



BRIEFS

# The Quality of Official Development Assistance 2014

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Nabil Hashmi, Nancy Birdsall, and Homi Kharas

## Summary

The [Quality of Official Development Assistance \(QuODA\)](#) measures donors' performance on 31 indicators of aid quality to which donors have made commitments. The indicators are grouped into four dimensions associated with effective aid: maximizing efficiency, fostering institutions, reducing the burden on partner countries, and transparency and learning. The 2014 edition finds that donors are overall becoming more transparent and better at fostering partner country institutions but that there has been little progress at maximizing efficiency or reducing the burden on partner countries. The World Bank's concessional lending arm, the **International Development Association (IDA)**, performs very well in QuODA, ranking in the top 10 of 31 donors on all four dimensions. The **United States** ranks in the bottom half of all donors on three of the four dimensions of aid quality and last on reducing the burden on partner countries. The **United Kingdom** ranks in the top third on three of four dimensions of aid quality and scores particularly well on transparency and learning. The **Global Fund** ranks in the bottom third on fostering institutions but ranks in the top third on the other three dimensions of aid quality, including the top spot in maximizing efficiency.

## Overall improvement in transparency and fostering institutions; little change in efficiency and reducing burden

Since the first edition of QuODA was released in 2010 (using 2008 data—the most recent available at that time), the donors as a group have significantly improved on two of the four dimensions: fostering institutions and in transparency and learning.

Donors are doing a better job of enabling partner countries' institutions to improve. The share of aid going to recipient countries' top development priorities doubled from 2008 to 2012.

Donors are much less likely to use parallel project implementation units, which bypass recipient governments and can thus undermine capacity, and are more likely to have their aid recorded in recipient budgets.

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On transparency, many donors have joined the International Aid Transparency Initiative (IATI), although the extent of their compliance with the full set of IATI standards has been limited. Using the Creditor Reporting System (CRS) of the OECD Development Assistance Committee (DAC), donors have also reported more detailed information about more projects. Not only are donors becoming more transparent, they are also allocating a greater share of their aid to partner countries with good monitoring and evaluation frameworks of their own.

Donors have not improved, however, on maximizing efficiency. Among other reasons is that many donors' administrative unit costs have risen and now exceed 13 percent as a share of total aid. Similarly, donors' support of global public goods has stagnated while their use of tied aid remains just as high as in 2008. With regard to reducing the burden on partner countries, donors similarly have stagnated. One reason is that most donors' median project size decreased, with the median across all donors falling from just \$824,000 to \$772,000. On the upside, donors are more likely to coordinate analytical work and to channel aid through program-based approaches.

The following table shows the rankings for 22 donor countries and 8 multilateral aid agencies across the four dimensions of aid quality.

The remainder of the brief offers snapshots of performance for three major aid providers: the United States and its major agencies, IDA, and the Global Fund, plus links to learn more about other donors.

Donor	Maximizing efficiency	Fostering institutions	Reducing burden	Transparency and learning
Australia	28	24	19	7
Austria	27	31	20	26
Belgium	12	29	28	27
Canada	11	12	21	1
Denmark	15	2	5	12
Finland	17	7	17	13
France	14	8	26	25
Germany	30	11	22	16
Greece	19	10	14	30
Ireland	4	1	3	2
Italy	25	17	24	29
Japan	16	4	25	22
Korea	29	21	30	24
Luxembourg	8	25	16	31
Netherlands	31	14	8	19
New Zealand	13	15	4	23
Norway	23	16	27	6
Portugal	5	26	6	28
Spain	21	18	18	17
Sweden	22	5	12	8
Switzerland	26	27	29	11
United Kingdom	10	6	10	18
The United States	24	20	31	15
African Development Fund	2	9	15	3
Asian Development Fund	6	22	13	10
EU Institutions	18	13	7	21
The Global Fund	1	23	9	5
International Development Association	7	3	2	9
IDB Special	3	28	1	4
International Fund for Agricultural Development	9	19	11	14
UN (Select Agencies)	20	30	23	20

## International Development Association

One of QuODA's top performing donors, the International Development Association, the arm of the World Bank that focuses on low-income countries, disbursed \$12.5 billion in 2012, more than any other single donor agency. Compared to other donors, a large share of its aid is "country programmable," a measure that excludes funds that partner countries cannot use (donor administrative costs, for example), humanitarian flows, and flows that are not discussed in advance between donors and recipient countries (such as food aid).

Furthermore, IDA's ODA often goes to partners with good operational strategies and is more predictable than other donors' aid. IDA's median project size is very large relative to other

donors, a feature which helps to keep its administrative costs relatively low.

## The United States

The United States is the largest bilateral donor, with 21 agencies disbursing a total of more than \$30 billion to 137 recipients in 2012. In this edition of QuODA, the United States registers a middling performance, ranking in the bottom half of all donors on three of the four dimensions of aid quality. The United States ranked last out of the 31 QuODA countries on reducing the burden on partner countries because of its high degree of fragmentation across donor agencies, low contribution to multilaterals as a share of overall aid, minimal use of aid delivered through program-based approaches, and tendency not to participate in coordinated missions or analytical work.

Relative to other donors, a low share of US ODA is allocated to well-governed countries. And since the United States allocates aid to so many recipients, it ranks poorly on our measure of focus or specialization by recipient country. By allocating more aid to well-governed countries and by focusing more on significant partnerships, the United States could get more development out of its development assistance.

There are also major areas for improvement for US aid in fostering institutions in recipient countries. The US share of aid recorded in recipient budgets is low but could be improved if US agencies provided partner governments with timely information on the aid they expect to disburse. Relatedly, the United States distributes a very low share of its aid through the public financial management systems of recipient countries. Although most donors, including the United States, have improved the share of aid going to recipients' top development priorities, [US ODA is still not very well aligned with partner country priorities.](#)<sup>[1]</sup>

Despite the poor US performance, there are a few bright spots. The size of aid relationships with many partner countries is relatively large, as is the median project size. These features limit administrative costs to a small percentage of total US aid. The United States also performs well on several aspects of transparency and learning, including having a relatively strong evaluation policy. It is also a member of IATI and it provides many details about its aid projects in the DAC CRS.

## USAID

US performance in QuODA varies significantly by agency. The US Agency for International Development (USAID), the largest bilateral agency in the world, disburses 64 percent of US ODA. USAID ranks in the middle of the pack across most indicators, doing slightly worse on maximizing efficiency and faring somewhat better on fostering institutions. Its score is pulled down by the low share of aid it allocates to poor, well-governed countries and for its lack of focus by recipient country or sector.

## Millennium Challenge Corporation

The Millennium Challenge Corporation (MCC), which allocates less than 7 percent of overall ODA from the United States, performs very well in our assessment. MCC outperforms USAID on each of QuODA's four dimensions of aid quality.

The agency's legislative mandate is to support only low and lower-middle income countries whose governments score well on such indicators as "ruling justly"; its high score on the share of its aid allocated to well-governed countries is therefore no surprise. It also scores well on providing high shares of untied aid and aid to partners with good operational strategies.

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## The United Kingdom

In contrast to the United States, the United Kingdom scores well in QuODA, ranking in the top third on three of four dimensions of aid quality. The second largest country donor after the United States, the United Kingdom allocates a high share of its aid to the poorest of poor countries and to recipient countries' top development priorities. Its aid relationships are large and usually feature large shares of untied aid.

The United Kingdom could improve its score by allocating a larger share of its aid to well-governed countries, by providing more detailed descriptions of its projects in the DAC CRS and coordinating more of its technical cooperation.

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In contrast to the US, the UK scores well in QuODA, in the top 3rd on 3 of 4 dimensions of aid quality.

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

Unlike IDA, a multilateral fund, the Global Fund is a vertical fund, that is, a multilateral agency that specializes in one sector. It is the top donor in QuODA in maximizing efficiency and ranks in the top third on three of our four dimensions of aid quality, the exception being fostering institutions. (The Global Fund's strong performance on maximizing efficiency does not mean it has no room to be more effective, for example in its allocation of its resources within health; see CGD's [More Health for the Money report](#).) Besides its inherent "advantage" on the indicator of specialization (in health), it targets the poorest countries and has low administrative costs. Its projects tend to be large, and it provides detailed reporting about most of its projects.

The Global Fund ranks poorly on fostering institutions because much of its aid does not go through public financial management systems of the recipient countries and is not recorded on budget. By virtue of its strong focus on a few diseases, it also scores poorly on the share of its aid

going to recipients' top development priorities—often sectors other than health.

## Explore the rest of the QuODA assessment

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The Global Fund to Fight AIDS, TB and Malaria is the top donor in QuODA on maximizing efficiency.

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More analysis of changes in the quality of aid, the performance of individual agencies, and non-DAC donors can be found in the [full report](#).<sup>[2]</sup> You can also take a deeper look at our methodology and the scores for each donor and agency at [CGDev.org/quoda](http://CGDev.org/quoda).

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<sup>[1]</sup> Ben Leo, "Is Anyone Listening? Does US Foreign Assistance Target People's Top Priorities?" CGD Working Paper 348 (Washington: Center for Global Development, 2013).

<sup>[2]</sup> Nancy Birdsall and Homi Kharas, *The Quality of Official Development Assistance (QuODA): Third Edition* (Washington: Center for Global Development and Brookings Institution, 2014), <http://www.cgdev.org/publication/quality-official-development-assistance-quoda-third-edition>