

Fixing Failed Foreign Aid: Can Agency Practices Improve?

AidData Conference

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Abstract:

The goal of this paper is twofold. First, the paper extends the analysis evaluating the performance of aid agencies by creating several best and worst practices indices, including an overall aid agency index. I do so by relying on a newly available dataset and draw from the benchmarks established in the previous literature where different measures of aid transparency, specialization, selectivity, ineffective aid channels and overhead costs are utilized. Secondly, the analysis attempts to explain agency behavior, addressing why agency behave the way they do. This section relies on bureaucracy theory to address the capability of agencies to achieve best practices, highlighting both economic and political constraints.

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1. Introduction

“Donors and partner countries jointly commit to reform procedures and strengthen incentives – including for recruitment, appraisal and training – for management and staff to work towards harmonisation, alignment and results.”

Paris Declaration (2005)

Despite the transfer of over \$4.6 trillion (measured in constant 2007 dollars) in gross official development assistance (ODA) to developing countries since 1960 through 2008, a substantial amount of the world remains poor and lives in extreme poverty (as defined and measured by the World Bank).¹ In light of this sobering fact combined with the illustration of the ineffectiveness of aid by a vast amount of literature (for example, see Bauer 2000; Easterly 2001, 2006; Moyo 2009),² the aid community now emphasizes improved quality of the delivery and allocation of official aid as a necessary means to achieve positive outcomes, namely the Millennium Development Goals (MDGs) (Paris Declaration 2005; High Level Forum 2008).

In general, these best practices are designed to create incentives for greater donor accountability to recipient countries as a mechanism of overcoming the problem of zero feedback and ambiguous objectives, a problem that is well-documented in the literature (World Bank 2005, Martens, Mummert, Murrell, and Seabright 2005; Easterly 2006).

Best practice standards are based on agency transparency, minimal overhead costs, harmonization and coordination among donors, and delivery to more effective channels

¹ Official Development Assistance is defined as those flows to recipients on the DAC recipient list and multilateral development institutions from official agencies granting aid to promote economic welfare and is concessional in nature with at least a 25% grant element; therefore this excludes private flows.

²For empirical studies supporting the ineffectiveness of foreign aid in achieving development, see Boone 1996; Filmer and Pritchett 1999; Svensson 1999, 2000; Filmer, Hammer and Pritchett 2000, 2001; Knack 2001; Brumm 2003; Ovaska 2003; Brautigam and Knack 2004; Economides, Kalyvitis, and Philippopoulos 2004; Easterly et al. 2004; Djankov, Montalvo, and Reynal-Querol 2005; Hartford and Klein 2005; Heckelman and Knack 2005; Djankov et al. 2006a; Powell and Ryan 2006; Williamson 2008.

and less corrupt, more democratically free countries. These concepts reflect standards identified over a number of years of research and illustrate consensus on the need to reform the allocation and management of foreign aid (Roman Declaration 2003; Knack and Rahman 2007; Commission for Africa 2005; IMF and World Bank 2005, 2006; Paris Declaration 2005; United Nations Development Program 2005; United Nation Millennium Project 2005; Easterly 2007; Boer and Purdue 2008; Easterly and Pftuze 2008).

The focus of this paper is to address two general questions in the wider aid debate: 1) do agencies perform the way *they* say they should and 2) *why* do agencies behave the way they do? The analysis attempts to sort out agency rhetoric from reality by contrasting what agencies are saying with what they are actually doing. This is achieved by evaluating and comparing bilateral and multilateral aid agencies to the best practices outlined above. In light of these findings, the paper attempts to address the political economy of aid practices by analyzing the incentives aid donors face. This section highlights the economic and political constraints faced by bureaucracies, including principal agent problems and perverse incentives. This paper does not address the widely publicized and lively debate on the effectiveness of aid (for example, Sachs 2005; Easterly 2006), nor does it analyze what an ideal agency should look like. The best practice measures are taken as stated from the aid community and the aid literature as given and focus the analysis on evaluating individual aid agencies compared to these practices.

The paper has several main results. As emphasized in previous aid studies, “the data on aid agency spending are inexcusably poor” (Easterly and Pftuze 2008, p. 3).

Unfortunately, the current state of aid data is still abysmally inconsistent making it difficult to compare best practices across donors. The data is taken from two main sources, OECD DAC and AidData, although I do contact agencies directly inquiring about basic information. The data that is available suggests agencies are not as transparent as they need to be and there is wide overhead costs variation across donors. The international aid effort is fragmented among many donors, large and small, and donors do not specialize spending efforts, splintering aid allocation among many countries, projects, and sectors. Donors continue to allocate aid through ineffective channels and to corrupt and unfree countries, even though the aid community criticizes these practices. The last section of the paper addresses why inefficient practices may persist highlighting the perverse incentives that many donors face. Section five concludes.

2. Agency Best Practices

To investigate agency best practices, I build off and extend the analysis from the literature attempting to ‘grade’ agencies (Dollar and Levine 2004; Acharya, de Lima, and Moore 2004). The most comprehensive study undertaken is Easterly and Pfitze (2008) where best practice measures are based on five specific areas: transparency, specialization, selectivity, ineffective aid channels, and overhead costs. Transparency is based on the ability to gather information such as employment numbers, budgetary data, and overhead costs. Specialization captures the extent to which aid is divided among many donors, many countries, and many sectors. Selectivity refers to aid delivery to the poorest countries while avoiding corrupt dictators. Ineffective channels measures the share of aid

that is politically tied, given as food aid or as technical assistance. Overhead costs utilizes the data collected during the transparency stage and refers to an agencies' costs relative to aid disbursements. I follow this established methodology on how to measure best practices taking into consideration some recent criticisms (for example, see BenYishay and Wiebe 2009).³ The exact methodology along with a list of all agencies analyzed is described in more detail below.

Table 1 below lists the agencies in the analysis along with a brief data description, including number of projects, size of budget, and share of total aid budget. The analysis includes 23 bilateral agencies from 22 multilateral agencies ranging from international development banks such as the International Monetary Fund, or IMF, to more focused agencies such as the United Nation's World Food Program (WFP). The paper does not include donors from non-DAC countries such as China, Poland, or Turkey. Data from these countries are extremely limited and are therefore excluded.

[Insert Table 1 About Here]

In 2008, the aid community committed over \$148 million US dollars to support over 97,000 projects ranging from basic education and health to strengthening civil society to debt forgiveness.⁴ The United States is by far the largest donor based on number of projects, size of budget and share of total aid budget (both commitments and disbursements). European Commission and the IMF are second and third based on share of total commitments but Japan and Germany actually dispersed the second and third highest, respectively, in 2008. UNAIDS, UNFPA, CariBank, Nordic Development Fund,

³ The main database for official development assistance, OECD DAC, is substantially improved and updated since Easterly and Pfütze (2008); therefore, the results from this study are not directly comparable

⁴ Actual disbursement in 2008 is \$167, 072 million US dollars.

and EBRD are among the smallest agencies based on share of total aid budget.

2.1 Transparency

The first component, and possibly the most important, is agency transparency. This entails the ability for those outside the organization to obtain access to information such as detailed breakdown of employees and staff and breakdown of overall agency expenditures, including aid disbursements, administrative costs and expenditures on salaries and benefits. Without transparency, agencies are not held accountable for the results of their actions. Aid recipients have no mechanism to hold agencies responsible and taxpayers in donor countries cannot evaluate aid practices, as it is virtually impossible to track where the money goes. The absence of feedback from aid recipients is widely regarded as one of the fundamental problems with aid effectiveness. The international aid community now calls for greater transparency to remedy the lack of feedback and to improve incentives for effective aid allocation. In fact, transparency is the latest buzzword among the aid community.

To evaluate agencies based on transparency, I create three different indices from three different sources. To construct the first index, I utilize data from the International Development Statistics provided by the OECD reporting system. Reporting to the OECD system is a first step towards greater agency transparency as it provides the public with information on the allocation of aid expenditures. If an agency reports to one of five OECD tables for bilateral agencies and to one of three OECD tables for multilaterals, it receives one point for each table.⁵ The average across all tables is taken to construct an

⁵ From the Creditor Reporting System (CRS), I use information based on All Commitments—All details and All Disbursements—All details. From the OECD DAC database, I use table “Total Official Flows” and for bilateral agencies only I look at table 1 (Official and Private Flows, main aggregates) and table 7b

overall OECD reporting transparency index ranging from zero to one, with one implying full reporting.

A second index is created based on project level aid data from AidData. For bilateral agencies, if information is available for commitments, disbursements, and amount of aid untied, they receive a one in each category, zero otherwise. For multilaterals, the index is based on commitments and disbursements only. The average across all categories is taken for an overall AidData reporting index.

In addition to OECD and AidData reporting, I undertake my own inquiries contacting the agencies directly regarding operating costs. I attempt to collect data on permanent international staff, administrative expenses, salaries and benefits, and total development assistance disbursed. In an ideal world, it would be possible to gather more detailed information regarding operating costs such as the number of consultants and local staff, but as discovered by Easterly and Pfutze (2008) these detailed inquiries are often unfruitful and have to be abandon; therefore, I have chosen to collect data on four broad areas of operating costs in hopes of obtaining the most consistent data.⁶

These inquiries are taken in multiple stages. The first stage involves consulting each agencies website to find the four numbers, including going through the latest annual reports available. If data are available directly from an agency's website, it receives one point for that particular category, otherwise it receives a zero. The second stage entails emailing all the agencies individually requesting data on all four components of operating expenses. The agencies were informed that they had three weeks to respond. At the end

(Tying Status of Bilateral Official Development Assistance).

⁶ Some recent criticisms of Easterly and Pfutze (2008) argue that by including several measures of employment unfairly weights the index in favor of employment data versus the other subcomponents; therefore, I only include one broad employment measure in my transparency index.

of the three weeks, a second round of emails were sent out as a reminder. They had an additional three weeks to respond with the requested information, for a total of six weeks. If an agency had any part of the information available online but did not respond to the email requests, their scores are not affected (they still receive a one in that category); however, if the information is not online but an agency replied with the requested data, they receive half a point instead of a zero in that category.

Out of the 53 agencies emailed, 21 responded, 13 of the 31 bilateral agencies and 8 out of the 22 multilateral agencies. This number includes all automated responses, and responses with full, partial or no information. Out of the 21 responses, 13 agencies responded before the end of the first round while 8 responded by the end of the second deadline. To create the transparency operating costs index, the average across all four categories is calculated. Since these inquiries are done at the individual agency level, the scores are aggregated using a weighted average based on ODA disbursements to create a score by country.⁷ (Appendix 1 provides detailed breakdown for all four measures of operating costs, including transparency scores for individual bilateral agencies). I recognize that the data may not be perfectly comparable across all agencies, but take the standard benchmark that at minimum the information should be available after inquiry; therefore, an average score below 0.5 indicates a severe lack of transparency.

[Insert Table 2 About Here]

The first transparency index presented in Table 2 (part 1) is based on 2008 OECD reporting as described above. All bilateral agencies fully report to all five OECD tables. Most multilaterals do some reporting but with much more variance. Nine agencies fully report, ten report 67% of the time, one reports to only one out of the three tables, while

⁷ If no disbursement data is available, a simple average is used.

only two do no reporting (FAO and UNIFEM). According the OECD reporting index, the bilateral agencies fair much better than the multilateral agencies.

The second index, operating costs, gives a somewhat of a different perspective on transparency. Of the 31 bilateral agencies, 17 have permanent international employment data publicly available online, 21 report administrative costs, only 12 agencies report salaries and benefits, and 22 publicly report the amount of development assistance disbursements. Three agencies responded to our emails with the information regarding employment, salaries and benefits and official development assistance, while two replied regarding administrative costs. The number of agencies not reporting any data or responding to our persistent emails ranges from 6 (regarding ODA disbursements) to 16 (regarding salaries and benefits). Overall, two agencies fail to report any data (MOFA Japan and France's DgCiD), three agencies, Global.Finland, NORAD (Norway), and SIDA (Sweden) fall below the 0.5 transparency benchmark, 11 agencies barely met this criteria with an average right at 0.5, and 7 agencies fully report across all four components.

The multilateral agencies appear to perform at basically the same level as the bilateral agencies on making data publicly available. Three out of the 22 agencies fail to report any data (GEF, UNDP, and UNTA) with 6 agencies fully reporting. The majority of multilaterals report on employment and administrative costs (17 and 18, respectively), while only 9 report salaries and benefits and 13 report ODA disbursements. One consistency between both multilaterals and bilateral agencies is the lack of transparency on salaries and benefits.

The third index based on AidData reporting shows similar results as OECD

reporting. All bilateral agencies have full data availability for all three categories (commitments, disbursements, and amount untied) but the multilaterals do much worse. Only five multilaterals (IMF, UNAIDS, UNDP, UNFPA, and UNICEF) have both commitment and disbursement data available. Four agencies (AfDB, CariBank, GEF, and IDA) report one out of the two categories, while 13 agencies have no data available.

The average column reports the average across the operating costs index, the OECD reporting index, and the AidData reporting index for an overall transparency score. Finally, an overall rank is applied to each agency based on their average score. Four agencies receive a perfect score on transparency (Canada, France, Netherlands, United Kingdom). The United States is closely behind these agencies with an average score of 0.99 (the MCC received a 0.5 for ODA data availability causing the slightly less than perfect score). FAO, UNTA, UNHCR, UNRWA, WFP, IFC, and UNIFEM, all multilaterals, perform the poorest falling below the transparency benchmark. All top ten agencies are bilateral agencies and the bottom ten are multilateral agencies.

2.2 *Specialization/Fragmentation*

One of the biggest complaints in aid effectiveness is donor specialization. A main tenet to make aid more effective, as outlined in the Paris Declaration (2005), encourages “donors (to) coordinate their activities and minimise transaction costs.” In the aid literature this is known as donor harmonization or specialization, and most agree that too many donors in too many countries, stretched across a large number of sectors or projects should be avoided (Commission for Africa 2005; IMF and World Bank 2005, 2006; Knack and Rahman 2004; Easterly 2007; Frot and Santiso 2009). This argument should

not be surprising as most government bureaucracies tend to specialize as a way of coordinating activities, lowering overhead and transactions costs, and to improve incentives and accountability to the intended beneficiaries.⁸

The overall picture of aid is one that is fragmented along many dimensions, forfeiting the gains from specialization and possibly creating confusion between both donor and recipient countries. Figure 1 illustrates how the 2008 international aid budget (based on AidData commitments) of \$148 billion is split between so many donors. The largest donor is the United States allocating 17 percent of the total budget, the EC committed 14 percent of the total budget, and the IMF falls in third with 11 percent. Japan and Germany are fourth and fifth, respectively, with 10 and 8 percent. The World Bank and France are tied for sixth with 6 percent, and the UK allocates roughly 5 percent. The top five donors allocate approximately 60 percent and the top ten donors (only one multilateral) disburse 82 percent of total aid commitments as of 2008. This may appear that the overall aid budget is quite specialized but this concentration quickly drops off. For example, there are 16 agencies that allocate less than 1 percent of the total budget.

[Insert Figure 1 About Here]

To grade agencies on specialization, I calculate four different fragmentation indices. These are calculated from Herfindahl coefficients that provide a measure of market concentration (1 implies highly concentrated or a monopoly, 0 suggests a highly competitive market), typically used in industrial organization.⁹ Using this methodology, I create four different herfindahl indices to measure the share of all official development assistance commitments by donor, the share of aid allocated to each country, the share of

⁸ The gain from specialization under a division of labor as a means of social cooperation is one of the oldest principles in economics (Smith 1776).

⁹ This is done by calculating the aid shares and then sum the squares of these values.

aid to each sector, and the share of aid allocated to each project.¹⁰ This can be interpreted as the probability that two randomly selected aid dollars will be from the same donor, to the same country (from any donor), for the same sector (from any donor), to the same project (from any donor).

As of 2008, aid is very fragmented with some variation across the herfindahl scores: 9 percent by donor, 8 percent by country, 20 percent by sector, and 5 percent by project. In other words, the aid budget is splintered among many donors, to many different countries, sectors, and projects. These probabilities interact in such a way that makes it very unlikely that any dollar will be from the same donor to the same country for the same sector to the same project. As of 2008, this probability is roughly 1 in 15,328.¹¹

Table 3 presents the 2008 country, sector, and project herfindahls for bilateral and multilateral agencies with an overall rank based on the percent rank of the average of the three indices.

[Insert Table 3 About Here]

Aid agencies, regardless of size, tend not to specialize and allocate aid to many countries supporting numerous projects across a large number of sectors. The average herfindahl

¹⁰ The 36 sectoral classifications are defined by OECD and are: I.1.a. Education, Level Unspecified; I.1.b. Basic Education; I.1.c. Secondary Education; I.1.d. Post-Secondary Education; I.2.a. Health, General; I.2.b. Basic Health; I.3. Population Pol./Progr. & Reproductive Health; I.4. Water Supply & Sanitation; I.5.a. Government & Civil Society-general; I.5.b. Conflict, Peace & Security; I.6. Other Social Infrastructure & Services; II.1. Transport & Storage; II.2. Communications; II.3. Energy; II.4. Banking & Financial Services; II.5. Business & Other Services; III.1.a. Agriculture; III.1.b. Forestry; III.1.c. Fishing; III.2.a. Industry; III.2.b. Mineral Resources & Mining; III.2.c. Construction; III.3.a. Trade Policies & Regulations; III.3.b. Tourism; IV.1. General Environment Protection; IV.2. Other Multisector; VI.1. General Budget Support; VI.2. Dev. Food Aid/Food Security Ass.; VI.3. Other Commodity Ass.; VII. Action Relating to Debt; VIII.1. Emergency Response; VIII.2. Reconstruction Relief & Rehabilitation; VIII.3. Disaster Prevention & Preparedness; IX. Administrative Costs of Donors; X. Support to NGOs; XI. Refugees in Donor Countries.

¹¹ This calculation cannot be done directly but is estimated by multiplying all four herfindahl scores.

by country is 0.08, 0.20 by sector, and 0.05 by project. The UN agencies are mostly at the bottom (UNAIDS, UNTA, UNFPA, UNDP, WFP, and IFAD) of the rankings for specialization by country. UNRWA does rank at the top for country specialization along with Austria, Italy, AsDB, and Portugal. The specialization for UNRWA should not be surprising as it has a very specific mission that is concentrated regionally. By sector, UNFPA has 100 percent concentration in population/reproductive health and WFP has 74 percent of its aid categorized as food aid, in line with each agencies mission. Global Fund and UNAIDS are both above 50 percent, while Belgium, Finland, Spain, and Sweden are the most fragmented donors by sector. For example, Spain splinters its \$5 billion aid budget among 35 of 36 sectors, of which 13 received less than 1 percent and debt relief received the most with 14 percent of aid budget.

Based on project herfindahls, UNDP, UNFPA, the United States, Luxembourg, and Ireland are the most fragmented all less than 1 percent. Recall that the United States is the largest donor according to number of projects and share of total aid budget. Even though the US has the largest budget of any donor, almost \$26 billion US dollars, it divides its aid among 15,527 projects. The IMF, Portugal, CariBank, Austria, and Italy are the most specialized by project with the IMF and CariBank only supporting 21 and 24 projects, respectively.

Overall, the agencies that rank the highest for specialization are the UN agencies WFP, UNFPA, and UNRWA as previously discussed. Austria and Global Fund also rank at the top of specialization. Portugal is the only other bilateral agency in the ten top ranked donors. EBRD, the Nordic Fund, UNAIDS, and the IMF are the other multilaterals that are more specialized. The bottom ten donors include five bilateral

agencies (Spain, Finland, Norway, France, and Luxembourg) and five multilaterals (UNHCR, UNTA, IFAD, World Bank, and GEF).

2.3 *Selectivity*

Another best practice emphasized by the Paris Declaration (2005) and the High Level Forum (2008) is selectivity. Aid is more effective at reducing poverty and achieving the MDGs when it goes to those countries in most need of it and to countries with democratically accountable, less corrupt governments; however, democratic, corrupt free countries are typically those countries in less need of aid. To measure selectivity, I calculate the share of aid going to low-income countries, free countries (based on democracy scores), and less corrupt governments. Then I create an overall composite selectivity score where donors are given more credit for aiding poor countries and negative weights when supporting corrupt or unfree countries.¹²

Unfree countries are those classified by Freedom House as unfree or part unfree based on democracy scores. Corruption shares are based International Country Risk Guide's political risk index, which has a corruption component dating back to 1984. I define corruption as a score of less than two on a zero to six-point scale. Low-income shares is the sum of aid flowing to least developed countries plus other low income countries, as defined by OECD.

[Insert Table 4 About Here]

Table 4 reports the 2008 shares of aid going to noncorrupt countries, free countries, low-income countries, and the overall composite rank for each donor.

¹² The composite score is calculated as: $0.25 \times \text{Percentile Rank}(\text{share not going to corrupt countries}) + 0.25 \times \text{percentile rank}(\text{shares going to free countries}) + 0.50 \times \text{percentile rank}(\text{shares going to low income countries})$.

Although both CariBank and EBRD concentrate their aid among a few recipients (see above), all the aid from CariBank goes to corrupt countries and 92 percent of EBRD's aid flows to countries classified as corrupt. Austria, Greece, and Italy give over 85 percent to corrupt countries. Those countries ranking the highest with over 60 percent of aid going to non-corrupt countries are the Asian Development Fund (62 percent), GEF (65 percent), and Japan (64 percent). The 2008 average is 63 percent of aid going to corrupt governments, suggesting that aid still supports a large number of corrupt regimes.

Twenty-two percent of aid flowed to free countries in 2008. Ironically, CariBank and EBRD ranked highest supporting 84 percent and 52 percent, respectively. These agencies appear to concentrate their funds regionally (see above), regardless of selectively measures. Luxembourg is a distant third with 34 percent of its aid flowing to free countries. UNRWA did not give any money to free countries and 6 other agencies gave less than 10 percent. According to this measure, most agencies do not consider democratic accountability before giving foreign assistance.

Both the IMF and the African Development Bank give over 90 percent of aid to countries classified as low income (least developed countries plus other low income countries). The Asian Development Bank, the Nordic Development Fund, and WFP also rank highly with 80 percent of aid shares going to low-income countries. For all agencies, the share of aid flowing to low-income countries is only 45 percent, with six donors (EBRD, UNTA, GEF, CariBank, Austria, and Greece) giving less than 20 percent low-income.

Based on the overall composite ranking, the World Bank, Luxembourg, the IMF, Global Fund, and New Zealand do best as selecting countries to support. There does not

appear to be a clear distinction between multilaterals or bilateral donors performing better as six of the top ten are multilateral and the bottom ten are split evenly among bilateral and multilateral agencies, including the United States, CariBank, EBRD, and Austria (ranks last).

2.4 *Ineffective Channels*

Another measure of best practices calculates the share of aid being allocated through the most ineffective channels as described by the agencies themselves and by the academic literature (for example, see Easterly 2007). This includes share of aid that is tied, food aid, and aid allocated as technical assistance. Tied aid is when aid is allocated but with strings attached, usually by specifying a certain percentage of the aid that must be spent on the donor country's goods or services. Most agencies agree that allocating aid in this manner does not promote the interests in the recipient country; instead, it is used as a means to increase the donor country's exports (Commission of Africa 2005; IMF and World Bank 2005; UNDP 2005).

Food aid is another form of aid that is recognized as an inefficient way to provide assistance. It is viewed as a way for higher income countries to shed their excess agricultural products without any concern for the local agricultural markets in the receiving country. Technical assistance is also seen as a way for rich countries to promote their own interests by allocating aid that must be used to hire consultants from the donor country. The ability for both food aid and technical assistance to make a significant contribution towards achieving development goals is strongly questioned (UNMP 2005; IMF and World Bank 2006).

The knowledge that these three areas might be less effective ways of allocating aid is not a recent development. Therefore, agencies have had sufficient time to reallocate aid to more effective means. Table 5 below reports the share of aid that is tied from OECD and AidData, share of food aid from OECD, and share of technical assistance from both OECD and AidData as of 2008. Agencies are ranked based on an average of the percentage ranks from all five categories. Most data is only available for bilateral agencies and only bilateral agencies participate in tying; however, multilaterals that do report either technical assistance or food aid is included in the analysis. It should be noted that data on technical assistance from multilaterals is often unreliable and some multilaterals often have a very specific focus that may warrant allocation through one of the ineffective channels (such as the World Food Program).

[Insert Table 5 About Here]

Two UN agencies, UNICEF and UNDP, rank at the top of agencies avoiding ineffective channels by not tying any aid and using a very small percent of food aid. Ireland Norway and Switzerland also rank at the top of the list. Italy and the United States tie between 20 and 30 percent of its aid but neither country disperse much food aid or technical assistance. Greece and Portugal are at the bottom of the rankings as both countries tie an overwhelming portion of their aid (between 60 to 90 percent depending on the data source) and both provide a significant of aid as technical assistance. Canada and Australia also donate through ineffective channels giving over 30 percent in technical assistance. UNTA and the WFP both rank 14th out of the 28 agencies, largely due to the fact that neither tie any aid. UNTA reports donating 100 percent of its aid as technical assistance and WFP gives 84 percent of aid as food. Neither of these statistics should be

surprising given the mission of each agency; however, it does raise an interesting aid effectiveness question for agencies that are specialized in dispersing what is coined as ineffective aid.

2.5 *Overhead Costs*

In line with best practices, most agencies agree that extreme overhead costs should be avoided (for example, see IMF and World Bank 2005). Although there is not an established benchmark as to how much aid should be spent on overhead, spending a large percent of the budget on overhead should be avoided.

Information on overhead costs is not widely available. Therefore, in order to calculate overhead costs for individual agencies, I utilize the information gathered from the transparency overhead calculations above to create three different categories of overhead cost indicators: ratio of administrative costs to official development assistance (or official development financing (ODF) for multilaterals from OECD), ratio of salaries and benefits to ODA (bilaterals) or ODF (multilaterals), and total ODA or ODF disbursements per employee.¹³ This information gathering process has resulted in numbers that are probably not completely standardized across agencies because different agencies have different notions of what defines ‘administrative costs’ and number of ‘permanent international employees.’

[Insert Table 6 About Here]

Table 6 presents the three overhead costs indicators and an overall rank based on the average of percent ranks from all three indicators for bilateral agencies at the country

¹³ I use official development financing defined as the sum of ODA plus nonconcessional loans for the multilaterals agencies because the development banks tend to support other purposes besides granting aid; therefore, to gain a more accurate description of overhead costs ODF is substituted in this analysis only.

level and multilateral agencies.¹⁴ For all agencies, the overall average administrative costs relative to ODF is roughly 17 percent. However, there is significant variation between the average among bilateral agencies (8%) and the average among multilateral agencies (29%). The minimum administrative ratio is from Belgium at 0.24 percent, while UNDP and UNFPA actually spend more on its administrative budget than it disburses in aid (129% and 125%, respectively). Again, the multilaterals perform worse according to spending on salaries and benefits relative to aid disbursements with an average of 20 percent, while bilaterals only spend 5% of their budgets on salaries and benefits. Italy, Japan, the United States, and the Netherlands all spend less than 1 percent on salaries and benefits. UNDP ranks last, once again, recording the highest salary/benefit ratio at 100 percent. UNRWA is a distant second to last at 52 percent. Recall that it was difficult to get both bilateral and multilateral agencies to report any information on salaries and benefits, so there are significantly fewer observations in this category.

There is roughly \$6 million dollars dispersed per every aid employee. Bilateral agencies continue to perform better in this category, allocating on average \$8.5 million in aid per employee versus \$2.4 million per employee at multilateral agencies. This result should not be surprising as the data above shows that multilaterals tend to spend a larger percentage of their budget on administrative costs and salaries and benefits, instead of actually dispersing aid. However, there is tremendous variation among all agencies ranging from \$30,000 per employee for the World Food Program to \$61 million per employee at the European Commission.

¹⁴ If an agency is missing data in a category, I attempt to fill it in with data from Easterly and Pfutze (2008). The average percent rank is calculated by averaging the categories where data is available.

The overall rankings show that out of the top ten agencies nine are bilateral agencies (Norway ranks first) with the bottom nine out of ten being multilateral agencies (World Food Program is last). Luxembourg is the only bilateral agency ranked in the bottom ten due to its low aid per employee disbursements. The Nordic Development Fund is the only multilateral in the top ten. It could be argued that multilaterals spend more on overhead because they are more efficient and effective at allocating aid (and some results below support this conclusion), but it is hard to make the case that there should be this much variation across agencies even with untrustworthy data. Agencies should attempt to provide some sort of explanation to rationalize the variation in overhead costs.

2.6 *The Best and Worst of Aid*

Based on the five best practice measures, I give an overall ranking to all donors calculated by averaging across the percentile rankings of each individual category. When data is missing, the calculation is performed over those categories with data. As shown in Table 7, the top five rated agencies, all bilateral, are Japan, the Netherlands, the United Kingdom, Germany, and Ireland. Nordic Development Fund, Global Fund, the African Development Bank are sixth, seventh, and eighth, respectively. Multilateral donors only take three out of the top ten ranks and eight out of the bottom ten. No additional data is available for UNIFEM or FAO placing both at the bottom of the rankings because of their lack of transparency. Several other UN programs (IFAD, UNTA, UNHCR) are ranked in the bottom ten along with Spain, CariBank, GEF, IFC and Greece.

[Insert Table 7 About Here]

The best overall bilateral agency is Japan. Japan is extremely efficient at disperses its aid minimizing overhead costs by dispersing a large amount of aid per employee and maintaining a low salary/benefit ratio. Japan also does not tie very much of its aid, give food aid, or support corrupt countries. Japan is also relatively transparent fully reporting to both OECD and AidData. The best multilateral is Nordic Development Fund dispersing over \$10 million US dollars per employee, giving over 80 percent to low income countries, and concentrating its aid by sector.

The worst bilateral agency is Greece. Greece is not nearly as transparent as the other agencies. It does not report on the number of staff or its salaries and benefits, even after several rounds of emails requesting this information. Greece scores poorly on selectivity dispersing 87 percent to corrupt countries and less than 12 percent to low-income countries. Greece also fragments its aid among many different projects and disburses a large portion of aid through ineffective channels, tying between 62 and 88 percent and using technical assistance as 27 to 61 percent of aid, depending on the data source. The worse multilateral is UNHCR.¹⁵ UNHCR is not nearly as transparent as other agencies, has extremely high overhead costs, fragments its aid among many different countries, and gives only 24 percent of aid to low-income countries.

4. Political Economy of Practices

The motivations and incentives faced by all donor agencies are often overlooked or assumed to be benevolent. In many cases, it is presumed that the individuals involved in dispersing aid put aside their own interests and act in the best interests of the developing

¹⁵ Although, FAO and UNIFEM are ranked lower, neither is chosen as the worst because of insufficient data.

countries.¹⁶ This implies that agencies involved with dispersing foreign aid take the most effective means of achieving the stated ends. However, as illustrated above, this can no longer be assumed. This section attempts to address the political economy of aid practices by analyzing the incentives aid donors face to explain why agencies may not always adopt best practices.

Public choice applies the same logic of private actors to public actors where individuals act based on their own desires and concerns. The decision making process surrounding aid disbursement is burdened with different stakeholders, special interests, and rent-seeking activities. The aid process entails various layers of self-interested actors that include donor governments, donor agencies, producers, and citizen interest groups. Voter behavior and special interests groups will influence the actions of donor governments and aid agencies. Meanwhile, bureaucrats in positions to disperse aid will attempt to influence the process by maximizing their budgets and attempting to create a demand for their services. Politicians may seek to pursue their own agenda in the disbursement and allocation of foreign aid.

The main result from the public choice model applied to foreign aid is that those involved in the process may fail to facilitate coordination and cooperation emphasized in the Paris Declaration. Instead, given the incentives faced by the various groups involved, there may be little reason to believe that the best policies and practices will actually be adopted and implemented.

For instance, consider the practice of dispersing aid through the ineffective channels discussed above. Tied aid is one of the more obvious structures of aid that highlights the role of special interests groups in aid disbursements. Tied aid requires

¹⁶ Sachs (2005) supports this view.

recipients to purchase a certain percentage of goods from the donor country. This practice tends to result in donor producers overcharging recipients due to their increased market power and prohibiting recipients from being able to purchase goods cheaper elsewhere. Domestic producers find it in their interests to try and secure a position where their products are related to the tied aid; therefore, it should not be surprising that even after major criticisms from the aid community, between 11 and 30 percent of aid in 2008 is still tied.

Technical assistance can also be viewed as another mechanism reflecting donor interests. Easterly (2006a) claims that technical assistance is worse than other forms of tied aid because donors usually require these technicians to be from the donor country. What follows is recipients handing the aid back to consultants in the donor country that may or may not understand the local problems. This possibly explains why five bilateral donor countries still disperse over 25 percent of their aid as technical assistance (as of 2008 according to OECD). Donor governments may choose ineffective channels as a result of submitting to lobbying efforts to appease politically important domestic producers. Supporting this argument is the fact that multilaterals typically do much better with avoiding ineffective channels. No multilateral agency engages in tying aid and most give a small fraction of food aid or aid as technical assistance.¹⁷

Not only do special interests influence aid practices, bureaucracy does as well. Bureaucracies face their own set of incentives. Aid agencies face perverse incentives stemming from such problems as negligible feedback from beneficiaries, hard to observe outcomes, and low probability that bureaucratic effort will actually translate into

¹⁷ The clear exception is UNTA and WFP whose missions are in line with donating food aid or technical assistance.

favorable outcomes. To respond to these incentives, aid bureaucracies organized themselves budget maximizers. Aid agencies prefer to focus on aid disbursements as the measure of success. Not only are disbursements observable but they are the agency's budget and an agency's budget is its source of existence. The lack of accountability and the focus on aid disbursements rather than intended results, not only lead donor agencies to not take responsibility for past failures, but also to a 'big plan' bias (Easterly 2006a).

With a few exceptions, donors prefer to set big, wide sweeping goals, such as 'ending extreme poverty,' as opposed to marginal steps, such as provide more clean water to a specific location. This preference stems from the political incentives facing politicians and bureaucrats. Instead of choosing a few goals with the highest returns and lower costs, politicians will choose to do work on all goals in order to satisfy all parties involved. Aid agencies ignore tradeoffs and spread scarce resources across many countries, sector, and projects leading to the high level of fractionalization discussed above. By doing so, the benefits from specialization are lost and ineffective practices are adopted.

In addition to special interests and bureaucracy, political motivations surrounding aid disbursements also contribute to poor selectivity criterion. Previous literature indicates that donors disburse aid based on political motivation, not necessarily given to those who need it most (Mosley 1985a; Mosley 1985b; Frey and Schneider 1986; Trumbull and Wall 1994). Boone (1996) shows that aid reflects the relatively permanent strategic interests of donors. Alesina and Dollar (2002) find that how much aid a recipient country gets is affected by whether the recipient is a former colony and the regularity with which a recipient country votes with the donor in the United Nations.

Other evidence shows that allies in the war on terror, such as Central Asia, Pakistan, and Turkey, were rewarded with new aid from donor agencies after September 11, 2001.

This argument is based on the idea that aid is given as a strategic, political move, and not necessarily based on need explaining why aid still supports corrupt autocrats and does not always go to the lowest income countries.

This section illustrates how donor agencies, both bilateral and multilateral, may have many different objectives for foreign aid besides poverty reduction, such as rewarding allies, promoting donor country exports, or maximizing budgets. Given the perverse incentives faced by donors, it now becomes more apparent why so many agencies still resist becoming more transparent. A lack of transparency can also be due to bloated bureaucracies with higher overhead costs (as discussed above). Due to fragmented aid and the presence of so many donor agencies, incentives to be held accountable for aid failures are weak and thus no one agency is held responsible. In other words, there are too many principles and multiple principles weaken the incentives to achieve best practices. The potential for donor incentives to be misaligned with best practices quite large, possibly leading to the adoption of ineffective policies.

5. Conclusion

This study attempts to understand if donors follow best practices, as outlined in the Paris Declaration, and attempts to explain why agencies behave the way they do. Overall, bilateral agencies tend to perform better than multilateral agencies, although there is significant variation from the top agency to the worst. Aid continues to flow through ineffective channels, to corrupt autocrats, and is splintered among many donors, many

countries, projects and sectors. However, better data is needed to gain a more accurate description of the state of aid and aid agencies.

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Table 1: Summary and Data Description

Bilateral agencies	# of Projects	2008 PLAID			2008 OECD		
		ODA Commitments (Constant Million US\$)	Share of Total	Rank by Share	Gross Disbursements (Constant Million US\$)	Share of Total	Rank by Share
Australia	2,876	\$3,687	2.49%	11	\$2,834	1.73%	14
Austria	1,225	\$1,092	0.74%	20	\$1,627	0.99%	21
Belgium	3,619	\$1,470	0.99%	17	\$2,266	1.38%	16
Canada	2,049	\$2,965	2.00%	13	\$4,673	2.85%	10
Denmark	601	\$1,238	0.84%	19	\$2,632	1.60%	15
European Commission	1,785	\$20,502	13.86%	2	\$13,996	8.53%	4
Finland	1,296	\$774	0.52%	23	\$1,073	0.65%	23
France	3,598	\$8,679	5.87%	7	\$11,637	7.09%	6
Germany	9,290	\$11,763	7.95%	5	\$14,910	9.09%	3
Greece	991	\$251	0.17%	28	\$645	0.39%	28
Ireland	3,025	\$744	0.50%	24	\$1,272	0.78%	22
Italy	2,792	\$1,872	1.27%	16	\$4,655	2.84%	11
Japan	6,675	\$14,137	9.56%	4	\$15,491	9.44%	2
Luxembourg	1,585	\$223	0.15%	30	\$388	0.24%	34
Netherlands	1,207	\$5,252	3.55%	9	\$6,633	4.04%	9
New Zealand	688	\$282	0.19%	27	\$357	0.22%	35
Norway	4,208	\$3,008	2.03%	12	\$3,635	2.22%	13
Portugal	879	\$779	0.53%	22	\$582	0.35%	30
Spain	9,164	\$3,908	2.64%	10	\$6,864	4.18%	8
Sweden	2,793	\$2,121	1.43%	15	\$4,510	2.75%	12
Switzerland	4,249	\$1,351	0.91%	18	\$1,824	1.11%	19
UK	2,460	\$6,344	4.29%	8	\$12,825	7.82%	5
USA	15,527	\$25,855	17.48%	1	\$27,210	16.58%	1
Multilateral agencies							
African Dev. Bank	42	\$2,134	1.44%	14	\$1,649	1.01%	20

Asian Dev. Bank					\$2,218	1.35%	17
CariBank	24	\$238	0.16%	29	\$79	0.05%	41
EBRD					\$7	0.00%	42
FAO (UN)							
GEF	184	\$522	0.35%	25	\$775	0.47%	26
Global Fund					\$2,063	1.26%	18
IDA (World Bank)	224	\$9,192	6.22%	6	\$8,845	5.39%	7
IDB					\$525	0.32%	31
IFAD (UN)					\$467	0.28%	33
IFC (World Bank)							
IMF (SAF,ESAF,PRGF)	21	\$15,919	10.76%	3	\$988	0.60%	24
Nordic Dev. Fund					\$99	0.06%	40
UNAIDS	119	\$167	0.11%	32	\$199	0.12%	39
UNDP	3,622	\$403	0.27%	26	\$472	0.29%	32
UNFPA	2,411	\$220	0.15%	31	\$260	0.16%	38
UNHCR					\$264	0.16%	37
UNICEF	7,990	\$790	0.53%	21	\$937	0.57%	25
UNIFEM							
UNRWA					\$768	0.47%	27
UNTA					\$614	0.37%	29
WFP (UN)					\$301	0.18%	36
Total	97,219	\$147,879			\$164,072		

Table 2: 2008 Transparency Indices

Donor	Transparency index based on OECD Reporting	Operating Costs	PLAID	Average	Overall Rank	Percent Rank
Canada	1.00	1.00	1.00	1.00	1	93%
France	1.00	1.00	1.00	1.00	1	93%
Netherlands	1.00	1.00	1.00	1.00	1	93%
UK	1.00	1.00	1.00	1.00	1	93%
USA	1.00	0.999	1.00	1.00	5	91%
Australia	1.00	0.75	1.00	0.92	6	82%
Austria	1.00	0.75	1.00	0.92	6	82%
EC	1.00	0.75	1.00	0.92	6	82%
New Zealand	1.00	0.75	1.00	0.92	6	82%
Luxemburg	1.00	0.63	1.00	0.88	10	80%
Germany	1.00	0.58	1.00	0.86	11	75%
Japan	1.00	0.58	1.00	0.86	11	75%
Belgium	1.00	0.58	1.00	0.86	13	73%
AfDB	1.00	1.00	0.50	0.83	14	52%
Denmark	1.00	0.50	1.00	0.83	14	52%
Greece	1.00	0.50	1.00	0.83	14	52%
IDA	1.00	1.00	0.50	0.83	14	52%
Ireland	1.00	0.50	1.00	0.83	14	52%
Italy	1.00	0.50	1.00	0.83	14	52%
Portugal	1.00	0.50	1.00	0.83	14	52%
Spain	1.00	0.50	1.00	0.83	14	52%
Switzerland	1.00	0.50	1.00	0.83	14	52%
IMF	0.67	0.75	1.00	0.81	23	48%

UNFPA	0.67	0.75	1.00	0.81	23	48%
Sweden	1.00	0.38	1.00	0.79	25	45%
Finland	1.00	0.25	1.00	0.75	26	41%
Norway	1.00	0.25	1.00	0.75	26	41%
UNAIDS	0.67	0.50	1.00	0.72	28	36%
UNICEF	0.67	0.50	1.00	0.72	28	36%
AsDB	1.00	1.00	0.00	0.67	30	27%
CariBank	1.00	0.50	0.50	0.67	30	27%
EBRD	1.00	1.00	0.00	0.67	30	27%
IFAD	1.00	1.00	0.00	0.67	30	27%
IDB	1.00	0.75	0.00	0.58	34	23%
Nordic	1.00	0.75	0.00	0.58	34	23%
Global Fund	0.67	1.00	0.00	0.56	36	18%
UNDP	0.67	0.00	1.00	0.56	36	18%
GEF	1.00	0.00	0.50	0.50	38	16%
UNHCR	0.67	0.75	0.00	0.47	39	14%
UNRWA	0.67	0.63	0.00	0.43	40	11%
WFP	0.67	0.50	0.00	0.39	41	9%
IFC	0.33	0.75	0.00	0.36	42	7%
FAO	0.00	0.75	0.00	0.25	43	5%
UNTA	0.67	0.00	0.00	0.22	44	2%
UNIFEM	0.00	0.50	0.00	0.17	45	0%

Table 3: 2008 Country and Sector Fragmentation

Donor	Overall	Herfindahl		Project	Average	Percent Rank
	Rank	Countries	Sectors			
WFP	1	0.026	0.740		0.383	100.00%
UNFPA	2	0.015	1.000	0.002	0.339	97.50%
UNRWA	3	0.433	0.200		0.316	95.10%
Austria	4	0.380	0.330	0.130	0.280	92.60%
Global Fund	5	0.031	0.520		0.275	90.20%
Nordic Dev. Fund	6	0.075	0.400		0.238	87.80%
UNAIDS	7	0.020	0.560	0.091	0.224	85.30%
EBRD	8	0.116	0.310		0.213	82.90%
IMF (SAF,ESAF,PRGF)	9	0.145		0.268	0.207	80.40%
Portugal	10	0.150	0.140	0.243	0.178	78.00%
Italy	11	0.210	0.180	0.120	0.170	75.60%
Asian Dev. Bank	12	0.151	0.160		0.155	73.10%
CariBank	13	0.110	0.200	0.153	0.155	70.70%
IDB	14	0.143	0.140		0.142	68.20%
African Dev. Bank	15	0.050	0.270	0.071	0.130	65.80%
UNDP	16	0.017	0.300	0.002	0.106	63.40%
Greece	17	0.136	0.120	0.037	0.098	60.90%
UNICEF	18	0.030	0.180	0.036	0.082	58.50%
Japan	19	0.067	0.120	0.022	0.070	56.00%
Australia	20	0.100	0.090	0.018	0.069	53.60%
Germany	21	0.062	0.110	0.020	0.064	51.20%
Denmark	22	0.040	0.100	0.018	0.053	48.70%
Ireland	23	0.060	0.080	0.007	0.049	46.30%
United States	24	0.050	0.090	0.004	0.048	43.90%
Netherlands	25	0.030	0.080	0.034	0.048	41.40%
New Zealand	26	0.060	0.070	0.012	0.047	39.00%

Switzerland	27	0.030	0.080	0.029	0.046	36.50%
United Kingdom	28	0.050	0.070	0.014	0.045	34.10%
European Commission	29	0.034	0.090	0.009	0.044	31.70%
Belgium	30	0.060	0.060	0.008	0.043	29.20%
Sweden	31	0.030	0.070	0.026	0.042	26.80%
Canada	32	0.045	0.070	0.011	0.042	24.30%
Luxembourg	33	0.050	0.070	0.005	0.042	21.90%
France	34	0.030	0.080	0.012	0.041	19.50%
Norway	35	0.040	0.070	0.009	0.040	17.00%
GEF	36	0.060		0.012	0.036	14.60%
Finland	37	0.040	0.060	0.007	0.036	12.10%
Spain	38	0.030	0.060	0.012	0.034	9.70%
UNHCR	39	0.030			0.030	7.30%
IDA (World Bank)	40	0.043		0.015	0.029	4.80%
IFAD (UN)	41	0.026			0.026	2.40%
UNTA	42	0.010			0.010	0.00%
Average		0.08	0.20	0.05		

Table 4: Aid Shares Based on Selectivity Measures 2008

Donor	Composite Rank	Share Going to Noncorrupt	Share Going to Free	Share Going to Low Income	Composite Percent Rank
IDA	1	54.41%	22.35%	75.85%	82%
Luxembourg	2	52.90%	33.91%	52.40%	77%
IMF (SAF,ESAF,PRGF)	3	55.29%	5.50%	90.82%	73%
Global Fund	4	44.80%	20.96%	68.43%	72%
New Zealand	5	52.28%	26.69%	48.33%	72%
AsDF (Asian Dev. Fund)	6	62.03%	4.55%	83.96%	72%
Portugal	7	53.27%	27.86%	36.26%	64%
United Kingdom	8	42.36%	21.59%	47.92%	63%
AfDF (African Dev. Fund)	9	28.12%	13.73%	92.64%	63%
UNFPA	10	35.70%	17.10%	67.91%	61%
Japan	11	64.42%	27.38%	25.27%	60%
EC	12	56.68%	20.47%	39.19%	60%
Nordic Dev. Fund	12	28.06%	14.16%	80.20%	60%
Denmark	14	38.73%	14.68%	61.89%	59%
Australia	15	41.02%	22.20%	44.56%	59%
UNDP	16	30.95%	13.84%	75.88%	59%
Finland	17	50.50%	13.29%	47.62%	56%
Ireland	18	34.84%	10.29%	69.90%	55%
Canada	19	33.49%	18.74%	59.01%	54%
WFP	20	30.97%	8.08%	79.61%	54%
IFAD	21	38.49%	9.19%	66.42%	53%
GEF	22	64.53%	33.52%	15.62%	53%

Germany	23	47.41%	22.90%	24.35%	50%
Netherlands	24	36.60%	23.60%	32.22%	50%
Belgium	25	32.07%	17.07%	44.79%	46%
UNICEF	26	26.51%	13.21%	60.42%	45%
UNHCR	27	40.59%	22.66%	23.89%	44%
Norway	28	40.23%	10.04%	43.32%	43%
Spain	29	45.58%	17.29%	23.07%	40%
UNTA	30	39.40%	25.91%	15.92%	40%
France	31	41.00%	13.11%	27.93%	39%
Switzerland	32	34.49%	20.44%	26.49%	38%
Sweden	33	35.74%	10.47%	38.02%	38%
United States	34	29.04%	12.57%	39.20%	35%
UNRWA	35	42.13%	0.00%		33%
EBRD	36	8.11%	52.09%	19.68%	32%
UNAIDS	37	35.06%	26.96%	11.34%	31%
IDB	38	28.72%	21.87%	22.93%	30%
CarDB (Caribbean Dev. Bank)	39	0.00%	84.19%	15.52%	29%
Italy	40	13.92%	9.06%	25.94%	20%
Greece	41	12.92%	21.02%	11.66%	18%
Austria	42	10.50%	6.13%	14.65%	6%
Overall Average		37.95%	19.78%	45.15%	
St. Deviation		14.79%	13.86%	24.06%	
Minimum		0.00%	0.00%	11.34%	
Maximum		64.53%	84.19%	92.64%	

Table 5: Share of Aid to Ineffective Channels 2008

Donor	Overall Rank	Share of Tied Aid	Share of Technical Assistance	Share of food aid	Share of Untied Aid	Share of FTC	Percent Rank
		OECD	OECD	OECD	PLAID	PLAID	
UNICEF	1	0.00%		0.02%			100.00%
UNDP	2	0.00%		0.06%			95.25%
Ireland	3	0.00%	1.40%	1.29%	94.52%	2.01%	92.26%
Norway	4	0.01%	14.01%	0.03%	94.40%	15.97%	80.68%
Switzerland	5	2.66%	7.66%		90.56%	6.45%	77.37%
Luxembourg	6	0.00%	1.80%	1.72%	89.75%	2.66%	76.30%
Denmark	7	1.45%	4.49%	1.38%	90.01%	4.80%	74.83%
Netherlands	8	5.53%	5.23%	1.12%	90.01%	19.91%	66.78%
IDB	9	0.00%	20.42%				66.70%
Sweden	10	0.09%	3.97%		74.17%	5.18%	59.85%
United Kingdom	11	0.00%	9.50%	1.34%	77.81%	24.32%	56.45%
Japan	12	3.51%	11.17%	1.50%	79.92%	11.06%	54.98%
Belgium	13	8.07%	25.36%	0.87%	89.09%	45.04%	50.49%
UNTA	14	0.00%	100.00%				50.00%
WFP	14	0.00%		84.33%			50.00%
New Zealand	16	7.33%	16.53%	0.36%	75.95%	22.14%	49.08%
EC	17		9.42%	2.53%		5.48%	48.10%
Germany	18	1.84%	26.23%	0.32%	77.32%	30.74%	47.89%
Finland	19	7.68%	22.43%		86.38%	26.61%	47.75%
Austria	20	17.70%	11.96%	0.80%	72.22%	15.06%	44.99%
United States	21	25.03%	2.60%	1.98%	67.94%	2.40%	40.89%
France	22	18.06%	20.23%	0.61%	68.36%	22.81%	37.26%
Italy	23	22.02%	3.00%	1.05%	35.36%	5.31%	34.43%
Spain	24	30.90%	14.58%	1.11%	46.99%	22.72%	27.30%
Canada	25	9.23%	30.12%	1.22%	66.80%	32.66%	22.83%
Australia	26	3.35%	30.44%	2.10%	46.59%	29.03%	17.35%

Portugal	27	70.93%	24.73%		21.92%	15.91%	15.62%
Greece	28	62.05%	27.18%	0.87%	11.81%	60.86%	10.39%
Average		11.02%	17.78%	4.85%	70.36%	18.66%	
St. Deviation		18.23%	19.59%	17.77%	23.61%	14.81%	
Minimum		0.00%	1.40%	0.02%	11.81%	2.01%	
Maximum		70.93%	100.00%	84.33%	94.52%	60.86%	

Table 6: Overhead Cost Indicators

Donor	Total ODA/ODF million \$ per permanent international staff	Ratio Administrative budget to ODA/ODF	Ratio Salaries and Benefits to ODA/ODF	Average of Percent Ranks	Overall Rank
Norway	\$10.81	1.00%		94.55%	1
Germany	\$24.02			94.40%	2
Japan	\$7.09	1.12%	0.27%	91.50%	3
Netherlands	\$5.69	2.01%	0.60%	85.23%	4
Australia	\$5.12	2.00%	1.69%	80.27%	5
Nordic DF	\$10.40	4.26%	1.54%	79.00%	6
Portugal	\$5.35	3.23%		78.60%	7
UK	\$4.44	2.57%	1.56%	78.03%	8
Spain		3.77%		77.00%	9
Ireland		3.81%		74.40%	10
Canada	\$30.17	5.11%	3.93%	72.07%	11
Italy	\$0.13	1.00%	0.00%	68.60%	12
Finland	\$2.55	4.00%		63.65%	13
GFATM	\$5.09	7.64%	3.31%	62.50%	14
AfDB	\$1.91	4.24%	3.21%	60.63%	15
IDB	\$4.42	5.69%		60.25%	16
Sweden	\$3.07	5.46%	4.00%	57.87%	17
European Commission	\$60.97	36.32%		56.45%	18
IBRD&IDA (World Bank)	\$2.64	9.46%	2.37%	56.27%	19
USA	\$2.49	37.38%	0.49%	51.67%	20
ADB	\$3.51	8.00%	8.00%	48.67%	21
Switzerland	\$0.48	2.69%	6.00%	47.57%	22
France	\$2.45	8.78%	5.55%	47.20%	23
New Zealand	\$1.36	7.72%	4.56%	45.63%	24
Belgium	\$0.50	0.24%	17.90%	45.13%	25

Denmark	\$0.60	4.94%		43.30%	26
UNRWA	\$6.78	8.79%	52.00%	42.80%	27
UNICEF	\$0.10	4.03%		37.40%	28
Austria	\$1.51	11.44%	7.76%	36.63%	29
IFC	\$1.48	10.93%		36.10%	30
Greece		9.57%		35.90%	31
EBRD	\$1.87	19.40%	8.44%	31.47%	32
CARDB	\$0.97	11.30%	10.00%	28.43%	33
IFAD	\$1.17	12.72%	10.17%	26.33%	34
Luxembourg	\$0.94	13.04%	8.81%	26.27%	35
UNAIDS		24.65%	18.23%	13.70%	36
IMF	\$0.56	44.03%	24.24%	12.63%	37
UNHCR	\$0.04	15.29%		11.65%	38
UNFPA	\$0.24	124.53%		8.20%	39
GEF		75.00%		5.20%	40
UNDP	\$0.19	129.00%	100.00%	3.70%	41
WFP	\$0.03			0.00%	42
Average	\$5.71	17.15%	11.72%		

Table 7: Ranking of Donor Agencies

Donor	Rank of Avg. Rank	Specialization	Selectivity	Ineffective Channels	Transparency	Overhead Costs	Average Percent Rank
Japan	1	56%	60%	54.98%	75%	92%	68%
Netherlands	2	41%	50%	66.78%	93%	85%	67%
United Kingdom	3	34%	63%	56.45%	93%	78%	65%
Germany	4	51%	50%	53%	75%	94%	65%
Ireland	5	46%	55%	92.26%	52%	74%	64%
Nordic Dev. Fund	6	88%	60%		23%	79%	62%
Global Fund	7	90%	72%		18%	63%	61%
African Dev. Bank	8	66%	63%		52%	61%	60%
Australia	9	54%	59%	17.35%	82%	80%	58%
Portugal	10	78%	64%	15.62%	52%	79%	58%
New Zealand	11	39%	72%	49.08%	82%	46%	58%
Luxembourg	12	22%	77%	76.30%	80%	26%	56%
Denmark	13	49%	59%	74.83%	52%	43%	56%
European Commission	14	32%	60%	48.10%	82%	56%	56%
UNICEF	15	59%	45%	100.00%	36%	37%	56%
Norway	16	17%	43%	80.68%	41%	95%	55%
Asian Dev. Bank	17	73%	72%		27%	49%	55%
UNFPA	18	98%	61%		48%	8%	54%
Canada	19	24%	54%	22.83%	93%	72%	53%
IMF (SAF,ESAF,PRGF)	20	80%	73%		48%	13%	53%
United States	21	44%	35%	40.89%	91%	52%	53%
Austria	22	93%	6%	44.99%	82%	37%	52%
Switzerland	23	37%	38%	77.37%	52%	48%	50%
Italy	24	76%	20%	34.43%	52%	69%	50%

IDB	25	68%	30%	66.70%	23%	60%	50%
IDA	26	5%	82%		52%	56%	49%
Belgium	27	29%	46%	50.49%	73%	45%	49%
UNDP	28	63%	59%	95.25%	18%	4%	48%
France	29	20%	39%	37.26%	93%	47%	47%
UNRWA	30	95%	33%		11%	43%	46%
Sweden	31	27%	38%	59.85%	45%	58%	46%
Finland	32	12%	56%	47.75%	41%	64%	44%
EBRD	33	83%	32%		27%	31%	44%
WFP	34	100%	54%	50.00%	9%	0%	43%
UNAIDS	35	85%	31%		36%	14%	42%
Spain	36	10%	40%	27.30%	52%	77%	41%
CariBank	37	71%	29%		27%	28%	39%
Greece	38	61%	18%	10.39%	52%	36%	36%
IFAD (UN)	39	2%	53%		27%	26%	27%
UNTA	40	0%	40%	50.00%	2%		23%
GEF	41	15%	53%		16%	5%	22%
IFC	42				7%	36%	21%
UNHCR	43	7%	44%		14%	12%	19%
FAO	44				5%		5%
UNIFEM	45				0%		0%

Figure 1

