that a program's main objectives were not met? In these cases, were the results disseminated ___internally and/or ___externally? If possible, please cite or attach an example of such a publication.

Is there an official policy that promotes the internalization and application of lessons learned from previous evaluations to subsequent programs and projects? Yes No
If so, please provide a brief description of the policy.

Approximately what proportion of central and project evaluations were disseminated internally to your agency's staff?

Approximately what proportion of central and project evaluations are publicly accessible?

Recipient country systems
Does your agency make grants to recipients to commission evaluations of programs funded by your agency? Yes No
If so, please estimate the amount of funding disbursed for use by recipient systems.

Part II:
Descriptions of 30 indicators across four dimensions of aid quality

Maximizing Efficiency Dimension

Indicator ME1: Share of allocation to poor countries

Although donors provide aid to achieve multiple objectives, one objective they share is improving the lives of poor people around the world. One way donors can make a bigger impact on poverty reduction is by providing a larger share of their aid to poorer countries.

Overview

Since the 1970s many researchers have developed and tested models of donor aid allocations to understand the determinants of donor decisions and assess the marginal impact of aid on development based on certain factors.[78] These studies have tested the significance of such factors as the per capita GDP, policy environment, and quality of governance of partner countries. Few widely accepted generalizations have emerged from these studies, but most of them document a potentially significant positive impact of allocating relatively more of a given amount of funding to poorer countries.

To measure donor orientation toward supporting poor countries we compared donors' aggregate gross aid disbursements weighted by the per capita purchasing power parity GDP (CGDP) of each of the donors' partner countries.[79] We took the logarithm of CGDP to emphasize changes at the lower end of the spectrum. In other words a country would receive a better score for shifting aid from a country with CGDP of $1,000 to a country with CGDP of $500 than for shifting aid from a country with CGDP of $10,000 to a country with CGDP of $9,500. Although donor aid allocations also reflect other factors that influence donor selectivity, such as historical and cultural ties, this indicator provides us with a sense of each donor's poverty orientation.

Multilateral donors performed strongly on this indicator, though not as strongly as on the overall *Maximizing Efficiency* index. The African Development Fund, the World Bank, and the UN agencies were the multilateral donors with the strongest poor country orientation. The African Development Fund's stronger orientation and the weaker orientation of the Asian Development Fund and the Inter-American Development Bank (IDB) Fund for Special Operations (hereafter IDB Special Fund) reflect the constitutional mandates that require regional development banks to operate in countries within specific regions. The country donors with the strongest orientation were Ireland, Belgium, and Norway, and those with the weakest orientation were Greece, Spain, and Japan.

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[78] McGillivray 1989; Collier and Dollar 2001 and 2002; Hansen and Tarp 2001; Dalgaard and Hansen 2001; Dayton-Johnson and Hoddinott 2001; and Easterly, Levine, and Roodman 2003.

[79] CGDP is adjusted for purchasing power parity.

Analysis based on $\sum_{r}\left(\frac{grossODA_{d,r}}{grossODA_{d}} * \log {}_{r}CGDP\right)$.

Source: DAC Table 2a, IMF *World Economic Outlook*, and the UN National Accounts Main Aggregate Database.[80]

[80] Income data for Cuba, DPR Korea, Mayotte, Micronesia, Palestine, and Somalia are from the UN, but are for 2007 and are thus adjusted by the CPI deflator 1.038396.

Indicator ME2: Share of allocation to well-governed countries

Governance is a strong determinant of effective development. Donors can make a greater impact by providing a larger share of certain types of aid to well-governed partners.

Overview

An extensive literature on the relationship between governance and development lends support to the notion that aid is more effectively used in better governed partner countries—and a nascent literature on whether conditioning aid on good governance induces better governance in partner countries. Donors such as the Millennium Challenge Corporation incorporate indices of governance, such as the widely used Worldwide Governance Indicators[81] produced by Daniel Kaufmann, Aart Kraay, and Massimo Mastruzzi, into their aid allocation determinations; other donors use alternative proxies. Donor orientation toward good governance should not result in reduced support of weakly governed countries, especially those that are post-conflict states. Support to these countries should be channeled through approaches that are less dependent on providing cash, such as technical assistance. Thus, within certain envelopes of funding, donors can promote good governance by providing in-kind support to countries demonstrating good governance. With our measure of strict country programmable aid, we include only aid flows that are directly programmable within recipient countries and exclude the types of aid that are appropriate in contexts of poor governance (see Part I or Appendix Table 1). Thus, donors are not penalized for providing the latter kind of aid to fragile states.

To capture donor orientation toward good governance we borrowed a methodology from Kaufmann and Penciakova (2010) and compared each donor's disbursement of strict gross CPA weighted by the quality of governance of its partner countries. We did this by multiplying the share of a donor's *s*grossCPA disbursed to a partner country by the country's governance vulnerability ranking across all of the donor's partner countries.[82]

Many donors with a strong good governance orientation were smaller donors. The three donors with the strongest orientation—New Zealand, Portugal, and Luxembourg—were all country donors. The country donors with the weakest orientation were Greece, Italy, and the United States. The low scores of the Asian Development Fund and the IDB Special Fund reflect, in part, the membership eligible for their aid. The multilateral donors with

[81] The Worldwide Governance Indicators is a comprehensive index of governance, published by the World Bank Group, that consists of six components: voice and accountability, political stability, government effectiveness, regulatory burden, rule of law, and corruption.

[82] Governance vulnerability rankings are based on country performance on the Worldwide Governance Indicators. Recipients included in this indicator are restricted to those included in the Worldwide Governance Indicators. We multiplied countries' governance vulnerability rankings by -1 and added 100 so that donors are rewarded for allocating more to better governed countries.

the strongest orientation were the European Commission and the African Development Fund.

$$\sum_r \left(\frac{sgrossCPA_{d,r}}{sgrossCPA_d} * GVI_r \right)$$

Analysis based on

.

Source: DAC Table 2a and the Worldwide Governance Indicators.

Indicator ME3: Low administrative unit costs

Aggregate aid figures over-represent the amount of development resources directly available to partner countries because they include donor administrative costs. Donors can increase their direct contributions to development programs by reducing administrative costs.

Overview

Aid can be most useful to partner countries when it provides tangible resources for development programs or expertise that builds partner country capacity for sustainable development. Official aid figures include donor costs ranging from direct program support to the cost of activities that promote development awareness within donor countries. While activities in donor capitals are necessary for building support for agency operations, they provide less direct benefit to partner countries and may therefore misrepresent the amount of resources that directly support development in partner countries.

To measure the efficiency of the donors in our sample we compared donor administrative costs to the total amount of aid donors made available for programs and projects in partner countries. Easterly and Pfutze (2008) and Knack, Rogers, and Eubank (2010) also incorporated a measure of comparative donor administrative costs in their aid quality assessments. Administrative costs are an important and necessary part of operating a development agency, and these costs differ across agencies based on a number of factors, such as the requirements of the legal and political systems in donor countries and the different operational costs based on relative costs across countries. It is not clear what ratio of administrative costs to program costs is most effective, and this figure will likely differ based on specific development agencies. But because lower administrative cost to program cost ratios imply that more funding is reaching development programs in partner countries, we measured this ratio to provide a proxy for donor efficiency.

There was a greater range of spending on administrative costs relative to country programmable aid (CPA) among country donors than among multilateral donors. The country donors with the smallest shares of administrative costs, of 4 to 5%, were the Republic of Korea, Australia, Germany, Portugal, and Spain. Those with the largest shares were Switzerland (18%), Austria (17%), and Finland (16%). The multilateral donors with the smallest shares were the European Commission (7%), Asian Development Fund (8%) and the Global Fund to Fight AIDS, Tuberculosis and Malaria (8%), and those with the highest share were the International Fund for Agricultural Development (IFAD) (17%) and the African Development Fund (12%).

Analysis based on Administrative costs_d / grossCPA_d.

Source: DAC Creditor Reporting System, DAC Table 1, and the 2008 annual reports of the multilateral donors in our sample.[83]

[83] The UN Agencies were excluded from this indicator because of missing data.

Indicator ME4: High country programmable aid share

A substantial portion of what is termed official development assistance (ODA) does not represent actual transfers of funds to partner countries. Donors can make a greater development impact by increasing the share of aid that donors program to support development programs and projects in their partner countries.

Overview

The Development Assistance Committee (DAC), recognizing the need for a metric that reflects the amount of aid that is received and recorded in partner country aid management systems, constructed a measure called country programmable aid (CPA). CPA is a measure of development assistance that excludes funding that does not flow to partner countries (such as donor administrative costs and imputed student costs), unpredictable flows (such as humanitarian assistance), and transfers that are not discussed between donors and partner countries (such as food assistance). [84] While CPA better reflects resources available to partner countries, in some cases it overrepresents the figure because of its inclusion of technical cooperation (valued at cost rather than in terms of impact and therefore subject to large variations across countries) and loan interest payments. We used a measure of strict gross CPA (*s*grossCPA) so that interest payments are netted out of the measurement of ODA, along with technical cooperation, debt relief, humanitarian aid, food aid, and administrative costs. To calculate each donor's country programmable aid share, we measured the share of gross ODA that *s*grossCPA represented. While this indicator offers a useful comparison of relative donor performance, as with other indicators in *QuODA*, the relative performance of donors depended on donor adherence to definitions used for self-reporting aid information.

The multilateral donors in our sample outperformed the country donors with average shares of 67% compared to an average across donors in our sample of about 21%. The donors with the highest share of *s*grossCPA were the Global Fund (99%)—an agency committed to exclusively providing program support to partner countries—IFAD, and IDA. The multilateral donors that provided the smallest share of aid as *s*grossCPA—the European Commission and the UN Agencies (each at 53%)—nevertheless provided a larger share than any country donor. The country donors that provided the highest share of *s*grossCPA were Luxembourg (44%), the United States (42%), and Ireland (38%), while those providing the smallest share wereAustria, Greece, and Canada—which provided less than 10% of their support as *s*grossCPA.

Analysis based on $s\text{grossCPA}_d$[85] / grossODA_d.

[84] DAC CPA is computed by excluding factors such as debt relief, humanitarian aid, food aid, administrative costs, and imputed student costs from gross official development assistance (Benn, Rogerson, and Steensen 2010).
[85] Net ODA less debt relief, humanitarian aid, food aid, interest received, and technical cooperation.

Source: DAC Table 2a, DAC Table 1, and DAC Creditor Reporting System.

Indicator ME5: Focus/specialization by recipient country

Although partner countries have benefited from the growth of aid, donor proliferation has diluted the impact of development efforts.[86] Donors can maximize their impact by engaging in countries based on their revealed comparative advantage (RCA).

Overview

Donor concentration of support can help donors foster stronger expertise and strengthen donor accountability to partners. A DAC report on the division of labor of DAC donors found that 39% of the aid relationships an aid-receiving country maintains are not financially significant from either the donor or recipient's point of view.[87] The report recommends that donors improve their division of labor by shifting resources from less significant partnerships to more significant partnerships, channeling aid in countries with nonsignificant partnerships through another donor, or increasing aid allocations in contexts where they are nonsignificant. It estimates that the reallocation of only 4% of U.S. aid could reduce its nonsignificant aid relationships by 23%.

To estimate the division of labor of donors we measured each donor's RCA—the concentration of that donor's aid in a particular recipient country.[88] We did this by comparing the ratios of the donor's aid to a partner country relative to global aid to that partner and the donor's total aid flows to all its partner countries relative to total global aid. When this indicator exceeds unity, the donor is considered to have an RCA in the partner country. When donors provided aid to many partners, or provided aid to partners that received relatively large global aid flows, their RCA decreased. These calculations were performed only for aid that could be directly allocated to partner countries in the DAC Creditor Reporting System (CRS) reports.

Multilateral donors, especially regional development banks, outperformed country donors on this indicator. They generally offered a larger amount of support to a smaller set of countries, and they focused their support better in sectors in which they had an RCA. Donors with a global mandate, including multilateral donors such as the World Bank and the UN Agencies, provided a smaller share of aid to countries in which they had an RCA.

Analysis based on $\sum_r \left[\left(\frac{CPA_{d,r,RCA>1}}{CPA_d} \right) \right]$ with $RCA = \frac{\left(CPA_{d,r} / CPA_r \right)}{\left(CPA_d / CPA_{world} \right)}$.

CPA is gross CPA.

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[86] Knack and Rahman (2004), Roodman (2006), and Kharas (2009b) examine the costs of donor proliferation.

[87] OECD 2009b.

[88] The concept of RCA is used in trade theory (Balassa 1965) to measure the relative advantages and disadvantages of trade partners with respect to traded goods and services.

Source: DAC Creditor Reporting System.

Indicator ME6: Focus/specialization by sector

Following the same logic used in ME 4, and to further examine the existing degree of donor proliferation and fragmentation, we evaluated donors' specialization by sector. Donors can maximize their impact by engaging in sectors based on their revealed comparative advantage (RCA).

Overview

To estimate the level of specialization (or division of labor) of donors we measured each donor's RCA—the concentration of that donor's aid in a particular sector.[89] We compared the ratios of the donor's aid in a particular sector relative to global aid to that sector and the donor's total aid flows to all sectors relative to total global aid. When this indicator exceeds unity, the donor is considered to have an RCA in the sector. When donors provided aid in a wide range of sectors, their RCA decreased. These calculations were performed only for aid that could be directly allocated to sectors in the DAC Creditor Reporting System (CRS) reports.

As expected, the Global Fund to Fight AIDS, Tuberculosis and Malaria was the top performer in this category, based on its mandate to provide development aid in the health sector. The IDB Special Fund ranked as well as the Global Fund because, although it works in a larger range of sectors, it is a major player in each of these sectors where it operatesA number of larger donors, with a mandate to work in multiple sectors, including the United Kingdom, United States, IDA, and the EC scored below average on this indicator.

Analysis based on $\sum_{r}\left[\left(\frac{CPA_{d,s,RCA>1}}{CPA_d}\right)\right]$ with $RCA = \frac{\left(CPA_{d,s} / CPA_r\right)}{\left(CPA_d / CPA_{world}\right)}$.

CPA is gross CPA.

Source: DAC Creditor Reporting System.

[89] The concept of RCA is used in trade theory (Balassa 1965) to measure the relative advantages and disadvantages of trade partners with respect to traded goods and services.

Indicator ME7: Support of select global public good facilities[90]

The returns to providing poverty-reducing global public goods (GPGs) are often higher than the cost of addressing their shortfall in the future, yet they are often underfunded. Multilateral initiatives established to promote GPGs enable donors to contribute to joint efforts to promote these goods. Note that this is not the same as supporting "vertical funds," which typically provide support to country projects and programs that, by definition, do not fit within the classification of public goods as nonexcludable, nonrival goods.

Overview

Attention to poverty-reducing GPGs has increased with growing concern over global public "bads" such as climate change.[91] Despite the many proven benefits to investing in these goods, policymakers and donors confront several challenges related to financing them. One is the political challenge of funding goods for which there may be relatively weak domestic demand in partner countries. Another relates to the high transaction costs donors incur when coordinating the provision of these goods across multiple countries.[92] One way donors have mitigated these challenges is by establishing multilateral initiatives to fund specific GPGs.

To capture donor support of major poverty-reducing GPG initiatives we measured the share of donors' gross CPA offered as contributions to nine multilateral initiatives established to promote poverty-reducing GPGs.[93] While more resources for GPGs are desirable, there are concerns that support for GPGs will displace support for other important development objectives. The objective of this indicator is to capture donor support for collaborative efforts to provide GPGs that may otherwise receive suboptimal support.[94] While it is not easy to compute the optimal level of support for GPGs, we believe they are significantly underfunded at present, so greater support is a positive aspect of donor aid quality. Based on data publicly available, we used figures for 2008 commitments for most of the facilities included in this indicator.[95]

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[90] Poverty-reducing global public goods are goods that offer benefits that extend beyond a single nation, are largely nonrival and nonexcludable, and are critical for poverty alleviation and sustainable development.

[91] For more information on these efforts, see the International Task Force on Global Public Goods report (2006).

[92] Birdsall 2005.

[93] The nine initiatives are: Advance Market Commitments (AMC), Consultative Group on International Agricultural Research (CGIAR), Extractive Industries Transparency Initiative Multi-Donor Trust Fund (EITI-MDTF), Global Environmental Facility (GEF), Global Forum for Health Research (GFHR), International Finance Facility for Immunizations (IFFIm), International Initiative for Impact Evaluation (3ie), Montreal Protocol Fund (MPF), and United Nations Peacekeeping. We excluded multilateral donors from this indicator because they often manage but do not contribute to these facilities.

[94] We excluded estimates of donor contributions to GPG projects as determined using CRS sector codes because of the uncertainty associated with the GPG nature of the totality of projects classified under certain sector codes.

[95] We used disbursement data for the UN Peacekeeping, EITI-MDTF, and 3ie facilities and a combination of disbursement and commitment data for the CGIAR and GFHR facilities. The EITI-MDTF disbursement data are for

There was substantial variation in donors' share of aid to these facilities. Three country donors—Italy (36%), Greece (28%), and Canada (24%)—devoted more than a fifth of their CPA to them. Greece's share was large because it disbursed a small amount of CPA in 2008 relative to other donors in our sample thus enabling its UN peacekeeping contributions to inflate its score on this indicator.[96] Italy and Canada received high scores on this indicator because of their strong support for the pneumococcal AMC and several other initiatives. The three donors that contributed the smallest shares were Luxembourg (5%), Norway (6%), and Ireland (8%).

Analysis based on Contributions to nine facilities$_d$ / grossCPA$_d$.

Source: DAC Creditor Reporting System and the websites for each of the facilities included in the measurement.

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cumulative disbursements since the establishment of the fund. We divided the multiyear donor commitments to the GEF and IFFIm by the payment periods for each to arrive at the 2008 commitment figures. For the AMC figures we consulted the donor schedule of payments for 2008.

[96] All UN member states are legally required to make peacekeeping contributions based on a formula that takes into account a number of factors, including a nation's size and wealth.

Indicator ME8: Share of untied aid

Some aid resources are offered under the condition that the goods and services they fund be procured from suppliers based in the donor country. Since the same goods and services may be available at lower cost from other countries, these resources are used more efficiently in the partner country if they are untied.

Overview

For five decades the international community has condemned the practice of tying aid.[97] In 1991 the DAC commissioned a study on the issue, and its report noted that the value of aid was reduced 13% to 23% by the practice of tying.[98] The reduction of value is a consequence of both the relatively higher cost of goods and services procured from the requisite countries and the administrative burdens imposed on both the partner countries and donors in complying with the conditions of these transfers.[99] In 2001 DAC members committed to untie 100% of aid to Least Developed Countries, and in the Paris Declaration donors committed to further reduce the share of tied aid they provide to recipient countries. Since then, donors have made continual progress on reducing their share of tied aid. In 2006 donors reported to the DAC that 88% of their aid was untied—13 percentage points more aid than in 2005.[100]

We incorporated a Paris Declaration indicator of tied aid in the *Maximizing Efficiency* index. The DAC tracked donor progress in untying aid in the 2008 Paris Monitoring Survey. It measured the share of donor aid that was reported to the DAC as tied. Technical cooperation and administrative costs were excluded from this indicator because donors did not provide information on the tying status of these types of support to the DAC. Multilateral donors are automatically given a score of 1 on this indicator because their charters do not permit tying aid, so all their aid is untied.

Many country donors have made substantial progress in untying aid, but some donors have made little progress. Australia, Germany, Ireland, Luxembourg, Netherlands, Norway, Sweden, and the UK have untied 100% of their aid, although some tying remains on technical assistance and funding provided to core NGO operations. Only two country donors tie more than half of their aid—Republic of Korea (100%) and Spain (76%).

Analysis based on: Untied aid$_d$ / Total bilateral aid$_d$.[101]

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[97] In 1968 UNCTAD released a paper identifying and discussing the impact of tied aid. This report was followed by a condemnation of the practice by the Pearson Commission.

[98] Jepma 1991.

[99] 2008 Paris Monitoring Survey.

[100] 2008 Paris Monitoring Survey.

[101] Paris Indicator 8.

Source: 2008 Paris Monitoring Survey.[102]

[102] Greece and Italy are excluded from this indicator because of missing data.

Fostering Institutions Dimension

Indicator FI1: Share of aid to recipients' top development priorities

Donor aid allocations are based on several factors, which occasionally lead donors to underfund the priority needs of partner countries. To better support partner country ownership, donors can increase support to their partners' top priorities.

Overview
The international community has called for increased partner country ownership of development and for donors to support and respect partner country priorities for development. But partners, especially those that receive a small share of aid as general budget support, occasionally struggle to find support for priorities that donors are less inclined to support (such as agriculture, until recently).

To measure donor support to recipient country priorities we calculated the share of each donor's total gross ODA that was allocated toward partner country development priorities. We identified priority sectors based on submissions of individuals in partner countries to surveys, asking them to identify development priorities for their country.[103] For each donor-partner pair we aggregated the amount of aid the donor provided for the partner's priority sectors, and measured the share that amount represented of ODA from the donor to that partner. We aggregated across all donor-partner pairs for which we had partner country sector preference data. General budget support was treated as support of a partner country's development priorities because it could be programmed freely by governments.

Donor performance varied widely on this indicator. The multilateral donors that provided the highest share of aid to partner country priorities were the regional development banks—which are widely considered to more strongly represent the interests of their partner countries than do country donors—and the World Bank (44%). The multilateral donors that provided the smallest share of aid to recipient priorities were the vertical funds—IFAD (9%) and the Global Fund (31%)—and the UN Agencies (30%). These agencies cannot respond to partner country preferences, because they are established to provide aid in specific sectors only. The country donors that provided the highest share of aid to partner priorities were Portugal (75%), the UK (56%), and Australia (56%), and those that provided the smallest share were Austria (13%), Greece (14%), and Luxembourg (23%).

Analysis based on Gross ODA disbursements to recipients' priority sectors$_d$ / total gross ODA disbursements$_d$.[104]

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[103] We define priority sectors as the top one to five sectors designated by each country.
[104] The Republic of Korea was excluded from this indicator for lack of data.

Source: DAC Creditor Reporting System, World Values Survey, the World Bank Gallup World Poll, Afro-barometer, Asian-barometer, Euro-barometer, and Latino-barometer.

Indicator FI2: Avoidance of project implementation units

Although donor project implementation units (PIUs) can at times contribute to the efficacy of specific initiatives, they often do so at the expense of long-term partner country development. Donors committed to capacity building should reduce their dependence on PIUs.

Overview

PIUs are established by donors to manage donor-supported projects and programs in partner countries. They are often established outside partner government agencies, and thus create parallel development management structures that reduce country ownership and management of national development initiatives, attract talented officials away from governments to be employed in PIUs, and dilute accountability mechanisms. Donors committed in the Paris Declaration to reduce their use of PIUs from a baseline of 1,817 PIUs in 2005 to 611 in 2010.[105] By 2007 they reduced the number of active PIUs to 1,601. The slow rate of progress was not surprising as the life cycle of PIUs is several years, but sustained reductions will also require concerted donor-partner efforts to establish new arrangements so that fewer PIUs will be established. PIU use depends in part on efforts by partner countries to strengthen their systems, but donors can support partners in taking the steps to strengthen these systems.

We captured donor use of PIUs with data from the 2008 Paris Monitoring Survey. Indicator 6 of the Paris Declaration tracked the number of active PIUs established by each donor. We measured use of PIUs by calculating the ratio of total PIUs used to total CPA disbursed by each donor in the sample of countries for which the Paris Monitoring Survey collects PIU data. Donors with lower ratios of PIUs to CPA received a higher score on this indicator.

Most donors had reasonable PIU to CPA ratios on this indicator, with the exception of several donors. The two top performers—Portugal and Ireland—had zero PIUs in the partner countries sampled in the 2008 Paris Monitoring Survey. The country donors with the highest ratios were Austria, Switzerland, and Belgium. The multilateral donors with the lowest ratios were the Global Fund, the World Bank, and the Asian Development Fund, and those with the highest were the UN Agencies, the IDB Special Fund, and IFAD.

Analysis based on $PIUs_d$ / Total grossCPA_d.

Source: 2008 Paris Monitoring Survey[106] and DAC Creditor Reporting System.

[105] 2008 Paris Monitoring Survey.

[106] Paris Indicator 6; Greece was excluded from this indicator because of missing data.

Indicator FI3: Share of aid recorded in recipient budgets

Country ownership of aid is dampened by partner government uncertainty about the amount of aid flowing into their countries. Donors can better align their efforts with partner policies and systems by increasingly reporting aid commitments to partners for inclusion in their budgets.

Overview

Accurate and complete reporting of aid by donors for inclusion in partner country budgets increases donor alignment with partner country systems and supports increased domestic accountability of the partner government to its people through accurate accounts of its resources and funding allocations. The share of aid recorded in partner budgets is reduced when donors do not provide information on their support to the government in a timely and comprehensive manner, and when they provide it in a format that makes interpretation of certain commitments difficult.[107] In 2007 the share of DAC donor aid recorded on partner budgets increased by 6 percentage points from 2005 to 48%.[108] Further progress will require country work to improve the reporting systems used by donors and partners, and international efforts to identify best practices to facilitate progress.[109]

To capture the amount of aid that is recorded in partner government budgets we took data from Indicator 3 of the Paris Declaration as captured in the 2008 Paris Monitoring Survey. This indicator measured the share of each donor's 2007 aid that appeared in the budget of each of its partner countries that was included in the 2008 Paris Monitoring Survey.

The multilateral donors in our sample performed strongly on this indicator. Four of the five donors with the highest share of aid recorded in partner countries' budgets were multilateral donors – the African Development Fund (114%),[110] the Asian Development Fund (80%), the World Bank (66%), and the European Commission (57%). The country donors with the highest share were the UK (58%), Denmark (57%), and the Netherlands (56%). The donors for which the smallest share of aid was recorded in partner budgets were Portugal (11%), Spain (24%), and the United States (28%), and the multilateral donors with the smallest share were the Global Fund (33%), the UN Agencies (35%), and IFAD (48%).

Analysis based on Σ_r Aid included in government's budget$_d$ / Total aid $_d$.

[107] Partner countries have found, for instance, donor reporting of funding for technical cooperation and pooled funds unclear (OECD 2008a – Paris Monitoring Survey).

[108] 2008 Paris Monitoring Survey.

[109] See OECD (2008b – use of country systems) and Mokoro (2008) for more on this issue.

[110] More aid was recorded on the African Development Fund's partner countries' budgets than was disbursed.

Indicator FI4: Share of aid to partners with good operational strategies

Effective operational strategies can facilitate long-term development progress in partner countries and offer donors a roadmap for their assistance. Donors concerned about channeling support through partner country systems in countries with weak development strategies and systems can increase alignment with country systems by increasing support to partners with good operational strategies.

Overview

To support partner country institutions, donors can both increase support to partners with good operational strategies and continue to support partners engaged in the process of designing a unified operational strategy. Partners with good operational strategies have consolidated their national development operational strategies into comprehensive unified strategies that prioritize development goals and link priorities to government budgets.[111] The World Bank Aid Effectiveness Review (AER) found in 2007 that 67% of countries had taken action to improve their operational strategies—up from 56% in 2005. It found that partner countries made considerable progress in establishing unified frameworks, and in costing and prioritizing goals, though progress was weak in linking operational strategies to budgets.

We measured donor orientation to partners with good operational strategies by using data from the most recent AER. In the AER a set of 62 partner country operational strategies and monitoring and evaluation frameworks[112] were assessed and assigned one of five possible ratings. We considered partners to have good operational strategies if they received one of the top three ratings assigned by the AER. We then measured the share of each donor's total gross CPA that was provided to partner countries with a good operational strategy. Our measure of total CPA was restricted to partners included in the AER.

Donor performance on this indicator was strong, with the smallest share of gross CPA disbursed to partners with good operational strategies at about 63% (the United States). The country donors that disbursed the highest shares to partners with good operational strategies were Luxembourg (98%), Austria (95%), and Denmark (94%), and the multilateral donors that disbursed the highest shares were the African Development Fund (95%), the Asian Development Fund (90%), and the European Commission (86%). The country donors that disbursed the smallest shares after the United States were Italy (65%) and Canada (69%), and the multilateral donors that disbursed the smallest shares were the IDB Special Fund (70%), the UN Agencies (76%), and IFAD (79%).

[111] World Bank 2007.
[112] Indicator T7 measures the share of donor aid to partners with effective monitoring and evaluation frameworks.

Analysis based on $\sum_{r}\left(\frac{grossCPA_{d,r,OS=1}}{grossCPA_{d}}\right)$.

Source: DAC Creditor Reporting System and the World Bank Aid Effectiveness Review.

Indicator FI5: Use of recipient country systems

Despite a commitment to increase partner country ownership of development, donors continue to make only limited use of partner country public financial management systems. Increased use of these systems will enable donors to support the institutions critical for long-run development.

Overview

Donors committed in the Paris Declaration to working with partner countries to improve their public financial management (PFM) systems and channeling more aid through those systems. Despite considerable improvements in the quality of partner systems,[113] the aid delivered through PFM systems in 2007 increased by only 4 to 5 percentage points from 40% in 2005, and aid delivered through procurement systems increased by 4 percentage points from 39% in 2005. Donor policies have been slow to respond to improvements of PFM systems. For example, the share of aid delivered through the systems of the 12 countries that received the highest PFM quality rating ranged from 17% of aid to Mongolia to 71% of aid to Tanzania.[114] To increase aid channeled through these systems, donors should adopt clear policies on the use of PFMs, address incentives within their agencies to use partner systems, and work with partners to operationalize plans for improving their systems.

To capture donor use of recipient country systems we combined data from two Paris Declaration indicators: the share of disbursements to the government sector made through partner PFM systems, and the share of disbursements to the government sector made through the partner's procurement system in the same year.[115] For this indicator we averaged each donor's performance on these two indicators across all its partners.

Donor performance on this indicator resembled performance on our indicator on the use of programmatic aid (RB7). The country donors that made the most use of recipient country systems were Ireland (84%), Spain (73%), and Japan (72%), and those that made the least, Luxembourg (2%), Portugal (3%), and the United States (5%). The multilateral donors that disbursed the highest share of aid through government systems were IFAD (69%), the World Bank (57%), and the Asian Development Fund (46%), and those that disbursed the smallest share were the UN Agencies (11%), the European Commission (34%), and the IDB Special Fund (38%).

[113] World Bank 2007.
[114] 2008 Paris Monitoring Survey.
[115] Although PFM systems encompass all components of a country's budget process, the Paris Declaration tracks progress on four of the primary components. Indicator 5a tracks use of budget execution, national financial reporting, and national auditing requirements; Indicator 5b tracks donor use of partner country procurement processes.

Analysis based on Σ_r [(Disbursements through PFM systems$_d$ / Aid to government sector$_d$) + (Disbursements through procurement systems$_d$ / Aid to government sector$_d$)] / 2.

Source: 2008 Paris Monitoring Survey.[116]

[116] Paris Indicators 5a and 5b; Greece was not included in this indicator because of missing data.

Indicator FI6: Coordination of technical cooperation

Technical cooperation can help partner countries enhance a range of capacities, but it is often provided in a fragmented and opaque manner. By coordinating technical cooperation with partner country strategies donors can increase the value added of their support.

Overview

Technical cooperation (TC)—donor support of technical knowledge transfers—can be a valuable component of development assistance when it helps countries address knowledge gaps. It is less valuable when it is provided in a manner that does not take local context into account, is duplicated by multiple donors, or is not done cost-efficiently. To increase the utility of TC the international community called on donors to align TC with the capacity development objectives and strategies of partner countries.[117] In 2007 donors reported a 12 percentage point increase in the 2005 share of TC that was coordinated to 60%—a figure that was 10% higher than the Paris Declaration goal for 2010.[118] But this figure overrepresents progress because of distortions created by the imprecise definition of coordinated TC and the continued fragmentation of TC within countries. The 2008 Paris Monitoring Survey found that some donors reported high shares of coordinated TC in countries that did not yet have a capacity development strategy. Continuing progress necessitates a narrower definition of TC, increased donor support of partner countries as they develop capacity building strategies, and efforts by donors to increase the share of coordinated TC.

To capture the amount of TC that was coordinated between donors and partner countries we incorporated a Paris Declaration indicator from the 2008 Paris Monitoring Survey. Paris Indicator 4 measured the share of each donor's TC that was coordinated across all of the donors' partner countries that participated in the 2008 Paris Monitoring Survey.

The donors with the highest share of coordinated TC were the donors ranked 1 and 2 on the *fostering institutions* dimension—Ireland (97%) and the World Bank (85%). The other country donors with high shares were the Asian country donors in our index—Republic of Korea (84%) and Japan (84%). The countries with the smallest shares were Portugal (6%), Luxembourg (18%), and Belgium (32%), and the multilateral donors with the smallest shares were the African Development Fund (30%), the Global Fund (40%), and the European Commission (45%). In addition to the World Bank, the multilateral donors with the highest shares were IFAD (78%) and the Asian Development Fund (61%).

Analysis based on Coordinated technical cooperation$_d$ / Total technical cooperation$_d$.

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[117] Paris Declaration.

[118] 2008 Paris Monitoring Survey.

Source: 2008 Paris Monitoring Survey.[119]

[119] Paris Indicator 4; Greece was excluded from this indicator because of missing data.

Indicator FI7: Share of scheduled aid recorded as received by recipients

Donor disbursements that occur off-schedule and without notification of partner governments limit those governments' ability to effectively account for national development initiatives. Donors can support partner country systems and promote long-term development by disbursing funds—and notifying partners of those disbursements—within the year they are scheduled.

Overview

Aid that is predictable and recorded as received by partner governments in a timely manner enables governments to manage their resources better, use aid for long-term development initiatives, and inform their citizens of the resources and development projects the government is undertaking.[120] Disbursements can be delayed for reasons including political concerns, administrative challenges, and procedures associated with project conditionalities. The Paris Declaration calls on donors to disburse funds within the year they are scheduled and to inform partner countries of those disbursements. Progress toward this goal is measured through Paris Indicator 7. In 2007 donors reported a modest increase from 41% in 2005 to 46%, but they will need to improve their efforts to reach the 2010 target of 71%.[121]

We capture the short-term predictability of donor aid commitments by incorporating Paris Indicator 7 as measured in the 2008 Paris Monitoring Survey. This indicator measures the share of a donor's scheduled disbursements to a partner country recorded by the partner as disbursed within the year they were scheduled across all the donor's partner countries included in the 2008 Paris Monitoring Survey.

The development banks performed strongly on this indicator, followed by the European donors. The multilateral donors for which the largest share of aid was recorded as disbursed by partner countries were the IDB Special Fund (113%),[122] the Asian Development Fund (79%), and the World Bank (65%). The country donors with the highest share were Ireland (64%), the UK (54%), and Germany (51%). The multilateral donors with the smallest share were the UN Agencies (26%), IFAD (42%), and the Global Fund (43%), and the country donors with the smallest share were New Zealand (11%), Australia (21%), and the Republic of Korea (21%).

Analysis based on Σ_r Disbursements recorded by recipient$_d$ / Total disbursements scheduled$_{d,r}$.

[120] For more on this issue, see OECD (2008a), Mokoro (2008), and OECD (2008b).
[121] 2008 Paris Monitoring Survey.
[122] A value of more than 100% implies that a donor's partners recorded receiving more aid than had been scheduled to be disbursed by the donor.

Source: 2008 Paris Monitoring Survey.[123]

[123] Paris Indicator 7; Greece was excluded from this indicator because of missing data.

Indicator FI8: Coverage of forward spending plans/Aid predictability

Poor information on a donor's future aid commitments limits partner countries' and other donors' ability to incorporate that donor's support into long-term plans about funding needs and aid allocations. When donors publicly provide forward spending information, they enable partner countries and other donors to improve their long-term planning and decision-making.

Overview

Information on forward spending is critical for both partner countries and donors. It enables them to identify gaps in partner country budgets, overlaps in aid commitments, and opportunities for partnering on development programs. Furthermore, it enables partner countries to undertake longer term planning with more certainty that development resources will be available to support their endeavors. Recognizing the importance of information on forward spending, the DAC launched an annual report on donor forward spending plans in 2008 called the *DAC Report on Aid Predictability*. As a part of this exercise the DAC administers an annual survey to collect information on donor commitments for the upcoming three-year period.

To measure donor coverage of forward spending plans we incorporated the measures reported by the DAC in the *2009 DAC Report on Aid Predictability*. The DAC calculated the share of CPA for which donors provided forward spending information three years into the future. For example, a donor that reported forward spending plans until the year 2011 for aid to all of its partner countries received a ratio of 100%.

Performance on this indicator was mixed for the country donors and at either of two extremes for the multilateral donors. One multilateral donor in our sample (IFAD) reported 0% of forward spending, and the other multilateral donors reported 100% forward spending through 2011. About one of three country donors in our sample reported 100% of their forward spending, and about one of five reported 0% of forward spending. Most of the other country donors either reported more than 80% or less than 10% forward spending.

Analysis based on Forward spending coverage on grossCPA three years in advance.

Source: 2009 DAC Report on Aid Predictability.

Reducing Burden Dimension

Indicator RB1: Significance of aid relationships

Administrative costs associated with development projects and programs can substantially reduce the value of aid to recipients. By reducing the fragmentation of their aid programs in partner countries, donors can reduce the administrative burdens imposed on their partners.

Overview

The rising administrative burdens associated with aid proliferation have had adverse impacts on development. The time required of government officials to manage aid projects and programs, participate in hundreds of meetings with donor officials, and complete thousands of reports competes with the time required for their other duties. Donor proliferation has been associated with excessive investments in small, visible aid projects rather than support for recurrent costs in the form of budget support and other programs critical for the long-term success of development interventions.[124] The high costs associated with managing many aid initiatives have been found to lead to both poaching of highly qualified civil servants[125] and to diminishing marginal aid effectiveness.[126] Incentives to limit donor poaching and thresholds at which the marginal effectiveness of aid drops both increase with the size of donor aid programs in partner countries.

We measured the significance of aid relationships by measuring the marginal contribution of each donor to its partner countries' administrative costs.[127] We defined the administrative cost per dollar received as inversely proportional to the concentration of aid across donors in a given partner country and measured concentration by calculating each country's Herfindahl-Hirschman Index (HHI).[128] The marginal contribution of donors to their partner countries' HHI is the sum across partners of the squared share of donor aid to a partner weighted by the donor's total gross country programmable aid. In other words, we reward donors that have significant aid relationships with their partners.

Donors received a wide range of scores on this indicator. The top performers—Australia and New Zealand—concentrated support in a few small island nations in the Pacific. Aside from the European Commission and IFAD, the multilateral donors demonstrated average performance on this indicator. The European Commission's strong performance was consistent with its efforts to promote division of labor among its member countries. Finland,

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[124] Arimoto and Kono 2009.
[125] Knack and Rahman 2004.
[126] Roodman 2006.
[127] The DAC also measures the significance of aid relationships in OECD 2009 as described in MI5.
[128] The HHI is used to measure competition by calculating the market share of firms within an industry.

Austria, and IFAD were the poorest performers on this indicator—Austria because of its small aid program, and Finland and IFAD because of the proliferation of small amounts of aid across a relatively large number of partners.

Analysis based on $\sum_r \left(\frac{2 * grossCPA_{d,r}^2}{grossCPA_d * grossCPA_r^2} \right)$.

Source: DAC Creditor Reporting System and DAC Table 2a.[129]

[129] Data for the Republic of Korea, the IDB Special Fund, the Asian Development Fund, and IFAD were taken from DAC Table 2a.

Indicator RB2: Fragmentation across donor agencies

Some donors deliver aid through several agencies affiliated with their government or agency. To reduce the number of donor-partner relationships and the administrative burdens associated with them, donors can limit the institutional channels through which they deliver aid.

Overview

In addition to maintaining relationships with multiple donors, partner country governments often have to interact with officials from several different agencies for every country it partners with. While some donors deliver all of their aid through one agency, donors such as the United States deliver aid through more than 50 bureaucratic entities.[130] Not only do these different agencies usually have different points of contact and different procedures for negotiation, monitoring, and reporting, they also often operate independent of other agencies from the same country or multilateral donor and thus contribute to donor policy incoherence.

We measured the concentration of aid delivery (as with previous indicators, using the gross CPA measure) across donor agencies using the Herfindahl-Hirschman Index (HHI) used in RB1 to measure the concentration of aid across donors in a country.[131] We used the HHI to sum the squares of each agency's share of total aid from a donor. If a donor delivered aid through one agency, it had a HHI equal to one. As the number of agencies delivering a donor's aid increased, the share of each individual agency decreased, and the HHI for the donor approached zero. Because we were interested in fragmentation within specific partners, we did not treat bilateral aid delivered through multilateral donors as an additional channel. For these calculations the agency of record is the one that actually disburses aid to recipient countries—so aid budgeted through different ministries but executed through a development agency would count as being disbursed through a single agency channel.

About a third of the donors in our sample delivered aid through only one channel, or provided such small amounts of aid through auxiliary agencies that their scores were comparable to donors that delivered aid through only one channel. Five—Australia, Ireland, Luxembourg, the Netherlands, and New Zealand—were country donors. All of the multilateral donors except the UN Agencies and the European Commission delivered aid through only one channel. By definition the UN Agencies in our sample delivered assistance through several agencies because we combined five UN Agencies to represent broader UN performance. Greece, the United States, Spain, and Austria provided the most fragmented aid to their partner countries.

[130] Brainard 2007.

[131] The HHI is used to measure competition by calculating the market share of firms within an industry.

Analysis based on $\sum_{agency}\left(\frac{grossCPA_{d,agency}}{grossCPA_{d}}\right)^{2}$.

Source: DAC Creditor Reporting System.[132]

[132] The Republic of Korea was excluded from this indicator because of missing data.

Indicator RB3: Median project size

The fixed costs of many small aid projects can limit the value of aid to a partner country. Although there is no optimal project size, fewer and larger projects reduce the administrative burden on recipients. Donors can in many instances increase the efficacy of their aid by increasing the size of their projects, though this should not be done in a manner that diffuses the results indicators, transparency, and accountability that project structures provide.

Overview

The growth in aid volume over time has been accompanied by substantially larger growth in the number of aid projects supported by donors. Each aid project has fixed costs of identification, appraisal, negotiation, approval, implementation, and monitoring—and these weigh more heavily on small projects. In general, there are economies of scale in many development interventions. Small projects are also harder to capture in country-owned development plans that tend to focus explicitly on the most significant priority projects. Because appropriate project size depends on several factors including the development objective at hand, the size of the recipient, and the quality of its governance, there is no clear optimal project size,[133] but there is evidence that the proliferation of small projects is having an adverse impact on development.[134]

To capture the burden on the recipient country from managing many projects we used data from AidData on the median size of each donor's projects. If the fixed costs associated with a $50,000 project and a $300,000 project are comparable, the relative burden per dollar received is lower for the larger project. This indicator therefore captures donor fragmentation within partner countries. We use the median project size rather than the mean to avoid getting caught in the nitty-gritty of the myriad small interventions recorded in the CRS that may not be projects at all in the usual sense of the word.

With the exception of the UN Agencies, which had the lowest median project size in this sample, multilateral donors performed strongly on this indicator. They did so in part because of their strong commitment to providing aid through budget support and sector-wide programs, as well as by having bigger individual projects. The top performing country donors in this sample were Denmark ($740,000), the Netherlands ($480,000), and France ($140,000), and the weakest were the Republic of Korea ($20,000), Greece ($40,000), and Luxembourg ($40,000). The range of median project sizes across the donors in our sample was enormous: the top performer, the African Development Fund, had a median of $27.9 million, and the lowest performers, the UN Agencies and Korea, had a median of $20,000.

[133] Kilby (2010) explores the determinants of project size across donors.
[134] Findings from Roodman (2006), Knack and Rahman (2004), and Arimoto and Kono (2009) were outlined in RB1.

Accordingly, z-scores were computed based on the log of median project size, to de-emphasize outliers in the distribution.

Analysis based on log [Median commitment size of projects] *(as listed in AidData).*

Source: AidData 1.9.2.[135]

[135] Data for the Republic of Korea, the African Development Fund, the Asian Development Fund, IFAD, UN Agencies, and the IDB Special Fund were not available for 2008. 2007 data were used, with commitments converted to 2008 dollars (deflator = 1.038396, from the US CPI, which is what AidData uses to convert between years. Source: http://www.bls.gov/cpi/cpid08av.pdf). No data were available for the Arab agencies.

Indicator RB4: Contribution to multilaterals

Multilateral agencies typically have large, streamlined operations in their partner countries. By channeling more aid through multilaterals, country donors can reduce transaction costs incurred by partner countries and support countries and sectors for which they have less expertise. Use of multilateral channels also implies up-front harmonization with other donors.

Overview

The Paris Declaration encourages donors to delegate aid to donors with an expertise in particular countries and sectors. It does so to encourage the reduction of transaction costs by limiting the number of donor-partner relationships that must be managed. It also does so to improve the division of labor across donors by encouraging them to specialize in certain countries and sectors and by encouraging those with less knowledge of specific countries and sectors to delegate funding to other donors. While donors can delegate support to any type of donor, it may be easier for country donors to delegate aid to major multilateral agencies, in addition to the regular contributions they make to these agencies. The mandates of multilateral agencies—both for countries and sectors—tend to be more defined than those of country donors, enabling them to foster stronger expertise in specific areas. Multilateral agencies are also better insulated from political impulses than country donors, and thus a larger share of aid may be allocated and withdrawn through them according to principles of aid effectiveness. Country donors with restrictive political and bureaucratic arrangements can support aid programs they legally would have difficulty supporting bilaterally through multilateral agencies.

We captured contributions to multilaterals by measuring the share of a country donor's total gross ODA disbursements channeled through core support to multilateral agencies.[136] Although many countries provide additional non-core funds to multilateral agencies, we do not include these because they have varying degrees of constraints on their use, making them non-comparable to core multilateral support.[137] Multilateral agencies are excluded from this indicator.

Donor contributions to multilateral agencies varied substantially across the donors in our sample from a maximum of 62% (Italy) to a minimum of 10% (Australia). The donors that provided the largest share of their aid to multilaterals were Italy (62%), Greece (56%), and Belgium (42%), and the donors that provided the smallest share were Australia (10%), the United States (11%), and New Zealand (20%).

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[136] A spreadsheet that contains the names of the multilateral agency channels that can be reported to the DAC can be found in the OECD DAC CRS Directive.
[137] Non-core funds are earmarked for specific sectors, themes, countries or regions.

Analysis based on Multilateral ODA_d / Total grossODA_d.

Source: DAC Table 1.

Indicator RB5: Coordinated missions

Countries surveyed in the 2008 Paris Monitoring Survey were found to receive 14,000 missions, an average of 282 donor missions per country.[138] To reduce the burdens associated with these missions, donors can coordinate them with other donors and partner countries.

Overview

The Paris Declaration calls on donors to increasingly collaborate among themselves and with partner countries to reduce the absolute number of missions, coordinate the timing of planned missions, conduct more missions jointly, and respect mission-free periods as stated by partner governments. While donor missions help design and monitor development projects and programs, they demand significant amounts of time of partner country government officials, and uncoordinated missions often result in repetitive knowledge sharing and duplication of effort. In 2007 the share of donor coordinated missions rose to 21% from 18% in 2005—a considerable distance from the Paris Declaration goal of 40% by 2010.[139] Further progress on this indicator may require efforts to understand the costs for donors associated with increased coordination, and to discover how donors can align incentives within their agencies to encourage mission coordination. Donors have launched internal monitoring reviews to track their progress on this and other Paris Declaration goals. Several have initiated cross-agency coordination efforts, such as the EU Harmonization Roadmap, the Six Banks initiative, and the One UN initiative.

To capture coordinated missions we included an indicator from the 2008 Paris Monitoring Survey that measured the share of each donor's total missions that were coordinated. Both coordinated missions (those undertaken jointly by two or more donors) and delegated missions (those undertaken by one donor on behalf of another donor) were included in this indicator. Although this indicator captures a proportion, the absolute numbers of missions are also important because the Paris Declaration encourages a reduced number of missions over time.

Donor performance ranged widely on this indicator. The best performing donor, IFAD, coordinated 70% of its missions, and at the other extreme Austria and Portugal did not coordinate a single mission. The top performing country donors on this indicator were the UK (58%), the Netherlands (53%), and New Zealand (47%), and after Austria and Portugal, the weakest performing country donor was Japan (5%). The multilateral donors with the highest shares of coordinated missions after IFAD were the UN Agencies (42%), and the IDB Special Fund (35%). Those with the lowest shares were the African Development Fund (17%), the Asian Development Fund (18%), and the Global Fund (20%).

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[138] Vietnam alone received 752 donor missions in 2007.
[139] OECD 2008.

Analysis based on Coordinated missions$_d$ / Total missions$_d$.

Source: 2008 Paris Monitoring Survey.[140]

[140] Paris Indicator 10a; Greece was excluded from this indicator because of missing data.

Indicator RB6: Coordinated analytical work

Country analytical work of donors often explores topics of keen interest to other donors and the partner government. Donors can reduce the costs of conducting many similar studies by coordinating and sharing analytical work with other development partners.

Overview

Country analytical work, consisting of studies, strategies, evaluations and discussion papers, are of critical importance to developing and implementing country strategies and informing policy dialogue. But as with donor missions, government officials in partner countries spend significant amounts of time assisting donors conducting country analytical work. Increased coordination and sharing of analytical work could reduce the demands on government officials' limited time and duplication of effort by partner countries and other donors. It could also encourage the production of more analytical work by the partner country, building more capacity. The share of coordinated donor analytical work is included in the Paris Declaration's harmonization indicators, but progress has been weak with an increase in 2007 of only 2% points from a 2005 share of 42%.[141]

We captured each donor's effort toward coordinating country analytical work by incorporating the share of country analytical work that was coordinated as reported in the 2008 Paris Monitoring Survey. Coordinated country analytical work was defined by the DAC as that jointly undertaken by two or more donors, undertaken by one donor on behalf of one or more additional donors, or undertaken with substantive involvement of partner country governments.

The European donors in our sample performed strongly while the Asian and American donors performed relatively poorly. The donors with the highest share of coordinated analytical work were Denmark (85%), Ireland (82%), and Luxembourg (80%). Three country donors—New Zealand, the Republic of Korea, and Portugal—coordinated none of their analytical work. The share of coordinated analytical work by multilateral donors ranged from about 74% (IFAD) to about 24% (the Global Fund).

Analysis based on: Coordinated country analytical work$_d$ / Total country analytical work$_d$.

Source: 2008 Paris Monitoring Survey.[142]

[141] 2008 Paris Monitoring Survey.
[142] Paris Indicator 9; Greece was excluded from this indicator because of missing data.

Indicator RB7: Use of programmatic aid

In addition to increasing country ownership, aid delivered through program-based approaches uses streamlined processes that concentrate and minimize the administrative burden on partner governments. Donors can thus reduce administrative burdens on partner countries by providing more programmatic aid.

Overview

Program-based approaches (PBA) are aid programs and projects delivered through common arrangements that increase country ownership and reduce administrative burdens on partner countries. Donor use of PBAs depends in part on partner countries' formulation and implementation of sound national development strategies and the quality of their systems. It also depends on donors' willingness to pool resources and to establish and adhere to common procedures among themselves and with partner country governments. The Paris Declaration calls on donors to increase their use of PBAs, yet in 2007 only 47% of aid tracked in the Paris Monitoring Survey was delivered through PBAs. This represented an increase of only 4 percentage points from the share of aid through PBAs in 2005. Weak progress on this indicator can be attributed in part to the more stringent definition of PBAs introduced by the DAC in 2007 and to lingering concerns about the merits of some PBAs. Further progress will require concerted efforts by donors to improve internal incentives for using PBAs and the country mechanisms for designing and administering them.[143] Some donors do not provide aid through PBAs because the pooled funding makes it harder to attribute results to the individual donor.

We captured use of programmatic aid by using data from the 2008 Paris Monitoring Survey that measured the share of total aid provided by each donor through PBAs. Relative comparisons on this indicator are challenging because the issues of comparability associated with imprecise definitions and self-reporting are particularly salient with this indicator. In fact, the DAC found large discrepancies in several cases between the share of aid donors reported as being provided through PBAs in specific countries and the total share of PBAs in those donors' partners.[144]

We found a wide range of donor use of PBAs. The country donors that provided the largest share of aid through PBAs were Ireland (79%), the Netherlands (63%), and the UK (62%). Those that provided the smallest share were the Republic of Korea (0%), Portugal (3%), and Belgium (17%). The multilateral donors ranged from providing 66% (the Global Fund) of their aid through PBAs to 26% (the UN Agencies).

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[143] Andersen and Therkilsden (2007) and De Renzio (2005) discuss the challenges associated with the harmonization and alignment agenda advanced in the Paris Declaration.
[144] 2008 Paris Monitoring Survey

Analysis based on Program-based aid$_d$ / Total aid$_d$.

Source: 2008 Paris Monitoring Survey.[145]

[145] Paris Indicator 9; Greece was excluded from this indicator because of missing data.

Transparency and Learning Dimension

Indicator TL1: Member of the International Aid Transparency Initiative

Transparency is a fairly low-cost mean for increasing the effectiveness of aid and limiting the scope for corruption associated with aid activities.[146] Participation in global efforts to increase aid transparency, such as the International Aid Transparency Initiative (IATI), demonstrates donors' commitment to improve access to information on their activities.

Overview

IATI is a multi-stakeholder initiative through which members—donors, partner countries, and civil society organizations—commit to work together to establish a common standard for making aid more transparent. It emerged during the Accra High Level Forum on Aid Effectiveness in 2008 and has as its objective not the creation of another set of databases, but the establishment of one set of standards for reporting information on aid activities that would be adopted by its members. The set of standards will address four components of aid transparency: the information donors publish; definitions of aid information; data format; and a code of conduct for donors.[147] Such standards are expected to improve the quality of public information on aid, and consequently initiatives such as *QuODA* that use that data.

While membership in IATI is not a measure in and of itself of effective practice, it provides a signal that members are committed in principle to increasing the transparency of their activities. In this year's *transparency and learning* dimension, we have included a measure of whether or not donors have joined IATI. In the future, we hope to work with the IATI Secretariat to create a measure of donor implementation of IATI principles.

Though the initiative is open to any donor and partner country, only 18 donors and 13 partner countries have joined.[148] Three of the multilateral donors included in our assessment—the Asian Development Fund, the United Nations Development Program,[149] and the World Bank—are members of IATI. More than half of the country donors included in our study have joined IATI; however, among these donors only two are G8 members: Germany and the UK.

Analysis based on Response of YES or NO.

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[146] Collin and others (2009) discuss steps that can be taken to make aid more transparent and the relatively low costs associated with these actions.

[147] For more information on IATI, see IATI 2009.

[148] Two donor members of IATI are excluded from our study: The William and Flora Hewlett Foundation, and the Global Alliance for Vaccinations and Immunizations (GAVI). There were 31 IATI members as of May 2010.

[149] The UNDP is one agency included in the aggregate UN Agencies measure in our donor sample.

Source: International Aid Transparency Initiative website.

Indicator TL2: Recording of project titles and descriptions

As DAC members, official donors commit to provide specific information about each of their aid projects to the CRS database. Donors should strive to provide complete records of this information for the benefit of a range of stakeholders.

Overview

In the CRS database there are a set of fields for which donors are expected to provide information on aid projects. In these fields they disclose information on the sectors, countries, and regions to which aid projects are targeted, and the terms and conditions of those projects.[150] Public disclosure of this information could better enable civil society organizations, academics, and the media to research and evaluate aid activities and hold donors and partner governments accountable.

To measure disclosure of key project information the team at AidData, a nonprofit group of academics committed to providing better publicly accessible aid data, proposed measuring the frequency at which information is available for three key fields—the short description, long description, and project title—for each project-level aid activity in the AidData database.[151] We calculated this measure by averaging the percentage of each of these fields that was completed for each project-level aid activity, by donor in 2008. In other words, a value of 70% means that 70% of the three fields across all of a donor's aid activities in 2008 were populated in the AidData database.

The country donors outperformed the multilateral donors on this indicator.[152] Eight country donors completed all three key fields for every project entry. Those donors were Belgium, Denmark, Germany, the Netherlands, New Zealand, Norway, Finland, and the United States. The countries that completed the smallest share of these entries—around two-thirds—were Luxembourg, the Republic of Korea, and Japan. The World Bank and the UN Agencies completed over 90% of these entries, and the multilateral donors that completed the smallest share—around one-third—were the IDB Special Fund and the Asian Development Fund.

Analysis based on Populated key field entries$_d$ / Total key field entries$_d$.

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[150] For more information about CRS entries, see the Reporting Directives for the Creditor Reporting System.

[151] While this measure partially captures donor thoroughness in completing key fields on aid projects, it does not capture the quality of the entries provided by donors. For example, a donor may provide the same information for the short and long description entries for a project, thus limiting the amount of new information made available while receiving credit for completing both fields on this indicator. In the future we may consider alternative measures such as the share of projects for which different information was reported for the short and long description fields.

[152] Multilateral donors, however, are not official DAC members and are therefore not required to report aid information to the DAC databases.

Source: AidData 1.9.2.

Indicator TL3: Detail of project descriptions

Aid project descriptions offer stakeholders an opportunity to understand the details of donor-supported projects. In addition to providing key information on all aid projects, donors can contribute to better aid management by providing thorough descriptions of all their aid projects.

Overview

The long description entry for aid projects reported in the CRS offers donors an opportunity to communicate more details than are captured in the other project fields. They could, for example, describe the objectives and the components of the project. The length of long description responses are therefore proxies for the quantity of new information conveyed by donors about their projects.

The team at AidData proposed that we capture this aspect of donor transparency by measuring average character counts in the long description fields in their database for each donor's project-level aid activities.[153] We measured the logarithm of the average character counts to emphasize changes at the lower end of the spectrum of character counts. This measure, like the previous measure on disclosure of key project information, does not capture the difference in quality of response across donor agencies, but does provide us with a sense of how much information is available for use by stakeholders.[154]

The average character counts of long descriptions differed substantially between and across country donors and multilateral donors, and the best and worst performing donors were all multilateral. The strongest performers on this indicator were the Global Fund, the World Bank, and Canada, and the poorest performers were the IDB Special Fund and the Asian Development Fund. In the case of the multilateral donors, most with high average character counts for the long description fields were those that completed few if any of the short description fields associated with their aid projects. The country donors that provided the largest character counts in this field were Canada, the United States, and Finland, and those that provided the smallest character counts were Luxembourg, Switzerland, and the Republic of Korea. In the future we hope to work with AidData to get measures of the quality of the long description to avoid gamesmanship of simply padding this field with irrelevant information.

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[153] DAC donors are expected to provide a long description for each project included in the CRS, without specific stipulations on the information they disclose. These descriptions are expected to include more information on the aid project, but they occasionally relay little more information than that contained in the project title and the short description of the project.

[154] For example, a 30-character short description that provides useful details about the project and is not an exact replication of the entry for the long description or project title fields is often more valuable than a 50-character short description that repeats verbatim the title of the project.

Analysis based on Log (Number of characters in long description entries$_d$ / Number of long description entries$_d$).

Source: AidData 1.9.2.

Indicator TL4: Reporting of aid delivery channel

Donors have a large number of channels through which they can disburse aid. By providing specific information on delivery channels for their aid projects, donors can enable better tracking of the movement of donor aid flows.

Overview

Information on the recipients of donor aid is crucial for effective tracking of aid spending. Donor support to a partner country can be channeled through partner government agencies, international NGOs, domestic NGOs, multilateral agencies, and other entities. Recognizing the importance of tracking who receives donor aid, DAC members agreed to provide information on the channels through which they provide their project aid flows in the CRS.

To measure donor performance in reporting aid delivery channels we borrow a methodology from Development Initiatives' analysis of donor reporting to construct a measurement based on information reported by donors to the CRS. Donors are asked to report to the CRS the name of the specific channel of delivery for each of their aid projects.[155] Our indicator measured the share of projects by donor for which a specific channel name was reported, weighted by the size of the projects. Entries that were not sufficiently informative—such as a response of *other, unknown,* or *not available,* or categories without specific names—were excluded.[156] A higher share of projects reporting a specific channel name was considered more transparent.

Over half the donors in our sample reported sufficient channel names for more than 90% of the projects they reported to the CRS. For this indicator, our sample was limited to country donors because multilateral donors are channels for country donors. On average, donors reported channel names for 93.5% of the projects they reported to the CRS. Five country donors—Australia, Denmark, Greece, New Zealand, and Portugal—provided a channel name for every reported project. The weakest performing donors—Switzerland and the United States—provided channel names for more than 70% of the projects they reported to the CRS.

Analysis based on Aid flows with sufficient reporting$_d$ / Total aid flows$_d$.

Source: DAC Creditor Reporting System.

[155] Examples of channel names reported include Ministry of Finance or Forum for Agricultural Research in Africa.

[156] Channel name entries were considered insufficient if they were blank, nondescript, or labeled multilateral. We also considered to be insufficient the projects for which the recipient name field was unanswered and the channel name reported was *public sector*.

Indicator TL5: Share of projects reporting disbursements

Information on donor disbursements can enable partner countries to better manage their resources and the general public to better track development initiatives. Donors can facilitate this process by publicly providing data on their aid disbursements.

Overview

A significant amount of aid disbursements occur unrecognized by partner country governments. This omission of information not only limits recipient country and other donors' planning abilities, it also limits the ability of civil society organizations and researchers to track how much aid is flowing to different countries, sectors, and projects. Consequently, stakeholders must reconcile a wide range of estimates of aggregate aid flows based on commitment data or incomplete reports of disbursement data.

In addition to measuring the share of aid recorded in partner government budgets (FI3) and the share of scheduled aid recorded as received by partner governments (FI7), we measure donor performance in publicly providing information on aid disbursements to governments and civil society in the partner country. We measured the share of aid projects for which disbursement information was provided to the CRS.[157] As such, any entry in this field, including a response of zero disbursements, was considered sufficient for this measurement. A higher share of projects reporting disbursement figures was considered more transparent.

Country donors significantly outperformed multilateral donors on this indicator. Sixteen country donors and one multilateral, the European Commission, reported disbursements for all of the projects they reported to the CRS. Out of the six donors that did not report disbursements for any of the projects they reported to the CRS, only one was a country donor—the Republic of Korea. Those six donors, along with the United States and Switzerland, lowered the average share of projects reporting disbursements to about 75%. The UN Agencies and the Global Fund were the only multilateral donors other than the EC to report disbursements, and they both reported disbursements for more than 90% of the projects they reported to the CRS. Some multilateral agencies report disbursements on their own websites but not to the CRS. We could not give credit for that as the data are too dispersed. Disbursement recording can be a problem when projects address multiple sectors; it is hard to know for what purpose a disbursement has been made.

Analysis based on Number of populated disbursement fields$_d$ / Total number of project entries$_d$.

Source: AidData 1.9.2.

[157] Donors are asked to provide the amount of funding disbursed for each project reported to the CRS.

Indicator TL6: Completeness of project-level commitment data

In addition to disclosing information on their aggregate aid flows, official DAC members have committed to provide comprehensive information about their project-level aid transfers to the DAC databases. To better inform partner countries, other donors, and the general public on their aid activities, donors should ensure that their project-level aid reporting is complete and accurate.

Overview

Access to key information about individual aid projects can better inform planning and monitoring by partner countries, donors, researchers, and civil society organizations worldwide. Despite official DAC donor commitments to publicly disclose specific information about all of their project-level aid activities in the DAC CRS database, the share of total aid for which they disclose project-level information varies.

To measure the completeness of project-level reporting our colleagues at AidData proposed measuring the share of total ODA commitments reported to the DAC in 2008 that were accounted for in donor project-level reporting to the CRS in the same year.[158] For example, a donor that reported to the DAC that it committed $1 billion of aid and provided project-level information for projects that amounted to $500 million of aid in that same year would receive a score of 50% on this indicator. Though this indicator measures the share of donor aid for which any project-level records are available, it does not measure the completeness of the fields that contain valuable information on the project-level activities of donors. Indicator T4 offers a proxy measure for the completeness of project-level descriptive information.

The multilateral donors in our sample generally outperformed the country donors on this indicator. The three donors that provided project-level information on the greatest share of their aggregate aid commitments were all multilateral donors: the World Bank, the Global Fund, and IFAD. Only one of the three lowest scoring donors was a multilateral donor—the IDB Special Fund; the other two donors were the Republic of Korea and Italy. None of the poorest performers on this indicator were members of IATI. Also absent from the ranks of IATI were two donors that provided project-level information on the largest share of their aid (the Global Fund and IFAD).

Analysis based $\left|1-\frac{ODA_{d,proj}}{ODA_{d,aggr}}\right|$.

[158] We took the absolute value of one minus the share of aid reported at the project-level to incorporate outliers in the data set.

Source: DAC Creditor Reporting System and DAC Table 3a

Indicator TL7: Aid to partners with good monitoring and evaluation frameworks

Effective monitoring and evaluation (M&E) frameworks enable governments to track progress and develop an evidence base for their policy and budget formulations. To follow through on donor commitments to emphasize the importance of strengthening M&E systems, donors may increase support to partner countries that are serious about tracking and responding to progress on the ground.

Overview

Donor commitment to transparency over the provision and use of aid is demonstrated in part by donor support for the establishment of effective country-level results-based M&E frameworks. M&E frameworks can enhance and inform government progress on national development strategies by providing inputs to policymaking and resource management and improving the transparency, credibility, and accountability of partner governments. Sound M&E frameworks provide comfort to donors that their support will be used more effectively, and thus can enable donors to be less involved in setting and implementing government priorities. By providing more funding to partners with effective M&E frameworks, donors may create an incentive for their partners to establish and improve their M&E frameworks.

We measured the share of aid to partners with good M&E frameworks by taking data from the most recent World Bank Aid Effectiveness Review (AER) (2007) and the DAC. The AER rated the M&E frameworks and the operational strategies of 62 low- and lower middle-income countries based on three criteria every few years.[159] Countries were assigned one of five possible values. For our measure, we defined a good M&E framework as one that received one of the three highest scores for the M&E rating. Using DAC data we measured the share of aid to partner countries covered by the AER that was provided to partners with good M&E frameworks.

Donor performance on this indicator varied. The multilateral donors that provided the largest share of aid to partners with effective M&E frameworks were the Asian Development Fund (87%), the World Bank (80%), and the African Development Fund (79%). The multilateral donors that provided the smallest share were the UN Agencies (63%) and IFAD (67%). The country donors that provided the largest share were Denmark and Finland (89%), Ireland (88%), Austria and the Republic of Korea (84%), and those that provided the smallest share were Greece (22%), Italy (52%), and Belgium (55%).

Analysis based on $\sum_{r}\left(\frac{grossCPA_{d,r,M\&E=1}}{grossCPA_{d}}\right)$.

[159] The three criteria are the quality of development information, stakeholder access to information, and the coordination country-level monitoring and evaluation.

Source: DAC Creditor Reporting System and the World Bank Aid Effectiveness Review.

Appendix Tables

Appendix Table 1

Donor	Gross ODA (Disbursements)	less Multilateral aid	less Unassigned and other aid	Gross ODA less Unassigned and aid to Multilaterals	less Development Food Aid	less Humanitarian Aid (Non Food)	less Debt Relief	is defined as DAC CPA	less Technical Cooperation	less (-1*) Interest received	is strict gross CPA
Australia	2,954.12	295.76	713.70	1,944.66	20.79	232.72	256.10	1,435.05	683.95	0.00	751.10
Austria	1,759.40	475.99	177.22	1,106.19	0.86	42.92	817.73	244.68	181.34	-0.29	63.05
Belgium	2,437.07	993.84	451.56	991.67	1.50	114.77	112.91	762.49	407.16	-2.59	352.74
Canada	4,833.71	1,359.17	1,306.99	2,167.55	53.81	305.54	132.76	1,675.44	1,038.48	0.00	636.96
Denmark	2,866.60	894.39	565.54	1,406.67	0.96	131.67	156.25	1,117.79	51.43	-0.65	1,065.71
Finland	1,167.66	445.02	303.82	418.82	0.00	57.27	6.00	355.55	138.13	0.00	217.42
France	12,539.77	4,345.69	1,718.22	6,475.86	74.98	23.08	1,421.73	4,956.07	2,126.63	-540.68	2,288.76
Germany	15,961.19	4,889.20	2,085.29	8,986.70	48.14	268.21	3,986.29	4,684.06	3,084.09	-490.65	1,109.32
Greece	703.16	334.53	149.81	218.82	4.58	16.38	0.00	197.86	164.52	0.00	33.34
Ireland	1,327.84	382.30	260.59	684.95	16.79	101.20	0.00	566.96	12.43	0.00	554.53
Italy	5,096.64	2,918.60	280.63	1,897.41	53.49	88.66	910.49	844.77	119.42	-0.95	724.40
Japan	17,452.96	2,521.22	2,426.92	12,504.82	255.24	217.76	3,868.15	8,163.67	1,359.62	-2,248.52	4,555.53
Korea	841.78		353.61	488.17	1.46	21.17	10.33	455.21	155.94	-26.46	272.81
Luxembourg	414.94	131.34	44.08	239.52	7.14	29.15	0.00	203.23	1.72	0.00	201.51
Netherlands	7,111.14	1,702.27	3,026.14	2,382.73	22.14	320.88	104.44	1,935.27	129.37	-30.78	1,775.12
New Zealand	348.00	55.51	103.29	189.20	0.72	20.16	0.00	168.32	49.07	0.00	119.25
Norway	3,963.47	909.69	1,347.21	1,706.57	1.19	276.24	20.63	1,408.51	242.80	0.00	1,165.71
Portugal	627.18	242.58	35.69	348.91	0.00	0.57	1.44	346.90	146.33	-8.97	191.60
Spain	7,477.35	2,013.76	1,958.66	3,504.93	58.42	382.71	1,034.40	2,029.40	783.81	-38.68	1,206.91
Sweden	4,731.72	1,566.98	1,557.50	1,607.24	0.00	286.98	0.00	1,320.26	85.01	0.00	1,235.25
Switzerland	2,049.26	451.77	817.10	780.39	0.00	132.58	97.73	550.08	74.90	0.00	475.18
United Kingdom	11,976.63	4,077.79	2,134.60	5,764.24	160.33	561.41	537.89	4,504.61	724.70	0.00	3,779.91
United States	27,819.41	2,772.87	6,998.94	18,047.60	535.35	3,141.63	576.93	13,793.69	655.97	-457.84	12,679.88
EC	15,107.64	257.14	2,687.08	12,163.42	303.62	1,810.91	13.08	10,035.81	1,041.69	-170.51	8,823.61
AfDF (African Dev. Fund)	1,732.70		328.19	1,404.51	0.00	0.00	0.00	1,404.51	0.00	-116.97	1,287.54
AsDF (Asian Dev. Fund)	2,330.40		42.48	2,287.92	0.00	0.00	0.00	2,287.92	0.00	-255.97	2,031.95
Global Fund	2,167.61		30.59	2,137.02	0.00	0.00	0.00	2,137.02	0.00	0.00	2,137.02
IDA	9,291.30		15.94	9,275.36	0.00	0.00	612.09	8,663.27	0.00	-932.93	7,730.34
IDB Spec. Fund	551.63		52.73	498.90	0.00	0.00	0.00	498.90	78.33	-93.10	327.47
IFAD	490.91		0.00	490.91	0.00	0.00	0.00	490.91	0.00	-46.18	444.73
UN Select (UNAIDS, UNDP, UNFPA, UNICEF, WFP)	2,278.19		455.56	1,822.63	255.50	117.95	0.00	1,449.18	0.00	0.00	1,449.18

Appendix Table 2: Principal Components Analysis of Aid Indicators

	Maximizing Efficiency		Fostering Institutions		Reducing Burden		Transparency and Learning	
Component	Eigenvalue	Cumulative	Eigenvalue	Cumulative	Eigenvalue	Cumulative	Eigenvalue	Cumulative
Comp1	2.13	0.28	2.27	0.29	2.53	0.36	2.26	0.32
Comp2	2.07	0.54	1.54	0.48	1.82	0.62	1.81	0.58
Comp3	1.57	0.74	1.30	0.64	0.97	0.76	1.57	0.81
Comp4	0.61	0.82	1.05	0.77	0.80	0.87	0.54	0.88
Comp5	0.52	0.88	0.79	0.87	0.44	0.94	0.42	0.94
Comp6	0.37	0.93	0.48	0.93	0.32	0.98	0.23	0.98
Comp7	0.30	0.97	0.31	0.97	0.11	1.00	0.17	1.00
Comp8	0.20	1.00	0.26	1.00				

Appendix Table 3: Summary Statistics by Indicator

Maximizing Efficiency	Share of allocation to poor countries*	Share of allocation to well-governed countries *	Low administrative unit costs*	High country programmable aid share	Focus/ specialization by recipient country	Focus/ specialization by sector	Support to selected global public good facilities	Share of untied aid
Mean	7.73	68.50	0.10	0.36	0.87	0.80	0.15	0.89
Maximum	8.53	80.51	0.18	0.99	1.00	1.00	0.36	1.00
Minimum	7.12	53.65	0.04	0.01	0.69	0.67	0.05	0.00
Standard deviation	0.35	5.82	0.04	0.27	0.08	0.09	0.07	0.23
Number of donors	31	31	30	31	30	30	23	29

Fostering Institutions	Share to recipients' top development priorities	Avoidance of Project Implementation Units*	Share of aid recorded in recipient budgets	Share of aid to partners with good operational strategies	Use of recipient country systems	Coordination of technical cooperation	Share of scheduled aid recorded as received by recipients	Coverage of forward spending plans /Aid predictability
Mean	0.38	0.09	0.46	0.82	0.45	0.54	0.44	0.66
Maximum	0.75	0.48	1.14	0.98	0.84	0.97	1.13	1.00
Minimum	0.09	0.00	0.11	0.63	0.02	0.06	0.11	0.00
Standard deviation	0.14	0.12	0.19	0.09	0.21	0.21	0.19	0.43
Number of donors	30	30	30	31	30	30	30	31

Reducing Burden	Significance of aid relationships	Fragmentation across agencies	Median project size	Contribution to multilaterals	Coordinated missions	Coordinated analytical work	Use of programmatic aid
Mean	0.23	0.71	-0.62	0.33	0.28	0.50	0.40
Maximum	1.59	1.00	1.45	0.62	0.70	0.85	0.79
Minimum	0.02	0.26	-1.71	0.10	0.00	0.00	0.00
Standard deviation	0.30	0.28	0.93	0.12	0.16	0.24	0.18
Number of donors	31	30	31	23	30	30	30

Transparency	Member of IATI	Recording of project title and descriptions	Detail of project descripti ons	Reporting of aid delivery channel	Share of projects reporting disbursemen ts	Completeness of project-level commitment data	Aid to partners with good M&E framework s
Mean	0.49	0.86	1.99	0.94	0.78	0.30	0.72
Maximum	1.00	1.00	3.55	1.00	1.00	1.00	0.89
Minimum	0.00	0.33	0.00	0.71	0.00	0.00	0.22
Standard deviation	0.50	0.19	0.68	0.09	0.39	0.21	0.13
Number of donors	31	31	31	22	31	31	31

Appendix Table 4: Donor Standardized Scores--Maximizing Efficiency

Donor	Share of allocation to poor countries*	Share of allocation to well governed countries*	Low administrative unit costs*	High country programmable aid share	Focus/specialization by recipient country	Focus/specialization by sector	Support of select global public good facilities	Share of untied of aid
Australia	-0.21	-0.58	1.24	-0.53	0.15	-0.89	-0.63	0.47
Austria	-1.15	-0.48	-1.86	-1.13	1.07	-0.40	0.96	0.45
Belgium	1.19	0.12	0.59	-0.90	-0.86	-1.05	0.24	0.14
Canada	0.73	0.51	-0.38	-1.06	-0.83	-0.84	1.18	-0.47
Denmark	0.93	0.39	-0.99	-0.06	0.35	-0.10	-0.92	0.37
Finland	0.59	0.25	-1.60	-0.89	-0.23	1.03	0.33	0.13
France	-0.86	1.00	0.31	-0.68	-0.35	-0.18	-0.08	0.10
Germany	-1.00	0.05	1.28	-0.84	-2.32	-0.91	-0.30	0.46
Greece	-2.29	-1.60	-1.12	-1.30	0.25	-0.06	1.85	
Ireland	1.74	0.45	0.62	0.07	0.19	0.45	-1.00	0.47
Italy	-0.78	-1.41	0.78	-0.86	-0.03	-1.22	2.92	
Japan	-1.19	0.70	0.13	-0.12	-0.31	0.08	0.31	0.13
Korea	-1.08	-0.09	1.58	-0.28			-0.06	-3.87
Luxembourg	0.10	1.34	-0.01	0.28	0.44	0.89	-1.36	0.47
Netherlands	0.74	0.38	-0.04	-0.59	-0.18	-0.50	-0.79	0.47
New Zealand	-0.39	2.55	-1.06	-0.32	0.58	-0.09	0.00	0.45
Norway	1.12	-0.66	0.08	-0.45	-0.87	-0.74	-1.28	0.47
Portugal	-0.85	2.01	1.23	-0.30	1.20	1.16	-0.15	-1.10
Spain	-1.32	0.34	1.21	-0.51	-0.83	-1.47	-0.39	-2.81
Sweden	0.84	-0.10	-0.20	-0.55	-0.55	-0.27	-0.77	0.47
Switzerland	-0.29	0.16	-2.12	-0.75	-0.28	-0.07	0.73	-0.52
United Kingdom	0.83	0.21	0.44	-0.33	-0.35	-0.70	0.07	0.47
USA	0.14	-1.27	0.75	0.23	-0.92	-0.84	-0.85	-0.54
AfDF	1.70	0.07	-0.54	1.43	1.73	0.93		0.47
AsDF	0.02	-2.06	0.48	1.91	1.73	1.50		0.47
EC	-0.80	1.17	0.87	0.64	-0.06	-1.23		0.47
GFATM	0.43	-0.02	0.60	2.34	0.50	2.14		0.47
IDA	0.87	-0.49	-0.06	2.01	-0.24	-0.99		0.47
IDB Special	-1.23	-0.82	-0.36	0.87	1.73	2.14		0.47
IFAD	0.35	-0.75	-1.84	2.04	1.53	1.06		0.47
UN Select	1.11	-1.37		0.63	-2.25	1.16		0.47

Appendix Table 5: Donor Standardized Scores--Fostering Institutions

Donor	Share to recipients' top development priorities	Avoidance of Project Implementa-tion Units*	Share of aid recorded in recipient budgets	Aid to partners with good operational strategies	Use of recipient country systems	Coordinat-ion of technical cooperation	Share of scheduled aid recorded as received by recipients	Coverage of forward spending plans/Aid predictability
Australia	1.31	0.33	-0.88	-0.05	-0.66	-0.82	-1.22	0.79
Austria	-1.76	-2.42	-0.65	1.37	-0.26	-0.94	-0.64	-1.47
Belgium	-0.63	-1.17	0.43	-0.99	-0.59	-1.10	-0.30	0.26
Canada	-0.08	-0.24	-0.50	-1.54	0.17	-0.49	-0.01	0.56
Denmark	0.22	0.28	0.59	1.27	0.79	0.97	0.16	0.37
Finland	-0.23	0.42	-0.07	0.91	0.80	0.13	-0.77	0.79
France	-0.49	0.40	0.13	0.73	0.83	-0.30	0.15	-1.40
Germany	0.32	0.65	0.40	-0.29	0.26	0.90	0.38	-1.40
Greece	-1.73			-1.01				-1.54
Ireland	0.19	0.80	-0.05	1.27	1.80	2.10	1.07	0.19
Italy	-1.08	-0.13	-0.41	-1.93	0.37	0.69	-0.74	0.47
Japan	0.58	0.79	0.00	-0.60	1.24	1.45	-0.08	-1.54
Korea		0.49	-0.48	0.27	-0.75	1.46	-1.20	0.79
Luxembourg	-1.06	0.03	-0.93	1.76	-2.03	-1.79	-0.70	-1.54
Netherlands	0.57	0.72	0.51	0.30	1.02	-0.04	0.27	0.79
New Zealand	-0.15	-0.28	-0.56	-0.47	-0.99	0.13	-1.71	0.79
Norway	0.63	0.71	0.04	-0.58	0.82	-0.17	-0.22	0.79
Portugal	2.64	0.80	-1.92	-0.70	-1.98	-2.38	0.17	-0.61
Spain	-0.60	0.35	-1.20	0.52	1.28	0.33	-0.64	0.79
Sweden	0.74	0.44	-0.04	0.16	0.45	-0.45	0.04	0.58
Switzerland	0.07	-1.55	-0.40	1.12	-0.27	-0.73	-0.29	-1.54
United Kingdom	1.33	0.66	0.61	-0.16	0.80	-0.29	0.52	0.61
USA	-0.40	0.44	-0.97	-2.18	-1.91	0.19	-0.62	-1.54
AfDF	0.63	0.05	3.66	1.37	-0.12	-1.20	0.21	0.79
AsDF	0.07	0.54	1.84	0.82	0.01	0.34	1.87	0.79
EC	0.08	0.47	0.59	0.46	-0.53	-0.48	0.48	0.79
GFATM	-0.52	0.77	-0.73	0.21	-0.24	-0.72	-0.01	0.79
IDA	0.41	0.67	1.06	0.35	0.53	1.51	1.14	0.79
IDB Special	1.61	-1.76	0.50	-1.34	-0.35	0.25	3.67	0.79
IFAD	-2.10	-0.01	0.07	-0.36	1.13	1.17	-0.07	-1.54
UN Select	-0.55	-3.24	-0.63	-0.71	-1.63	0.28	-0.92	0.79

Appendix Table 6: Donor Standardized Scores--Reducing Recipient Administrative Burden

Donor	Significance of aid relationships	Fragmentation across donor agencies	Median project size	Contribution to multilaterals	Coordinated missions	Coordinated analytical work	Use of programmatic aid
Australia	1.61	1.06	-0.31	-1.92	0.25	0.83	-0.40
Austria	-0.63	-1.20	-0.83	-0.39	-1.73	-0.12	-0.49
Belgium	-0.57	0.36	-0.46	0.85	-1.13	0.79	-1.25
Canada	-0.56	0.38	-0.36	-0.23	-0.79	-1.03	0.16
Denmark	-0.57	-0.74	0.52	0.20	0.96	1.47	1.12
Finland	-0.71	0.97	-0.33	0.70	0.73	1.13	1.13
France	0.90	-1.12	-0.24	0.72	-0.19	-0.15	-0.03
Germany	-0.25	-0.55	-0.42	0.23	0.51	0.82	-0.86
Greece	-0.55	-1.60	-0.80	2.00			
Ireland	-0.60	1.06	-0.80	-0.22	0.48	1.33	2.14
Italy	-0.46	-1.09	-0.67	2.56	-0.82	-0.35	0.09
Japan	0.19	-0.51	-0.61	-0.32	-1.42	-1.00	-0.23
Korea	-0.59		-1.15	0.03	-0.24	-2.07	-2.17
Luxembourg	-0.52	1.06	-0.84	0.03	0.44	1.25	-1.01
Netherlands	0.01	1.06	0.32	-0.59	1.47	0.01	1.28
New Zealand	4.58	1.04	-0.39	-1.06	1.11	-2.07	-1.13
Norway	-0.57	-0.17	-0.40	-0.78	0.09	0.67	0.37
Portugal	0.15	-0.74	-0.68	0.63	-1.73	-2.07	-2.04
Spain	0.42	-1.24	-0.45	-0.21	-0.69	-0.45	-0.30
Sweden	-0.50	0.66	-0.63	0.06	0.15	0.07	0.22
Switzerland	-0.60	-1.01	-0.72	-0.74	-0.64	0.73	-0.42
United Kingdom	0.23	-0.05	-0.24	0.30	1.83	0.46	1.23
USA	0.46	-1.24	-0.34	-1.84	-0.99	-0.48	-0.05
AfDF	-0.41	1.06	2.21		-0.69	-0.22	-0.14
AsDF	-0.26	1.06	2.04		-0.64	-1.01	1.04
EC	1.00	-1.18	1.15		0.24	0.91	0.21
GFATM	-0.27	1.06	1.56		-0.50	-1.09	1.45
IDA	-0.08	1.06	2.11		0.17	0.38	0.79
IDB Special	0.01	1.06	1.53		0.37	-0.25	0.70
IFAD	-0.62	1.06	1.40		2.54	0.98	-0.63
UN Select	-0.26	-1.55	-1.17		0.83	0.55	-0.76

Appendix Table 7: Donor Standardized Scores—Transparency and Learning

Donor	Member of IATI	Recording of project title and descriptions	Detail of project description	Reporting of aid delivery channel	Share of projects reporting disbursements	Completeness of project-level commitment data*	Aid to partners with good M&E frameworks
Australia	1.03	0.20	-0.09	0.73	0.57	1.20	0.68
Austria	-0.99	0.75	-0.12	0.72	0.57	0.05	0.92
Belgium	-0.99	0.75	0.59	0.69	0.57	-0.68	-1.29
Canada	-0.99	0.24	1.15	0.25	0.56	-0.15	-1.00
Denmark	1.03	0.76	0.20	0.73	0.57	-0.35	1.27
Finland	1.03	0.76	0.62	-2.05	0.57	-0.06	1.25
France	-0.99	0.20	-0.75	0.49	0.57	-0.40	-0.93
Germany	1.03	0.76	-0.12	0.22	0.57	-0.02	-0.22
Greece	-0.99	0.75	0.03	0.73	0.57	-1.24	-3.77
Ireland	1.03	0.55	0.53	0.43	0.57	-0.04	1.19
Italy	-0.99	0.72	0.24	-0.79	0.55	-1.36	-1.50
Japan	-0.99	-0.88	-0.84	-0.05	0.52	0.53	0.00
Korea	-0.99	-1.00	-1.09		-1.98	-3.30	0.88
Luxembourg	-0.99	-1.03	-1.37	0.47	0.57	-0.20	0.27
Netherlands	1.03	0.76	-0.30	0.04	0.57	0.24	0.29
New Zealand	1.03	0.76	0.15	0.73	0.57	0.40	0.44
Norway	1.03	0.76	0.39	0.65	0.50	0.32	-0.03
Portugal	-0.99	-0.14	0.03	0.73	0.57	-1.17	0.18
Spain	1.03	0.73	0.37	0.03	0.57	-0.04	0.36
Sweden	1.03	-0.67	-0.45	0.58	0.57	-0.35	0.43
Switzerland	1.03	-0.78	-1.10	-2.23	-0.61	0.41	0.29
United Kingdom	1.03	0.74	0.05	-0.54	0.57	-0.19	0.28
USA	-0.99	0.76	0.70	-2.59	-0.28	0.99	-0.96
AfDF	-0.99	-1.00	1.00		-1.98	0.19	0.50
AsDF	1.03	-2.72	-1.66		-1.98	-0.21	1.09
EC	1.03	0.75	0.17		0.57	1.29	-0.14
GFATM	-0.99	-1.00	2.28		0.34	1.40	0.20
IDA	1.03	0.71	1.81		-1.98	1.40	0.55
IDB Special	-0.99	-2.75	-2.91		-1.98	-1.37	-0.13
IFAD	-0.99	-1.00	0.96		-1.98	1.40	-0.42
UN Select	-0.65	0.57	-0.45		0.56	1.30	-0.68

Appendix Table 8: Work in Progress: Partial Indicators on Volatility and Aid to Post-Conflict States (z-scores; indicators not used in analysis)

Donor	Stability of net disbursements	Aid to post-conflict states, 2004-2007	Aid to post-conflict states, 2002-2007
Australia	0.67	-1.74	-2.78
Austria	0.96	-0.39	-0.64
Belgium	0.73	0.14	0.72
Canada	-0.11	-0.04	0.12
Denmark	0.26	0.17	0.27
Finland	0.44	-0.33	-0.51
France	0.23	-0.74	-0.58
Germany	0.73	-0.64	-0.37
Greece	1.56	-1.08	-1.71
Ireland	0.42	0.27	0.50
Italy	0.06	-0.79	-1.17
Japan	0.58	-0.35	-0.42
Korea	-0.51	-0.13	0.11
Luxembourg	-0.26	-0.49	0.33
Netherlands	0.42	-0.32	-0.23
New Zealand	0.64	-1.05	-1.74
Norway	0.21	0.10	0.30
Portugal	-0.62	4.57	-0.67
Spain	0.67	-0.73	-0.71
Sweden	0.56	-0.25	-0.28
Switzerland	0.83	-0.25	-0.28
United Kingdom	0.07	-0.17	-0.14
USA	-1.45	0.13	0.34
AfDF	0.55	0.35	1.12
AsDF	0.32	-0.14	-0.31
EC	-0.19	0.19	0.49
GFATM	-0.53	0.45	1.16
IDA	-2.73	0.55	1.20
IDB Special	-3.23	0.96	1.70
IFAD	0.07	0.74	1.79
UN Select	-1.34	0.58	1.19

Notes to Appendix Table 8:
Our data on “Stability of net disbursements” are explained as the contribution to minimizing the deadweight loss that arises from volatility in country programmable aid received by a country (Desai and Kharas 2010).
Our calculations of aid share to post-conflict states are based on the Uppsala definition of intensity of conflict. Countries are coded yearly as follows: 0 if they are not in conflict; 1 for minor armed conflict (25-999 battle related deaths); and 2 for years in war (1000+ battle related deaths). We define post-conflict countries as those that reduce intensity either from 1 to 0, or 2 to 1/0, in 2008 compared to any years in the period 2004-2007 (column 2) or 2002-2007 (column 3).
Source: Uppsala Data Conflict Program, Department of Peace and Conflict Research, Uppsala University, Sweden. Codebook:
http://www.pcr.uu.se/publications/UCDP_pub/Codebook%20conflict%20termination%202.1.pdf
We measure the natural log share of donors' aid that goes to countries identified as post-conflict. Post-conflict states in 2004-2007 include Azerbaijan, Angola, the Central African Republic, Cote d'Ivoire, Haiti, Nepal, Nigeria, Uganda, Uzbekistan, Chad, the Democratic Republic of the Congo, and Sudan; in 2002-2007, added to this list are Burundi, Liberia, Eritrea, Rwanda, and Senegal.

Appendix Table 9

Appendix Table 9: Indicator Correlations

		Share of allocation to poor countries	Share of allocation to well-governed countries	Low administrative unit costs	High country programmable aid share	Focus/Specialization by recipient country	Focus/Specialization by sector	Support of select global public good facilities	Share of untied aid	Aid to post-conflict states, 2004-2007	Aid to post-conflict states, 2002-2007	Share of aid to recipients' top development priorities	Avoidance of Project Implementation Units	Share of aid recorded in recipient budgets	Share of aid to partners with good operational strategies	Use of recipient country systems	Coordination of technical cooperation	Share of scheduled aid recorded as received by recipients	Coverage of forward spending plans/Aid predictability
		ME1	ME2	ME3	ME4	ME5	ME6	ME7	ME8	ME-extra1	ME-extra2	FI1	FI2	FI3	FI4	FI5	FI6	FI7	FI8
Share of allocation to poor countries	ME1	1.00	0.00	-0.09	0.30	-0.10	0.09	-0.46	0.42	0.13	0.46	0.16	0.06	0.40	0.20	0.17	0.01	0.03	0.28
Share of allocation to well-governed countries	ME2	0.00	1.00	0.04	-0.20	0.03	-0.06	-0.34	-0.10	0.21	-0.14	0.29	0.26	-0.23	0.28	-0.09	-0.31	-0.24	-0.03
Low administrative unit costs	ME3	-0.09	0.04	1.00	0.03	-0.34	-0.26	-0.25	-0.37	0.11	-0.11	0.41	0.54	-0.16	-0.24	-0.17	0.04	0.03	0.31
High country programmable aid share	ME4	0.30	-0.20	0.03	1.00	0.43	0.54	-0.70	0.24	0.31	0.65	0.01	0.11	0.40	0.16	-0.06	0.17	0.42	0.10
Focus/Specialization by recipient country	ME5	-0.10	0.03	-0.34	0.43	1.00	0.54	0.11	0.16	0.27	0.09	0.05	0.06	0.28	0.27	-0.03	-0.19	0.36	-0.11
Focus/Specialization by sector	ME6	0.09	-0.06	-0.26	0.54	0.54	1.00	-0.20	0.27	0.42	0.40	0.08	-0.17	0.10	0.19	-0.20	-0.12	0.36	-0.06
Support of select global public good facilities	ME7	-0.46	-0.34	-0.25	-0.70	0.11	-0.20	1.00	-0.14	-0.15	-0.35	-0.41	-0.45	-0.03	-0.41	0.07	0.02	-0.19	-0.10
Share of untied aid	ME8	0.42	-0.10	-0.37	0.24	0.16	0.27	-0.14	1.00	-0.10	0.14	-0.03	-0.11	0.37	0.07	0.11	-0.11	0.30	-0.08
Aid to post-conflict states, 2004-2007	ME-extra1	0.13	0.21	0.11	0.31	0.27	0.42	-0.15	-0.10	1.00	0.45	0.44	0.01	-0.12	-0.12	-0.30	-0.27	0.33	-0.02
Aid to post-conflict states, 2002-2007	ME-extra2	0.46	-0.14	-0.11	0.65	0.09	0.40	-0.35	0.14	0.45	1.00	-0.05	-0.19	0.36	0.05	0.03	0.17	0.49	0.01
Share of aid to recipients' top development priorities	FI1	0.16	0.29	0.41	0.01	0.05	0.08	-0.41	-0.03	0.44	-0.05	1.00	0.31	0.10	-0.06	-0.07	-0.18	0.40	0.33
Avoidance of Project Implementation Units	FI2	0.06	0.26	0.54	0.11	0.06	-0.17	-0.45	-0.11	0.01	-0.19	0.31	1.00	0.10	0.09	0.35	0.18	0.04	0.08
Share of aid recorded in recipient budgets	FI3	0.40	-0.23	-0.16	0.40	0.28	0.10	-0.03	0.37	-0.12	0.36	0.10	0.10	1.00	0.29	0.33	0.16	0.46	-0.02
Share of aid to partners with good operational strategies	FI4	0.20	0.28	-0.24	0.16	0.27	0.19	-0.41	0.07	-0.12	0.05	-0.06	0.09	0.29	1.00	0.22	-0.08	0.00	-0.10
Use of recipient country systems	FI5	0.17	-0.09	-0.17	-0.06	-0.03	-0.20	0.07	0.11	-0.30	0.03	-0.07	0.35	0.33	0.22	1.00	0.56	0.25	0.13
Coordination of technical cooperation	FI6	0.01	-0.31	0.04	0.17	-0.19	-0.12	0.02	-0.11	-0.27	0.17	-0.18	0.18	0.16	-0.08	0.56	1.00	0.17	0.17
Share of scheduled aid recorded as received by recipients	FI7	0.03	-0.24	0.03	0.42	0.36	0.36	-0.19	0.30	0.33	0.49	0.40	0.04	0.46	0.00	0.25	0.17	1.00	0.11
Coverage of forward spending plans/Aid predictability	FI8	0.28	-0.03	0.31	0.10	-0.11	-0.06	-0.10	-0.08	-0.02	0.01	0.33	0.08	-0.02	-0.10	0.13	0.17	0.11	1.00
Significance of aid relationships	RB1	-0.21	0.47	0.11	-0.04	0.05	-0.17	-0.12	0.07	-0.22	-0.45	0.17	0.08	-0.16	-0.14	-0.22	-0.06	-0.26	0.18
Fragmentation across donor agencies	RB2	0.50	0.12	-0.07	0.44	0.42	0.39	-0.42	0.44	0.00	0.23	0.23	0.28	0.34	0.23	0.15	0.04	0.27	0.32
Median project size	RB3	0.23	-0.18	-0.09	0.81	0.54	0.34	-0.27	0.35	0.18	0.50	0.12	0.20	0.68	0.16	0.16	0.07	0.60	0.14
Contribution to multilaterals	RB4	-0.26	-0.17	-0.01	-0.44	0.07	0.10	0.63	-0.07	0.11	0.00	-0.31	0.00	0.20	-0.13	0.21	0.03	0.22	-0.05
Coordinated missions	RB5	0.33	0.03	-0.24	0.21	-0.04	0.10	-0.39	0.32	-0.20	0.19	-0.06	0.10	0.17	0.13	0.28	0.33	0.06	0.24
Coordianted analytical work	RB6	0.42	-0.18	-0.26	-0.04	-0.26	-0.17	-0.29	0.48	-0.25	0.22	-0.22	-0.11	0.20	0.34	0.29	0.10	0.10	-0.09
Use of programmatic aid	RB7	0.44	-0.25	-0.15	0.25	0.10	0.12	-0.11	0.47	-0.17	0.20	0.08	0.27	0.36	0.20	0.60	0.32	0.49	0.34
Member of IATI	T1	0.25	0.12	0.01	-0.07	-0.22	-0.32	-0.42	0.17	-0.26	-0.25	0.33	0.31	0.16	0.36	0.39	0.23	0.06	0.46
Recording of project title and descriptions	T2	0.10	0.19	0.04	-0.53	-0.60	-0.71	0.14	0.03	-0.20	-0.33	-0.18	0.06	-0.26	-0.13	0.13	0.06	-0.51	0.08
Detail of project descriptions	T3	0.42	0.07	-0.01	0.19	-0.17	-0.25	0.15	0.09	0.07	0.13	-0.22	0.30	0.01	-0.07	0.18	0.03	-0.32	0.08
Reporting of aid delivery channel	T4	-0.06	0.28	0.20	-0.09	0.26	0.00	-0.16	0.22	0.05	-0.17	0.08	0.05	0.05	0.15	0.08	-0.14	0.12	0.16
Share of projects reporting disbursements	T5	-0.05	0.37	0.12	-0.65	-0.54	-0.40	0.00	0.16	-0.19	-0.49	-0.04	0.04	-0.51	-0.07	0.02	-0.27	-0.44	0.04
Completeness of project-level commitment d	T6	0.36	-0.01	-0.20	0.43	-0.19	-0.04	-0.34	0.58	-0.08	0.19	-0.14	-0.02	0.06	0.10	0.05	-0.02	-0.09	-0.04
Aid to partners with good M&E	T7	0.35	0.29	0.00	0.26	0.25	0.21	-0.55	-0.05	0.11	0.11	0.39	0.23	0.17	0.65	0.21	0.14	0.08	0.31
largest correlation		**0.499**	**0.474**	**0.543**	**0.806**	**0.541**	**0.545**	**0.628**	**0.585**	**0.451**	**0.645**	**0.441**	**0.543**	**0.679**	**0.647**	**0.597**	**0.565**	**0.596**	**0.457**
largest negative correlation		**-0.460**	**-0.344**	**-0.369**	**-0.699**	**-0.598**	**-0.713**	**-0.699**	**-0.369**	**-0.295**	**-0.494**	**-0.414**	**-0.453**	**-0.509**	**-0.411**	**-0.295**	**-0.309**	**-0.509**	**-0.109**

Appendix Table 9, continued

Significance of aid relationships	Fragmentation across donor agencies	Median project size	Contribution to multilaterals	Coordinated missions	Coordianted analytical work	Use of programmatic aid	Member of IATI	Recording of project title and descriptions	Detail of project descriptions	Reporting of aid delivery channel	Share of projects reporting disbursements	Completeness of project-level commitment data	Aid to partners with good M&E		
RB1	RB2	RB3	RB4	RB5	RB6	RB7	T1	T2	T3	T4	T5	T6	T7		
-0.21	0.50	0.23	-0.26	0.33	0.42	0.44	0.25	0.10	0.42	-0.06	-0.05	0.363	0.354	ME1	Share of allocation to poor countries
0.47	0.12	-0.18	-0.17	0.03	-0.18	-0.25	0.12	0.19	0.07	0.28	0.37	-0.010	0.293	ME2	Share of allocation to well-governed countries
0.11	-0.07	-0.09	-0.01	-0.24	-0.26	-0.15	0.01	0.04	-0.01	0.20	0.12	-0.200	0.001	ME3	Low administrative unit costs
-0.04	0.44	0.81	-0.44	0.21	-0.04	0.25	-0.07	-0.53	0.19	-0.09	-0.65	0.434	0.262	ME4	High country programmable aid share
0.05	0.42	0.54	0.07	-0.04	-0.26	0.10	-0.22	-0.60	-0.17	0.26	-0.54	-0.189	0.248	ME5	Focus/Specialization by recipient country
-0.17	0.39	0.34	0.10	0.10	-0.17	0.12	-0.32	-0.71	-0.25	0.00	-0.40	-0.040	0.207	ME6	Focus/Specialization by sector
-0.12	-0.42	-0.27	0.63	-0.39	-0.29	-0.11	-0.42	0.14	0.15	-0.16	0.00	-0.343	-0.548	ME7	Support of select global public good facilities
0.07	0.44	0.35	-0.07	0.32	0.48	0.47	0.17	0.03	0.09	0.22	0.16	0.585	-0.050	ME8	Share of untied aid
-0.22	0.00	0.18	0.11	-0.20	-0.25	-0.17	-0.26	-0.20	0.07	0.05	-0.19	-0.083	0.111	ME-extra1	Aid to post-conflict states, 2004-2007
-0.45	0.23	0.50	0.00	0.19	0.22	0.20	-0.25	-0.33	0.13	-0.17	-0.49	0.188	0.105	ME-extra2	Aid to post-conflict states, 2002-2007
0.17	0.23	0.12	-0.31	-0.06	-0.22	0.08	0.33	-0.18	-0.22	0.08	-0.04	-0.135	0.386	FI1	Share of aid to recipients' top development priorities
0.08	0.28	0.20	0.00	0.10	-0.11	0.27	0.31	0.06	0.30	0.05	0.04	-0.024	0.229	FI2	Avoidance of Project Implementation Units
-0.16	0.34	0.68	0.20	0.17	0.20	0.36	0.16	-0.26	0.01	0.05	-0.51	0.064	0.166	FI3	Share of aid recorded in recipient budgets
-0.14	0.23	0.16	-0.13	0.13	0.34	0.20	0.36	-0.13	-0.07	0.15	-0.07	0.097	0.647	FI4	Share of aid to partners with good operational strategies
-0.22	0.15	0.16	0.21	0.28	0.29	0.60	0.39	0.13	0.18	0.08	0.02	0.051	0.205	FI5	Use of recipient country systems
-0.06	0.04	0.07	0.03	0.33	0.10	0.32	0.23	0.06	0.03	-0.14	-0.27	-0.016	0.139	FI6	Coordination of technical cooperation
-0.26	0.27	0.60	0.22	0.06	0.10	0.49	0.06	-0.51	-0.32	0.12	-0.44	-0.086	0.082	FI7	Share of scheduled aid recorded as received by recipients
0.18	0.32	0.14	-0.05	0.24	-0.09	0.34	0.46	0.08	0.08	0.16	0.04	-0.042	0.306	FI8	Coverage of forward spending plans/Aid predictability
1.00	0.08	-0.01	-0.40	0.16	-0.36	-0.19	0.24	0.17	-0.02	0.16	0.17	0.229	0.064	RB1	Significance of aid relationships
0.08	1.00	0.49	-0.31	0.37	0.02	0.33	0.19	-0.43	0.09	0.18	-0.40	0.150	0.463	RB2	Fragmentation across donor agencies
-0.01	0.49	1.00	-0.19	0.17	0.02	0.42	0.08	-0.44	0.19	0.00	-0.64	0.345	0.208	RB3	Median project size
-0.40	-0.31	-0.19	1.00	-0.10	0.03	-0.01	-0.35	0.11	0.02	0.12	0.18	-0.642	-0.495	RB4	Contribution to multilaterals
0.16	0.37	0.17	-0.10	1.00	0.45	0.29	0.42	0.10	0.01	0.05	-0.07	0.237	0.168	RB5	Coordinated missions
-0.36	0.02	0.02	0.03	0.45	1.00	0.37	0.36	0.28	0.07	-0.09	0.18	0.364837	0.071	RB6	Coordianted analytical work
-0.19	0.33	0.42	-0.01	0.29	0.37	1.00	0.42	0.02	0.20	-0.21	0.04	0.305716	0.280	RB7	Use of programmatic aid
0.24	0.19	0.08	-0.35	0.42	0.36	0.42	1.00	0.27	0.03	-0.06	0.15	0.2740653	0.497	T1	Member of IATI
0.17	-0.43	-0.44	0.11	0.10	0.28	0.02	0.27	1.00	0.53	0.02	0.65	0.1888136	-0.210	T2	Recording of project title and descriptions
-0.02	0.09	0.19	0.02	0.01	0.07	0.20	0.03	0.53	1.00	-0.06	0.16	0.4590944	-0.071	T3	Detail of project descriptions
0.16	0.18	0.00	0.12	0.05	-0.09	-0.21	-0.06	0.02	-0.06	1.00	0.74	-0.276812	-0.027	T4	Reporting of aid delivery channel
0.17	-0.40	-0.64	0.18	-0.07	0.18	0.04	0.15	0.65	0.16	0.74	1.00	0.0993975	-0.188	T5	Share of projects reporting disbursements
0.23	0.15	0.34	-0.64	0.24	0.36	0.31	0.27	0.19	0.46	-0.28	0.10	1.00	0.12	T6	Completeness of project-level commitment data
0.06	0.46	0.21	-0.49	0.17	0.07	0.28	0.50	-0.21	-0.07	-0.03	-0.19	0.12	1.00	T7	Aid to partners with good M&E
0.474	**0.499**	**0.806**	**0.628**	**0.447**	**0.484**	**0.597**	**0.497**	**0.654**	**0.527**	**0.741**	**0.741**	**0.585**	**0.647**		**largest correlation**
-0.447	**-0.427**	**-0.641**	**-0.642**	**-0.389**	**-0.358**	**-0.255**	**-0.423**	**-0.713**	**-0.320**	**-0.277**	**-0.649**	**-0.642**	**-0.548**		**largest negative correlation**

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