

**IDS Working Paper 214**

**Aid proliferation: how responsible are the donors?**

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## Summary

The problem of the proliferation of aid donors and channels continues to worsen. It undermines the value of aid. We contribute to the existing literature by (a) categorising the apparent adverse effects of proliferation; (b) producing a reliable and fair indicator of the extent to which the main bilateral donors *proliferate* or *concentrate* their aid; (c) explaining why some donors *proliferate* more than others; (d) constructing a reliable measure of the extent to which recipients suffer from the problem of *fragmentation* in the sourcing of their aid; and (e) demonstrating that the worst *proliferators* among the aid donors are especially likely to be suppliers of aid to recipients suffering most from *fragmentation*. There are significant implications for aid policy.

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## 1 A metaphor

Some readers may find some of the argument of this paper a little challenging. We have been obliged to translate ideas about rich, textured social and institutional interaction into the dry and precise language of statistics, and to spend some time explaining and justifying those translations. This is not to everyone's taste. A metaphor from the world of cultivation conveys the essence of our argument, and will hopefully encourage those who are not at ease with numbers and statistics to look at it a little more closely.

Think of the aid-receiving world as a large field. It is full of a wide variety of plants (countries), of many different species, at different stages of development, in a variety of soils. Some are in shadow, and some are in shade. Some are in sun-traps, and some are exposed to biting winter winds. They need a range of inputs to thrive and grow. They are generally short of moisture (money), and this is the one thing that the aid-donors can supply. Each aid donor has a hose attached to a water supply. How, given this multiplicity of donors with hoses, could we best arrange for our plants to be irrigated?

We might disagree on the details, but we would all agree on the first step: each hosepipe would be expected to concentrate on one distinct area of the field. From there its controller could identify the needs of different types of plants, and how these were affected by the local soil and micro-climatic variables. She would discover which plants are best irrigated with a fine spray, which need a continuous supply to the root zone, which are vulnerable to leaf damage from heavy spray, and where and when different types of fertiliser are best added to the water. She would probably begin to modify the hosepipe, adding bifurcations and timing controls such that, depending on time and conditions, some plants could get drip irrigation while others received a continuous fine spray, and yet others received the personal attention of the holder of the hose. If our crops did not thrive, this would be for some reason other than deficiencies in the water supply.

What happens out there in the real world? It is nothing like the scenario painted above. Most aid donors like to wield their hosepipe such that they individually supply some water to many if not most of the plants in the field, while simultaneously concentrating on the plants they love best. Some donors really like to irrigate cotton, while others think the maize needs the most attention. The net result? The allocation of water over the field is largely random. At various points, some plants suffer needlessly from moisture shortage, and others from flooding. A great deal of water is lost in evaporation even before it reaches the ground or a leaf. And no donor invests in sophisticated equipment to fine-tune water delivery because any attempt they make in relation to the bean plot will be overwhelmed by the largely-random effects of other donors' virtually waving their hosepipes around in the air. No one bears responsibility for how well the bean plot is irrigated.

We accomplish two sets of statistical tasks in this paper. First, we find reliable and fair estimates of the extent to which (a) different bilateral aid donors are guilty of "hose-waving" behaviour and (d) different plants (aid recipients) receive their moisture from a wide variety of sources. Second, we demonstrate that these most disadvantaged plants are especially likely to receive water from the worst

“hose-wavers”. Not only will the general efficiency of water use be increased if the degree of “hose-waving” could be reduced, but there would be special, additional benefits to disciplining the worst “hose-wavers”.

## 2 The argument

Contemporary development aid has its historical roots in Marshall Plan assistance from the United States to Western Europe after World War 2. Its first and arguably greatest success in the developing world was achieved in Taiwan in the 1950s and 1960s, where a large American aid programme played a significant role in sparking Taiwan’s economic miracle. What interests us about these cases is not so much the fact that the aid donor was the United States. More important for present purposes is the fact that there was a *single* donor, whose agents were both interventionist and authoritative in engaging with recipient governments over the use of aid (Jacoby 1966). From an institutional perspective, we now live in a very different aid world. It is a long time since the US was the dominant source of development aid. Sources and channels of aid have proliferated enormously. First, a large number of United Nations and related multilateral organisations have emerged, many of them with their own aid programmes, and each under some obligation to operate in a wide range of poor countries. Second, more and more OECD countries have developed independent bilateral aid programmes. Having such a programme has virtually become a badge of a “developed” status. There are currently 27 bilateral donors, including some very recent entrants to the category from Eastern Europe. 22 operated continuously during 1999–2001, each one benefiting on average 107 recipient countries (Table 2.1). Third, since the 1980s an increasing proportion of aid has been channelled through a rapidly growing number of development NGOs, most of them dealing with financial flows that are tiny by the standards of official multilateral and bilateral aid agencies. Calculating a measure of *donor proliferation* virtually identical to the one we employ here, Knack and Rahman (2003; see also World Bank 2003: 205–7) show that, on a global scale, proliferation has taken place almost continuously since 1975. In other words, the number of aid donors has continued to increase faster than the amount of aid actually disbursed.

The immediate consequence of this proliferation of aid donor organisations and channels is a very large increase in the transactions costs incurred by agencies of recipient governments in their engagements with aid donors. We can illustrate the typical situation with some approximate numbers that we happen to have collected recently in relation to Vietnam, a country that, with aid at about 5 per cent of GDP, is a fairly representative aid recipient. In 2002, 25 official bilateral donors, 19 official multilateral donors, and about 350 international NGOs were operating in Vietnam. They collectively accounted for over 8000 projects, or about one project per 9000 people.<sup>1</sup> To readers familiar with the aid business, there is nothing

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<sup>1</sup> Figures supplied by the office on the United Nations Development Program in Hanoi. Note that Vietnam suffers from what we call *recipient fragmentation* (i.e. a diversity of sources for a given unit of aid inflow) to a significantly lower degree than the typical aid recipient. The median Index of Recipient Fragmentation for all aid recipients in 1998–2000 was about 30 (Table 7.1), when the figure for Vietnam was 21.



**Table 2.1 Summary of the aid-giving patterns of individual bilateral donors**

(Average 1999, 2000 &amp; 2001)

Aid data series used:	Number of countries aided by the donor		Total aid disbursed (US\$ million)		Average aid disbursed per recipient country (US\$ million)		Percentage of recipients receiving less than 1% of the total aid disbursed by the donor
	All aid events	Significant aid events	All aid events	Significant aid events	All aid events	Significant aid events	All aid events
Australia	98	47	607	603	6.2	12.8	82%
Austria	114	66	346	338	3.0	5.1	82%
Belgium	104	72	310	305	3.0	4.2	71%
Canada	130	95	508	500	3.9	5.3	73%
Denmark	87	62	723	719	8.3	11.6	82%
Finland	98	51	159	152	1.6	3.0	76%
France	133	112	2126	2122	16.0	18.9	87%
Germany	135	110	2332	2330	17.3	21.2	76%
Greece	71	11	80	75	1.1	6.8	90%
Ireland	96	37	125	117	1.3	3.1	84%
Italy	103	73	414	408	4.0	5.6	90%
Japan	135	128	7905	7902	58.6	61.7	90%
Luxembourg	77	38	87	78	1.1	2.0	70%
Netherlands	134	105	1317	1312	9.8	12.5	76%
New Zealand	97	24	58	48	0.6	2.0	78%
Norway	116	85	640	634	5.5	7.5	76%
Portugal	51	9	169	165	3.3	18.3	88%
Spain	102	69	718	713	7.0	10.3	79%
Sweden	112	85	697	691	6.2	8.1	75%
Switzerland	112	84	403	397	3.6	4.7	70%
UK	121	101	1753	1748	14.5	17.3	83%
USA	123	109	4467	4465	36.3	41.0	87%
Average	107	72	1179	1174	9.7	12.9	80%

Source: calculated from data on 'total net development assistance' in [www.oecd.org/dac/stats](http://www.oecd.org/dac/stats)

striking about these kinds of figures. The data in Table 2.2, relating only to official aid channels, summarise the global situation in 2000 from the perspective of aid recipients. The median recipient government interacted with 23 official donors. One could supplement such figures with statistics and anecdotes about, for example, the number of donor missions visiting aid recipient countries in a year, or

the amount of time that senior government figures spend dealing with them.<sup>2</sup> There is a long history of concern about what we are terming the transactions costs arising from this proliferation of aid sources. Other observers have used much less technocratic terms. The title of one of the more fluent statements of the problem, published in this journal two decades ago, is quite graphic: ‘Institutional destruction resulting from donor and project proliferation in Sub-Saharan African countries’ (Morss 1984). Morss summarised his argument thus:

The most important feature distinguishing foreign aid in the 1970s from earlier programmes was the proliferation of donors and projects. This donor and project build-up, which continues into the 1980s, is having a negative impact on the major government institutions of developing nations. Instead of working to establish comprehensive and consistent national development objectives and policies, government officials are forced to focus on pleasing donors by approving projects that mirror the current development “enthusiasm” of each donor. Further, efforts to implement a large number of discrete, donor-financed projects, each with its own specific objectives and reporting requirements, use up far more time and effort than is appropriate. Project consolidation is needed, but this is unlikely to occur on a significant scale because of the competitive nature of donor interactions.

(Morss 1984: 465)

The kinds of adverse effects of aid proliferation that Morss criticised continue to feature in the literature, are widely recognised by people with practical experience in managing assistance to heavily-aided countries, and have generally been acknowledged and accepted by official donor agencies. As we explain below, official aid agencies have taken a number of steps to try to alleviate the problem. They have talked extensively about “aid coordination”, SWAps (sector-wide approaches) and budget support, and have taken some tentative steps in these directions. However, the obstacles to collective action among numerous aid donors are extreme (Section 9), and it is difficult to detect within the donor community a strong sense of urgency about tackling these problems.<sup>3</sup> One reason for this relative unconcern may be

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<sup>2</sup> The World Bank’s recent annual *World Development Reports* have consistently treated this issue. For example: ‘At one point there were 405 donor-funded projects in the Mozambique Ministry of Health alone. In the early 1990s in Tanzania there were 40 donors and more than 2000 projects. In Ghana during the same period 64 different government or quasi-government institutions were receiving aid’ (World Bank 2001: 193). ‘Developing country borrowers, for example, must produce 8,000 audit reports every year for multilateral development banks, with the World Bank accounting for 5,500 such reports. Tanzanian government officials have to prepare about 2,000 reports of different kinds and receive more than 1,000 donor delegations each year’ (World Bank 2003: 207).

<sup>3</sup> In addition, one historical current seems to be working in the opposite direction. Since the 1980s, there has been a substantial aggregate re-direction of aid away from many middle income recipients toward the poorest countries. This has probably exacerbated the problems that stem from the proliferation of aid sources in the very countries that are least able to deal with them.

that there is little hard evidence on, or useful analysis of, the problems stemming from aid proliferation.<sup>4</sup> The arguments about these effects, which we summarise in Section 3, are based almost entirely on the observations and experiences of people working in the aid business, and are qualitative. The costs of aid proliferation appear almost to have become naturalised in the perceptions of most aid professionals: they are just a normal part life.

**Table 2.2 Distribution of aid recipients according to the number and type of official donors, (total development assistance, 2000\*)**

	Type of aid donor	
	Bilateral donors only (n=22)	Bilateral and multilateral donors (n=53)
Number of recipients with 1–9 donors	34	13
Number of recipients with 10–19 donors	93	27
Number of recipients with 20–29 donors	22	69
Number of recipients with 30+ donors	0	40*
Total number of recipients	149	149
Average number of donors per recipient	14	26
Median number of donors per recipient	16	23

\* – the highest figure is 36.

Source: calculated from data on 'total development assistance' in [www.oecd.org/dac/stats](http://www.oecd.org/dac/stats)

The aim of this paper is to help focus more attention on the problems of aid proliferation by beginning to fill in some of the analytical gaps. We deal here with the behaviour of bilateral donors in allocating their aid among recipient countries. The allocation choices that bilateral donors make are largely voluntary: they can, and do, choose to extend their programmes to new countries, to terminate them for existing recipients, and to exercise a great deal of discretion in allocating their aid budget within their portfolio of recipients. It is allocation patterns stemming from these voluntary decisions that interest us. Multilateral donors face a very different situation: most are more or less obligated to operate aid programmes in a

<sup>4</sup> A recent trawl of specialists for convincing, “hard” analysis of the problems as manifested within recipient countries largely drew a blank (Nick Manning, personal communication). The most useful published work we know, that attempts indirect measures of the transactions intensity of aid in Africa, is by O’Connell and Soludo (2001). It is striking that at least three recent attempts to look at the behavioural incentives in the donor-recipient relationship through the lens of new institutional economics – potentially a very productive approach – have in effect become bogged down in very unrealistic scenarios of interactions between single donors and recipients, within the general framework of principal-agent models, and have paid no serious attention to the behavioural implications of the existence of a multiplicity of (competing) donors (Collier *et al.* 1997; Martens *et al.* 2002; Ostrom *et al.* 2002).

wide range of poor countries. We do not deal with multilaterals here. Neither do we deal with NGO-mediated aid. The reason is more pragmatic: the relevant figures are not included in the standard aid data set, which is compiled by the OECD Development Assistance Committee.<sup>5</sup>

We ask two main questions about the aid allocation choices of the bilaterals. The first is simply: *Who proliferates?* Comparing bilateral donors with one another, which among them are more responsible for given amounts of aid being widely distributed among many recipients, rather than concentrated on a few? The answer is encapsulated in a simple ranking of donor nations on an Index of Donor Proliferation (see Table 5.1). To produce that index we first identified a good measure of *proliferation* from the donors' perspective, and then checked that it is in no way biased or unfair (Section 5). In Section 6, we explain, to the extent that we can, why some donors are especially liberal *proliferators*. Before trying to answer our second main question, we need an analogous measure of aid proliferation from the perspective of aid recipients: essentially a measure of the diversity of sources from which a given amount of aid comes. We give the label *fragmentation* to this variant of dispersion, and calculate, for each aid recipient in the world, an Index of Recipient Fragmentation (Section 7). Armed with these two indices – an Index of Donor Proliferation and an Index of Recipient Fragmentation – we address, in Section 8, our second main question: *Do the worst proliferators among bilateral aid donors tend to concentrate their assistance on the aid recipients who suffer the worst fragmentation problems?* The practical importance of this issue should be clear. If the answer were “yes”, there would be a strong *prima facie* case for the international community to attempt to alleviate the overall problem of aid proliferation by trying to change in particular the allocation behaviour of these heavy proliferators. Getting them to concentrate, rather than proliferate, their aid would have an unusually large and positive impact on the recipient countries suffering most from fragmentation. And our statistical analysis confirms that the answer is “yes”. Aid recipients that experience the most extreme fragmentation in the sourcing of their aid are indeed, in a statistical sense, very likely to be aided by the worst proliferators among the donors.

Before presenting the quantitative analysis, we first sort out in Section 3 some conceptual issues about transactions costs, proliferation and aid, and explain in more detail the basis and scope of the research reported here. Then in Section 4 we explain how we used the data that were available to us.

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<sup>5</sup> Were these data available, we would face problems of trying to compare the relative transactions costs imposed on recipient governments by international NGOs and official bilaterals respectively. Individual NGOs engage with recipient governments to a far lower extent than do individual bilaterals, and therefore generate much lower transactions costs per institution. But NGOs are much more numerous, and operate much smaller aid programmes than bilaterals. It is an open question whether transactions costs per \$1 of aid are significantly different among the two kinds of channels.

### **3 Transactions costs and the proliferation of aid channels**

Development aid is supposed to help improve national economic performance. There are very strong reasons to believe that, all other considerations aside, aid often underperforms because it flows through too many institutional channels. This generates high transactions costs within each recipient nation, and so reduces the value of aid. What are these transactions costs? No one has ever measured them. It is not clear that they are measurable. Indeed, although the concept of “transactions costs” has a prominent role in the conceptual armory of contemporary economics, it remains to be demonstrated that transactions costs are measurable in anything other than the most unusual circumstances (Toye 1995). However, the concept remains very useful, all the more so since it can be used flexibly to suit different contexts and problems. Building on existing literature<sup>6</sup> and personal experiences in the aid business, we present a list of the different kinds of transactions costs that are generated, *for recipient governments*, by what Morss (above) called “donor and project proliferation”, i.e. the multiplication of aid channels. We also make our own modest conceptual contribution to the debate by suggesting that these transactions costs usefully can be divided into two categories: (a) *direct transactions costs*, that essentially take the form of the absorption of the scarce energies and attentions of relatively senior government staff; and (b) *indirect transactions costs*, that take the form of the dysfunctional bureaucratic and political behaviour that is stimulated by aid proliferation.<sup>7</sup>

#### **3.1 Direct transactions costs of aid proliferation**

(i) Aid is divided into many packets (“projects”), each of them requiring separate negotiation and distinct management and reporting requirements. This absorbs the energy and attention of (senior) politicians and bureaucrats to an inefficient degree.

(ii) The fact that aid comes from a variety of sources (donors) means that the energies and attentions of senior government personnel are absorbed, to an inefficient degree, in establishing and maintaining relationships with a multiplicity of donor agencies, and adjusting to their differing procedural requirements, languages and forms of expression, policy idioms, financial years, etc.

#### **3.2 Indirect transactions costs of aid proliferation**

(iii) Countries that are aid-dependent tend to be poor, and public servants ill-paid. They can often significantly increase – or multiply – their formal salaries by working “for” aid agencies and projects. In some cases they leave public service and become employees of local aid offices, thus draining the public service of valuable experience and talent. In other cases they work ‘for’ aid agencies in a less direct but

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<sup>6</sup> Among the many contributions to this subject, we are indebted to: Brautigam (1999); Burnell (2001); Cassen and Associates (1986: 219–24); Cohen (1991); Dollar and Pritchett (1998); Knack and Rahman (2003); LeComte (1986); Leonard (1987); Morss (1984); O’Connell and Soludo (2001); Wilson (1993); and World Bank (2003: Chapter 11).

<sup>7</sup> There is an implicit hypothesis, not central to present concerns, that the higher the degree of aid proliferation, the higher the ratio of *indirect* to *direct* transactions costs.

arguably more pernicious way: by obtaining such significant remuneration (fees, responsibility allowances, travelling allowances, meeting allowances, overseas travel) by virtue of being the officers responsible for aid project design, management or performance that they face powerful incentives to neglect other duties; to protect and extend particular aid projects independently of their merit on public interest grounds; and to strive to continue the practice of spending aid money through projects, rather than through broader programmes, including SWAps, or budget support.

(iv) Because individual donors like to boost their own projects with technical assistance and training for local government staff, the expenditures and efforts on these activities are excessive.<sup>8</sup>

(v) A diversity of aid channels makes it easier for national-level government officials and politicians to protect their vested interests in particular projects by excluding aid projects from – or misrepresenting them in – public budgetary processes and fiscal statistics. This renders coherent policy making more difficult, and reduces the scope for elected legislatures in particular to have a proper, institutionalised influence over fiscal decisions (Burnell 2001).

(vi) Where there are many aid donors, they are frequently in clear, and sometimes very visible, competition with one another – for attractive projects, for the time and attention of senior policymakers, for the assistance of good public servants, or for influence over the policies of the recipient government. This competition can spill over into their relationships with one another, and lead, for example, to the “hoarding” of information, and for less than whole-hearted engagement in the processes normally labelled “donor coordination”.

(vii) Least tangibly of all, a multiplicity of donors in one recipient country can contribute to a lack of a sense of responsibility for the outcomes of aid. The more donors there are, the easier it is to assume or assert that the lack of development progress is someone else’s fault; and the greater are the temptations for individual donor agencies to focus efforts on obtaining good results from their own projects, even if this impinges adversely on overall aid performance.<sup>9</sup>

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<sup>8</sup> ‘In Malawi training accounts for a staggering \$4.5 million, or 10 per cent of donor spending on health care a year. It is hard to believe that the return on this investment matches the cost. And the real cost appears to be even higher: staff may be absent from work for long periods on training courses. Training opportunities are often a form of incentive for staff. In that case, the funds would likely be better used if the sponsoring donors provided them directly to supplement salaries through the budget. The \$4.5 million spent on training health workers in Malawi would translate on average to a 50 per cent increase in salary for all health care staff’ (World Bank 2003: 207–8).

<sup>9</sup> Contrast, for example, Taiwan in the 1950s and 1960s, when the Americans, the sole aid donors, felt a strong sense of commitment to a successful outcome (Jacoby 1966).

This paper provides no independent additional evidence either on the extent of the transactions costs arising from aid proliferation or on their effects on developing countries.<sup>10</sup> We believe, on the basis of the kinds of evidence summarised above, that these costs have long been unacceptably high in many countries. We deal here with the causes: the patterns of bilateral aid allocation that provide an environment in which these transactions costs escalate. Aid would be more effective, we believe, if it were given to individual countries through fewer channels (Section 9). Further, we do not deal here with all types of aid proliferation stemming from the allocation decisions of bilateral donors. From the perspective of the aid recipient, donors can be responsible for proliferation of two distinct kinds. The first we label *source proliferation*: the provision of aid to a particular country from a wide variety of donors in relatively small amounts. The second, *use proliferation*, is the division of aid among a wide variety of end uses in-country. This latter concern is essentially the old question of how far a given volume of aid is divided into small packets (“projects”) or large packets (“programmes”). As we have explained above, both types of proliferation are responsible for high transactions costs. We have a comprehensive and reliable international data set relating to *source proliferation*. The data on *use proliferation* – on the fragmentation of a recipient country’s aid inflow among separate projects and programmes – are less complete. However, making the best of these incomplete data, Knack and Rahman (2003) have recently calculated measures of what we term *source proliferation* and *use proliferation* for a large number of recipient countries, and find that the two measures are highly correlated.<sup>11</sup> We can therefore be confident that, while it formally relates only to *source proliferation*, our Index of Donor Proliferation is a good measure of *aid proliferation* in the broad sense of the term.

#### 4 Definitions and data

The data we use are available from the Development Assistance Committee of the OECD (OECD, DAC) in a standardised form as a series of matrices that link donor and recipient ([www.oecd.org/dac/stats](http://www.oecd.org/dac/stats)). Unless otherwise stated, all our data refer to *net official development assistance*, averaged over the years 1999, 2000, and 2001.<sup>12</sup> Our pool of potential aid recipients was defined as all UN member states: i.e. we ignored non-sovereign territories. Our basic unit of analysis is what we term an *aid event*: an entry into a cell in a matrix for a particular year, indicating that, in that year, money was

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<sup>10</sup> Because of problems with both data and methods, it is extremely difficult to research either of these issues adequately. Knack and Rahman (2003) find a statistical association over time between the degree of donor proliferation and declines in bureaucratic quality in heavily-aided countries. For a range of reasons, their results can be no more than suggestive.

<sup>11</sup> Their data on the division of national aid inflows into projects and programmes come from the Development Gateway data base, AiDa (Accessible Information on Development Activities).

<sup>12</sup> Net official development assistance excludes repayments. One might argue that data on gross aid disbursements are better suited to our purpose, as they give a better indication of the number of aid transactions between donors and recipients. Unfortunately, the OECD does not provide figures on gross official development assistance for the most recent years. We use the best data available. We did however run all the statistical analysis reported here for an earlier set of years (1998–2000) for which gross disbursement data are available, using both gross and net figures separately. Our conclusions are essentially unchanged.

transferred from donor to recipient. There are many technical questions about the definition and measurement of aid that we simply by-pass here, because the Development Assistance Committee has already made decisions about them in compiling its data series. The Development Assistance Committee does however provide us with a number of alternative measures of aid. Two choices that we made require explanation:

(i) For self-evident reasons, we chose to use data on aid disbursements (i.e. actual financial transfers) rather than commitments (i.e. previous agreements to make transfers).

(ii) There is a choice about whether (a) to count *all* recorded aid flows as aid events, however small they might be, or (b) to exclude some very small transactions. The case for the latter option is that a substantial proportion of all aid events take the form of small grants, notably for travel and education scholarships, or for in-country events financed directly from the donor's embassy. It seems likely that these kinds of activities typically do not generate the kinds of transactions costs with which we are concerned. If one accepts that argument, the question is then how to define what we can generically term an *insignificant aid event*, i.e. one too small to merit attention in quantitative analysis. We decided to make the cut-off point US\$500,000. Any recorded aid event of US\$500,000 or less we defined as *insignificant*. Note that during 1999–2001, our 22 bilateral donors were responsible for an annual average of 2349 *aid events*, and 1573 *significant aid events*. In other words, exactly one third of all aid events were *insignificant*, being valued at US\$500,000 or less.

We did not ignore insignificant events. We did all our calculations using both alternative measures: (a) *all aid events*; and (b) *significant aid events* – meaning those of a value of more than US\$500,000. None of our results were substantively affected by the choice of data set.

## 5 Identifying proliferators

Proliferation, in the sense in which we use the term here, refers to the extent to which an aid donor disperses its aid budget among a portfolio of potential recipients. In statistical terms, it is equivalent to *dispersion*, and the opposite of *concentration* (or, *inequality*). There are two dimensions to our concept and measure of proliferation: (a) the proportion of the total number of potential recipients who actually receive any share of the aid budget of a particular donor; and (b) the extent to which that total budget is shared equally among all those recipients, or concentrated on some, leaving others only with crumbs. There is more proliferation (dispersion) when (a) the cake is shared among a larger proportion of the total potential number of recipients and (b) each receives a relatively equal share. Take as a hypothetical example four donor countries, each with an annual aid budget of \$100 million, and all operating in the same aid universe in which there are 100 potential recipient countries. Donor A divides its aid budget equally among those 100 countries, giving each \$1 million. It disperses its aid as widely as possible, and therefore receives the highest possible score as a proliferator. Donor B gives \$5 million to each of



20 countries, and none to the remaining 80 countries. It therefore ranks as less of a proliferator (= more of a *concentrator*) than A. Donor C also aids 20 countries, but gives \$13 million each to 4 of them, and \$3 million each to the remaining 16. Donor C is less of a proliferator than B. Finally, by giving all of its \$100 million to one recipient, donor D attains the highest possible score as a concentrator. The measure of dispersion we use to compare aid donors is completely independent of the relative size of their aid budgets. Conceptually, it is a measure of how widely each donor disperses a budget of \$X, where X can take any value.

**Table 5.1 Ranking of bilateral donors by Index of Donor Proliferation**

Aid data series used:	Index of Donor Proliferation: absolute values		Ranking for bilateral donors by the value of their Index of Donor Proliferation (Highest value listed as 1)	
	All aid events	Significant aid events	All aid events	Significant aid events
Germany	299	297	1	1
Canada	256	239	2	2
Netherlands	220	216	3	3
Switzerland	217	206	4	4
Norway	205	198	5	6
Belgium	200	189	6	7
United States	200	199	7	5
Sweden	191	185	8	8
France	183	181	9	9
Finland	166	147	10	13
Japan	162	162	11	10
Italy	160	154	12	12
United Kingdom	160	158	13	11
Luxembourg	160	128	14	17
New Zealand	150	107	15	18
Denmark	149	146	16	14
Spain	148	145	17	15
Austria	137	129	18	16
Ireland	120	104	19	20
Australia	107	105	20	19
Portugal	73	70	21	21
Greece	69	62	22	22

Source: calculated from data on 'total net development assistance' in [www.oecd.org/dac/stats](http://www.oecd.org/dac/stats)

There are a number of potential summary statistical measures of aid proliferation-concentration. We settled on the Theil Index as the most appropriate and straightforward indicator of concentration.<sup>13</sup> Since we are looking to measure *proliferation* rather than *concentration*, we inverted the Theil Index to produce our Index of Donor Proliferation (IDP). We also multiplied this inverted Theil Index by 100 to eliminate messy-looking decimal places. Absolute IDP scores for the 22 bilateral donors, calculated from the two different aid data series, are shown in the second and third columns of Table 5.1. These two series of scores are virtually identical.<sup>14</sup> We used them to calculate rankings of donors on the IDP scale. These are in the last two columns of Table 5.1. Note that the country rankings are very robust, and barely change from one aid data set to another.

The measures of proliferation in Table 5.1 are technically satisfactory for present purposes. But are they also objective? For we are using proliferation in an evaluative sense: countries that appear as relative proliferators are implicitly charged with behaving worse than their fellow aid donors. We must be sure that this judgement is fair. It would not be fair if, for some combination of geographical or historical reasons, a particular donor tended to concentrate on assisting a region comprising a large number of small countries, like the Caribbean. For most Caribbean aid recipients are so small that any significant aid donor to the region would have to spread its money very widely to avoid flooding particular recipient countries

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<sup>13</sup> The Theil index has two components. If we define the portion of a donor's total aid going to recipient  $i$  as  $x_i$ , then the first component is

$$H(x) = \sum_{i=1}^n x_i \log \left( \frac{1}{x_i} \right).$$

The maximum value  $H$  is reached when an equal amount of aid is given to all  $n$  countries, each receiving  $\frac{1}{n}$  with  $H(x) = \log n$ . The Theil Index is the difference between this maximum value and the actual  $H(x)$ , after some simplification:

$$T = \log n - H(x) = \sum_{i=1}^n x_i \log nx_i .$$

The number  $n$  in this case is all potential recipients of aid. If there were only one possible recipient then this value is 0. The value  $T$  also reaches 0 when all potential aid recipients receive an equal amount of assistance. Thus the use of Theil Index here takes into account that a country might be aiding only a small number of countries out of the list of potential aid recipients. Later in the paper, we use an alternative indicator of concentration-dispersion, the Hirschman-Herfindahl Index, to measure *fragmentation* (of aid recipients). It is not useful in measuring proliferation because of this need for a measure that takes account of "zero observations", i.e. of the number of potential aid recipients to whom a donor gave no aid. Alternatively, we could have measured proliferation with the Lorenz Curve, which picks up the cumulative distribution of aid among potential recipients. One problem is that the value of the Lorenz Curve is very much shaped by larger allocations at the top end of the distribution spectrum. Another is that these distribution curves can cross one another, which makes it difficult to use them unambiguously to rank donors by degrees of proliferation. We also explored partial summary statistics of the distribution of aid budgets among recipients, such as (a) the proportion of the donor budget going to the largest  $X$  recipients, where  $X$  can be varied; and (b) the proportion of recipients who receive more than a tiny share (e.g. 1 per cent, 2 per cent or 3 per cent) of the donor budget. There are several problems in using these kinds of measures for our purposes. The most important is that they are essentially arbitrary, both conceptually and statistically. Experiments showed that the ranking of donors in terms of proliferation could vary very significantly between using, for example, 1 per cent or 2 per cent as cut-off points.

<sup>14</sup> The Spearman correlation coefficient for these two data series is 0.98.

with excessive amounts of aid. That donor would almost inevitably appear as a *proliferator* in the comparative statistics. By contrast, an aid donor with historical or geographical commitments focused on Asia is much more likely to have the choice of spending a large aid budget in a small number of large recipient economies, and to appear in the comparative statistics as a (virtuous) *concentrator*.

Most bilateral aid donors have geographical or historical commitments that influence the distribution of their aid among recipients. The question is whether these commitments are sufficiently strong and geographically biased that they lead to a situation in which individual aid donors have portfolios of aid recipients that are significantly different from one another in terms of the typical size of those recipients. We sought to answer this question in two ways. Both produced “negative” results, indicating that the rankings of donors in Table 5.1 in terms of the Index of Donor Proliferation are fair, and therefore accurate from a policy as well as a technical perspective.

We are testing for the existence of patterns of aid allocation shaped by limits to the aid absorption capacity of “small” countries. For that purpose, “small” should be defined in terms of Gross National Income (GNI) of aid recipients – i.e. the size of the economy – rather than population size alone. Do some donors consistently and significantly direct their aid to a portfolio of recipients that includes an unusually high proportion of small recipient economies with aid absorption problems? One way to answer this question is to look directly at donors’ portfolios see whether or not they differ in terms of the size of economies they choose to fund. We used a simple analysis of variance (ANOVA) test to see whether the average GNI of countries aided by donor A significantly differed, in a statistical sense, from the average GNI of countries aided by donors B . . . Z? The result was negative: these figures were not significantly different from one another in a statistical sense.<sup>15</sup>

The second test was less direct, but takes into account the potential effect of another factor that might obscure an actual connection between individual donors’ portfolios of recipients and their scores as proliferators: the total size of the donor’s aid budget. Start from the hypothesis that the number of countries that each bilateral donor aids is very likely to be determined to a substantial degree by the total size of its aid budget. The more money you have to disburse, the more countries you are likely to give it to. One can test that proposition through regression analysis of the determinants of the number of countries to which each donor gives aid. Let:

- Y = the number of countries that each donor aids; and
- X<sub>1</sub> = total size of aid budget.

If, in addition to the impact of total aid budget, the proliferation-concentration behaviour of particular donors is significantly affected by the inheritance of a portfolio of unusually large or unusually small recipient countries, this should show up in a multivariate regression equation, where:

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<sup>15</sup> Using our *all aid events* data series, the ANOVA test generated an F-statistic of 0.54, with p-value of 0.95. In other words, there was a 95 per cent probability that donors’ portfolios, in the sense we have defined them here, did not differ from one another.

$X_2$  = the average GNI of the ‘portfolio’ of countries aided by each donor.

We did the regression analysis twice, using our two aid data sets. The detailed results are in a footnote.<sup>16</sup>  
In sum:

- While in both data sets the total size of donors’ aid budgets ( $X_1$ ) is positively related to the number of countries to which they give aid ( $Y$ ), this relationship was only statistically significant – at the 1 per cent level ( $p= 0.0156$ ) – in the case of the data relating to *significant aid events*.<sup>17</sup>
- The average GNI of the ‘portfolio’ of countries aided by each donor ( $X_2$ ) was completely unrelated to  $Y$  in both equations.

We therefore conclude that any “portfolio effect” is not strong enough to be statistically observable, and that the Indices of Donor Proliferation in Table 5.1 are reliable indicators of the relative proliferation-concentration behaviour of the different bilateral aid donors from an evaluative as well as a purely statistical perspective.

## 6 Explaining proliferation patterns

There is in fact a distinct patterning to these rankings of donors in Table 5.1, which largely conforms to our prior expectations. Let us leave aside the United States which is distinct in several ways, above all because it is the only aid donor with genuinely global geo-strategic interests – and a total aid budget that is no longer commensurate in size with these global commitments. We can loosely divide the other donors into two groups:

- The *proliferators* – seven of the top eight countries in Table 5.1, (excluding the United States): Germany, Canada, Netherlands, Switzerland, Norway, Belgium, and Sweden. These countries are (a) Northern European (except Switzerland, and Canada, which is a traditional member of the informal North European group of “like-minded” donors ); (b) have little or no history as direct colonial powers (with limited exceptions for Belgium and the Netherlands); and (c) have relatively new overseas aid programmes that are generally distinguished by their “progressive” nature, their

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<sup>16</sup> Data set: *significant aid events*

$$Y = -1530.278 + 29.724 X_1 + 0.008 X_2$$

(2.670)                      (0.522)

This equation explains 43 per cent of the variation in the dependent variable.

Data set: *all aid events*

$$Y = -2428.616 + 43.208 X_1 - 0.013 X_2$$

(1.318)                      (-0.228)

This equation explains 24 per cent of the variation in the dependent variable. T-statistics are in brackets in both cases.

<sup>17</sup> It makes sense that the statistical relationship between  $Y$  and  $X_1$  should be stronger in the data set relating to *significant aid events* than in the one relating to *all aid events*. For, as we saw above, two thirds of *events* in the latter series are for amounts of less than \$500,000. The extent to which different donors distribute such small packets of money varies widely.

responsiveness to concerns about poverty, and their relative autonomy from domestic business interests (with the partial exception of Belgium).

- The *remainder* – a diverse group of countries that have no single feature in common beyond not being *proliferators*, but which are virtually all marked by one (or both) of the two following characteristics: (a) clear historical (colonial, cultural) and/or geo-strategic commitments to a particular part (or parts) of the developing world (France, Japan, the United Kingdom, New Zealand, Spain and Australia); and (b) very small aid programmes. The six countries in the fourth column of Table 2.1 with annual aid budgets of less than \$200 million all fall into this *remainder* category. Only two of the 14 countries in the *remainder* category – Austria and Italy – fail to share at least one of these two characteristics listed above, and neither have a very large aid programme.

Note that there is a subjective element in the boundary we draw between *proliferators* and the rest. We could equally plausibly have drawn it a little lower to include France and Finland as *proliferators*. Finland has all the characteristics of a *proliferator*: it is North European; has no colonial history; and has a relatively progressive aid programme. The French aid programme is more dispersed than, for example, the British because it is the only national programme to bear the weight of supporting a particular (challenged) language and culture on a global scale. But this kind of discussion about where exactly to draw a line does not change the overall implications of the IDP rankings. Allowing for the vagaries of particular cases, this distribution of countries along the Index of Donor Proliferation is very consistent with a rather obvious interpretation of why some donors in particular have become liberal *proliferators*. These are generally the countries that have the most altruistic and progressive aid programmes. Relatively unconstrained by historical, cultural or geo-strategic considerations that might otherwise lead them to concentrate their assistance, they have extended their aid programmes widely to the poorer and more “deserving” nations. The net result of these good intentions has been a serious exacerbation of aid proliferation, and the problems to which it in turn gives rise.

## 7 Measuring fragmentation

When talking about the dispersion of aid, we have consistently used the term *proliferation* to talk about the patterns of donor distribution, and *fragmentation* to refer to the extent of dispersion in the sources of aid received by an aid recipient. Conceptually, *fragmentation* parallels *proliferation*. It also has two dimensions: (a) the number of sources (donors) from which a recipient obtains aid; and (b) the extent to which each donor contributes an equal share.<sup>18</sup> Again, the measure of dispersion we use to compare aid recipients is

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<sup>18</sup> Take as a hypothetical example four recipient countries, each with an annual aid inflow of \$100 million. If Recipient A obtains its \$100 million from contributions of \$4 million from each of 25 donors, then it would rank as highly fragmented. In practical terms, its government would have to pay a great deal of attention to each of 25 donor agencies. If Recipient B receives \$10 million from each of 10 donors, then it is less fragmented than A. Recipient C, with \$18 million from each of its two main donors and \$8 million each from 8 others, is less fragmented than B. And Recipient D, which receives its \$100 million from just one donor, is so

completely independent of the relative sizes of their total aid receipts. Conceptually, it is a measure of the diversity of the sources from which each recipient obtains an aid inflow of \$X, where X can take any value.

**Table 7.1 – The Index of Recipient Fragmentation (IRF) for individual aid recipients: some summary figures**

Aid data series used:	All aid events	All significant aid events
Highest level of the IRF	113	113
Lowest level of the IRF	10	10
Median level of the IRF	31	29
Average level of the IRF	40	39

Source: calculated from data on 'total net development assistance' in [www.oecd.org/dac/stats](http://www.oecd.org/dac/stats)

To calculate the Index of Recipient Fragmentation (IRF) we used the most straightforward available measure, the Hirschman-Herfindal Index, originally designed to measure the degree of concentration among suppliers to a particular market.<sup>19</sup> From the lay person’s perspective, this measure is very similar to the Theil Index used to calculate the Index of Donor Proliferation. It is also, in its raw form, a measure of *concentration*. We again use the inverse to produce a measure of *fragmentation* (dispersion), so that a high IRF score directly indicates a high degree of fragmentation. We also multiply the raw score – this time by 100,000 – to eliminate messy decimal places. Using our alternative data series, we estimated two IRFs for each of 179 aid recipient countries. The figures have no independent significance: they are simply a tool to enable us to compare 179 countries. The individual country scores are not reproduced here. Table 7.1 demonstrates (a) that there is a wide variation among individual aid recipients in the values of IRF and (b) the choice of aid data series makes little difference to the scoring.

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far from fragmented – and so untypical of the real world – that we do not really have a good word to describe its situation (*integrated?*).

<sup>19</sup> The Hirschman-Herfindahl Index is calculated by squaring the market share of each firm competing in the market – in this case, the share of each aid donor in the total aid inflow of each recipient – and then summing the resulting numbers.

$$H = \sum_{i=1}^h P_i^2$$

The variation range of H is  $\frac{1}{n} \leq H \leq 10.000$

## 8 Are extreme proliferators especially responsible for fragmentation?

Our purpose in calculating Indices of Recipient Fragmentation for aid recipients was to permit us to test the hypothesis that the most fragmented aid recipients would, to a greater degree than other recipients, be receiving assistance from the worst proliferators among aid donors. The practical importance of this hypothesis is clear. If it were valid, there would be an especially strong case for trying to reduce the fragmentation problem by encouraging the heavy proliferators in the donor community to concentrate their aid more. We tested the hypothesis using multivariate regression. This was to enable us to take into account the likely effect on Indices of Recipient Fragmentation of recipient country size, or what is sometimes known as the “UN factor”. It is widely believed that aid donors have a preference for aiding small countries because aid purchases influence, and every country has a vote in the United Nations. It has long been known that smaller countries do indeed tend to be aided relatively generously. Multivariate regression analysis allows us to take the country size effect into account when explaining differences among recipients in IRF scores. Our hypothesis was that aid recipients with high IRF scores would tend to be (a) small (as measured by total GNI) and (b) especially likely to receive aid from donors who were *proliferators*. The regression equation is therefore:

Y = IRF values (for aid recipients)

X<sub>1</sub> = GNI of the recipients (for 2000)

X<sub>2</sub> = Average Index of Donor Proliferation for all donors aiding that recipient

Our hypothesis was strongly confirmed. For both data sets, the independent variables X<sub>1</sub> and X<sub>2</sub> were related to Y in the predicted direction with a high level of statistical significance.<sup>20</sup> The very high degree of *fragmentation* experienced by some aid recipients is directly attributable to the fact that they receive aid

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<sup>20</sup> The results were as follows (T-statistics in brackets):

Data set: *significant aid events*

$$Y = 8.490 - 0.00003 X_1 + 0.347 X_2$$

(-2.54)                      (10.68)

The coefficient on X<sub>1</sub> is significant at the 1 per cent level (p = 0.012); and the coefficient on X<sub>2</sub> is significant at the 0.1 per cent level (p = 0.0001). This equation explains 48 per cent of the variation in the dependent variable.

Data set: *all aid events*

$$Y = -4.179 - 0.0004 X_1 + 0.344 X_2$$

(-2.92)                      (7.30)

The coefficients on X<sub>1</sub> and X<sub>2</sub> are both significant at the 0.1 per cent level (p = 0.004 and 0.0002 respectively). The equation explains 30 per cent of the variation in the dependent variable. We checked whether these results were not excessively shaped by particular “outlier” cases. We first identified apparent outliers through scatter plots, and then, because some appeared to be larger countries (aid recipients), repeated the regression analysis excluding recipients with a GNI of more than \$500 billion. This did not change the results in any significant way. We also repeated the analysis using the log of GNI, rather than straight GNI, as the X<sub>1</sub> variable. This too left the result unaffected.

from aid donors especially guilty of *proliferation*. If the worst *proliferators* would mend their ways, with each concentrating their aid more on fewer recipients, there would be substantial immediate impacts on the recipients suffering the worst fragmentation.

## 9 Concluding comments

Before dealing with the policy implications of donor proliferation, we need to make two disclaimers. First, we are not so naïve as to believe that all problems of donor proliferation and competition, and of recipient fragmentation, can be attributed to the behaviour of aid donors. We have used a simplified language that depicts donors as actors and recipients as victims to help readers maintain a grasp on the main elements of what could otherwise become a very complex analytical story. Out there in the real world, recipient governments also contribute to proliferation-competition-fragmentation, above all perhaps by taking few initiatives to overcome these problems. Their motivations seem quite clear: an understandable fear that smaller and more coordinated groups of donors would exercise more influence over them. Our second disclaimer is that we are not particularly doctrinaire in our attitudes to pluralism, competition, and their opposites. Our concern about the excesses of donor proliferation, pluralism, competition etc. does not imply that we hanker after some totally monist ideal, with total hierarchy and integration, only one aid donor per recipient country, etc. We presume that the normal advantages of pluralism and competition – notably innovation, stimulus to improved performance, and robustness of systems in the face of failure of one component – apply in the aid business as elsewhere.<sup>21</sup> It is a matter of finding the right balance.<sup>22</sup> Among people with experience in the aid business, it is hard to find many defenders of the present pattern of widespread proliferation on any grounds other than *realpolitik*.

Looking at the statistics on aid proliferation and fragmentation, some observers might be struck by the fact that virtually all donors spread their aid very widely (Table 2.1), and others more impressed by the fact that some donors proliferate much more than others (Table 5.1). If serious inroads are to be made into the problem of recipient fragmentation, there will have to be a major behaviour change on the part of virtually all donors. While donors have been talking about these issues for a long time, progress to date is very limited. Some of the figures in Tables 2.1 and 2.2 help us to understand why this is the case: the enormous obstacles to coordination and collective action among donors that arise when (a) there are many donors present in each recipient country and (b) each donor is assisting a large number of countries, and is unlikely to be able to focus organisational attention on many of them. Look again at the last column of Table 2.1. In 1999–2001, 80 per cent of *aid events* involved less than 1 per cent of the donor's total aid budget. How in these conditions can any aid agency devote much attention to any one recipient?

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<sup>21</sup> One of us has in the past written on the benefits of competition among aid donors in particular contexts (Moore 1992).

<sup>22</sup> We are grateful to Hubert Schmitz for the suggestion that a key indicator of the longer term institutional effect of the number of aid donors per aid recipient might be the effect on the capacity of the recipient to initiate changes in policy and practice.



It is analogous to an individual lawyer trying to deal with a hundred cases in any one week, or a management consultant working for dozens of clients at a time. There is just not enough attention to go around.

Aid donor staff know that. Their ideas and initiatives to tackle the problems around aid proliferation and fragmentation take a wide variety of forms, go under different names, and may overlap with one another. Conceptually, they fall into four main categories:

(i) *Coordination*: Donors maintain their separate country programmes and separate in-country presence, but simply try to work with one another (and the recipient government) in various ways to maximise cooperation and synergy and minimise competition and overlap. Methods of coordination may vary a great deal, ranging from an occasional general roundtable meeting to an attempt to establish a complex system of “partnership groups”, whereby small committees of donors are expected to take the lead in particular sectors and activities (Diallo *et al.* 1991; Cassen and Associates 1986: 224–35). Aid agencies almost universally endorse the importance of coordination and claim that they are active participants. More cynical aid professionals view “aid coordination” as one of the most tired and deceptive terms in the business.

(ii) *Sector-Wide Approaches (SWAs)*: The defining feature of SWAs is that a group of donors agree to pool their financial support in one area of activity, or sector, within a recipient country. In principle, this is accompanied by an agreement among them to coordinate and centralise their interactions with the recipient government, to reduce the transactions costs that the government incurs. The development of SWAs has been the aspiration of most of the donor community for about the last decade. While there has been a great deal of activity around the idea, SWAs remain a minority phenomenon.

(iii) *Budget Support*: In the 1960s, Britain and France provided budget support to some of their more dependent or vulnerable former colonies in Africa. This was at the time derided as neo-colonialism, and the practice was largely terminated. It has come back into fashion in recent years, in some donor circles, as a potential solution to all the problems we have been addressing in this paper and a number of others as well, including the perceived problem of “low ownership” on the part of recipient governments of policies advocated by aid donors. Donors cease to fund projects or programmes, but simply increase the resources available to the treasury of the recipient government to finance an agreed range of activities. As yet, budget support is unusual.

(iv) *Sector Specialisation*: While individual donors may continue to spread their aid among many countries, they each specialise in a small number of sectors, to reduce some of the adverse consequences of their “crowd behaviour”. This is a good idea in principle, but the statistics indicate there is little sign of it in practice: ‘. . . donors do not specialize very much, either by sector or by country’ (World Bank 2003: 206).

These conventional approaches have two things in common. The first is that they do not have a great track record. They have either been ineffective – especially much conventional “aid coordination” – or, as yet, have not really been widely practiced.<sup>23</sup> The second is that they are actually very conservative strategies. Proponents start from the acceptance of the fact that there are a large number of aid donors operating in a particular country, and seek ways to improve coordination and cooperation among them at the individual country level. However, experience suggests that it is actually very difficult to negotiate real improvements in coordination and cooperation among a large number of donors. Take for example Mozambique, which has been almost a laboratory for the development of SWAps. A recent study of attempts to pool (only) support for technical assistance in Mozambique concluded:

The huge costs of implementing certain pooling schemes, particularly SWAps, have probably offset actual and even potential returns. The length of time needed to establish a SWAp . . . is often underestimated. For . . . [the agricultural sector] . . . it took . . . more than seven years of negotiations to reach the implementation phase, as well as an enormous amount of expertise and resources on both sides to manage the process.

(Pavignani and Hauck 2002: 17)

Similarly, Vietnam has been at the forefront of the process of organising donors into “partnership groups”. This has actually generated a great deal of conflict among donors. The question of which donor agency is to coordinate the (relatively labour-intensive) process of establishing and servicing partnership groups raises long-standing differences among different multilateral agencies about the role of overall aid coordination. And the decision to limit actual groups to a small number of active donor representatives means that some donors find they are excluded from groups that they perceive as central to their mandate.<sup>24</sup>

The fact that it proves very difficult to negotiate these variants of “improved coordination” should not be a surprise. Individual aid agencies in recipient countries each have to pursue their particular bureaucratic or national missions, pay attention to their own policy perspectives and objectives, and cope with continuous and generally rapid turnover of their own staff and those of other aid donors.<sup>25</sup> Add to this the problem of large numbers round each national “table”, and, to the theorists of collective action, the obstacles to negotiated solutions begin to appear quite formidable. But suppose the aid community took a broader regional or global approach, and tried seriously to reduce the numbers involved in each

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<sup>23</sup> In many countries, much remains to be achieved over simpler issues like harmonization of donor procedures. A donor group working in Vietnam reported in 2001 that ‘Donors and recipients alike have been well aware of the advantages of harmonization, but little progress has been made so far’ (Donor Group 2001). For a more optimistic review of progress in this field, with extensive references, see (World Bank 2003: Chapter 11).

<sup>24</sup> This comment on Vietnam is based on the experiences of one of us there in mid-2002. A document produced in Hanoi in late 2001 contains a summary of the objectives and reports on the activities of twenty separate partnership groups (Vietnam Development Information Center 2001). There were however considerable ambiguities in the minds of Hanoi aid agency staff about the status and membership of different groups.

<sup>25</sup> For a concise listing of the obstacles to reforming aid, see World Bank (2003: Chapter 11).

case? This would involve encouraging donors to reduce the numbers of countries in which each operates, concentrate more on a smaller number of countries, and thus, *without changing overall aid levels*, change the aid environment in ways likely to reduce the major transactions costs summarised in Section 3. There are many ways in which the aid community might approach such a mutual consolidation of donor country portfolios. All imply considerable negotiation costs, but, as explained above, so do existing, painfully slow single-country approaches. A more global approach at least offers some prospect of substantial, broad and very beneficial long term changes. A useful first step would be to recognise that the issues we have treated in this paper – proliferation and real cooperation between donors – should be central to any evaluation of donor performance.

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