

SHORT NOTE

ARE AID AGENCIES CHANGING THEIR PRACTICES?

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Abstract: Using data from 2004 to 2008–2012, we provide the first multi-year agency monitoring of Development Assistance Committee (DAC), multilateral and United Nations (UN) agencies. Our results suggest that, on average, DAC donor performance has declined while multilateral and UN agency performance has increased. Specifically, multilateral and UN agencies are more transparent and specialized while DAC donors are less specialized and failed to improve in other categories. © 2020 John Wiley & Sons, Ltd.

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INTRODUCTION

Since the disappointment of the Millennium Development Goals (MDGs), donors have pledged to ‘best aid practices’, with particular emphasis on transparency and coordination. In this paper, we ask: Are donors actually changing their practices? We evaluate agency level practices in order to determine if donors actually alter their behaviour as they claim they should. We focus on four areas: transparency, overhead costs, aid specialization and selective allocation.

We collect donor level data from Easterly and Pfutze (2008), Easterly and Williamson (2011) and Palagashvili and Williamson (2017) (henceforth EP, EW, and PW respectively)

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Table 1. Best practice comparisons, 2004 to 2008–2012

	2012 PW Data	2008 EW Data	2004 EP Data
Panel A: Transparency Index			
DAC Average	0.81	0.82	0.72
Multilateral Average	0.86	0.80	0.64
UN Average	0.57	0.56	0.39
Overall Average	0.77	0.75	0.62
Panel B: Overhead Costs			
		Admin costs	
DAC Average	5.94%	7.60%	6.60%
Multilateral Average	18.77%	18.85%	27.50%
UN Average	85.47%	45.57%	55.00%
Overall Average	23.17%	17.26%	21.48%
		Salaries & Benefits	
DAC Average	7.22%	4.51%	4.09%
Multilateral Average	11.89%	7.52%	14.50%
UN Average	83.72%	45.10%	56.00%
Overall Average	22.22%	11.85%	15.00%
		ODA per staff	
DAC Average	\$4.33	\$8.49	\$2.90
Multilateral Average	\$3.66	\$3.69	\$2.20
UN Average	\$1.19	\$1.22	\$0.94
Overall Average	\$3.55	\$5.94	\$2.36
Panel C: Specialization Index			
DAC Average	0.09	0.09	0.10
Multilateral Average	0.31	0.15	0.10
UN Average	0.27	0.23	0.10
Overall Average	0.18	0.13	0.10
Panel D: Selectivity Index			
DAC average	0.26	0.35	0.41
Multilateral average	0.38	0.48	0.55
UN average	0.34	0.40	0.48
Overall average	0.30	0.39	0.46

Note: The rankings are recalculated based only on donors available in all three studies; therefore, rankings may differ from original study.

to measure aid agency best practices over time. These papers follow the same methodology, allowing for multi-year monitoring, which is usually not possible given the lack of consistent methodology across studies. In doing so, we distinguish types of donors based on three categories—DAC (Development Assistance Committee) bilateral, multilateral (such as regional banks) and UN donors—and compare donor types across each best practice.

In order to monitor changes, we collect data for donors only if they are included in EP (2008), EW (2011) and PW (2017). This leaves us with 40 donors, including 8 UN agencies, 9 multilateral donors and 23 DAC bilateral agencies. Appendix S1 briefly describes each donor included. To compare, we grade each donor on four categories of best practices, including transparency, overhead costs, specialization and recipient selectivity. We then average each individual agency by donor type to compare across DAC, multilateral and UN. Results are reported in Table 1.¹

¹The data collection process is described in Easterly and Pfütze (2008) and Easterly and Williamson (2011).

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Transparency is based on the ability to gather information such as employment numbers, budgetary data and overhead costs. An overall transparency index is created, ranging from zero to one, with one implying full reporting. Table 1, Panel A finds that from 2004 to

Table 2. Comparison of overall rankings: 2012 PW Data, 2008 EW Data and 2004 EP Data

Donor	Overall rank			Change	
	2012	EW 2008	EP 2004	2008–2012	2004–2012
DAC Average	26	22	18	−4	−8
Multilateral Average	6	12	14	6	8
UN Average	20	27	33	7	13
Bilateral Agency-DAC					
EU Institutions	8	10	25	2	17
Ireland	10	5	4	−5	−6
France	11	35	5	24	−6
Portugal	13	27	18	14	5
Luxembourg	15	15	11	0	−4
United Kingdom	16	4	1	−12	−15
Australia	20	9	8	−11	−12
Norway	23	24	9	1	−14
Netherlands	24	11	20	−13	−4
Canada	25	18	23	−7	−2
United States	26	25	22	−1	−4
Japan	29	7	13	−22	−16
Sweden	30	30	10	0	−20
Denmark	31	20	21	−11	−10
Austria	32	28	24	−4	−8
Switzerland	33	33	12	0	−21
Greece	34	38	32	4	−2
Italy	35	26	28	−9	−7
Belgium	36	32	17	−4	−19
Finland	37	34	27	−3	−10
Germany	38	16	26	−22	−12
New Zealand	38	13	34	−25	−4
Spain	40	36	35	−4	−5
Multilateral Agency					
AfDB	1	1	7	0	6
Global Fund	2	2	16	0	14
IMF	3	21	15	18	12
AsDB	4	3	6	−1	2
GEF	5	39	36	34	31
IDA	6	8	2	2	−4
Nordic Dev. Fund	7	6	29	−1	22
CariBank	12	14	14	2	2
IDB	14	12	3	−2	−11
Multilateral Agency-UN					
UNFPA	9	17	39	8	30
UNHCR	17	40	33	23	16
UNICEF	18	23	19	5	1
UNRWA	19	22	31	3	12
IFAD	21	29	38	8	17
UNDP	22	19	30	−3	8
WFP	27	31	37	4	10
UNAIDS	28	37	40	9	12

2012, transparency improved across each donor group. Multilateral agencies have experienced the greatest increase in transparency. Both multilaterals and UN agencies are outpacing DAC donors in transparency improvements.

Overhead costs utilize the data collected during the transparency stage and refer to an agency's costs relative to aid disbursements. In Panel B, we present a breakdown of the three measures of overhead costs from 2004 to 2012. The most striking finding is the extreme increase in UN agencies' operating costs. From 2004 to 2012, UN administrative costs increased by 30 percentage points, and from 2008 to 2012, UN salaries and benefits increased over 38 percentage points. DAC and multilateral donors decreased their administrative costs, and multilateral agencies decreased salaries and benefits.

Specialization captures the extent to which aid is divided among many countries and sectors. As shown in Panel C, since 2004, the DAC donors are becoming less specialized as both the multilateral and UN donors are increasing specialization. Ironically, the DAC donors are often the most vocal in claiming to commit to better donor coordination.

Selectivity refers to aid delivery to the poorest and democratically free countries while avoiding corrupt dictators. Panel D shows that, in absolute terms, all three groups are less selective since 2004.

To track changes of individual level donor rankings, in Table 2, we compare aggregate rankings reporting the changes from 2004 to 2008–2012. Multilateral and UN agencies are improving when compared to DAC donors, whose rank has steadily fallen.

In 2004, the DAC donors' average overall rank was 18, only four spots behind the multilateral donors. However, DAC donors' average ranking is worsening dropping from 18th to 26th. Twenty-one of the 23 DAC donors dropped in rank since 2008. Driving these results is less transparency and specialization combined with no improvement in overhead costs or selectivity. In 2004, the UN average rank was 33rd with six UN agencies in the bottom 10. By 2012, UN agencies ranked 20th. The UN agencies are more transparent and specialized, leading to increases over time. The multilateral institutions are consistently the top performers improving over time. In 2004, 4 of the top 10 were multilateral and, in 2012, 7 of the top 10 are multilateral donors. The multilateral agencies are openly providing more information and increasing specialization.

Collectively, our results suggest that donors are not meeting their standards in best aid practices. All donor groups, for example, have become less selective since 2004. Furthermore, DAC bilateral agencies are the first to commit to changes in their aid practices, but DAC donors' practices have worsened over time compared to other donors. One of the most surprising results is that UN agencies are outperforming DAC donors. UN agencies have received substantial criticism in the literature (Easterly, 2007; Easterly & Williamson, 2011) but now appear to be improving their practices.

Overall, this research calls for further investigation into the determinants of the observed pattern of donor behaviour and rankings and specifically to understand the incentives DAC donors face for reform, as simple commitment has not compelled them to meet their own standards.

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SUPPORTING INFORMATION

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